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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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Faith or Works?

IT is a long time since New Year's day fell at a juncture when the immediate future was so hard to forecast as it is to-day. In the next article an attempt is made to probe some of the grim mysteries of the great international game of power politics; and on pages 11 to 17 of this issue of *The Economist* we inquire at some length whether the economic auspices point to continued prosperity or to onsetting decline.

The conclusions of our survey, which is concerned solely with diagnosis and makes no attempt to formulate policy, need only be briefly and dogmatically summarised here, since the full argument is within easy reference. It is becoming clearer each succeeding week that the economic climate has changed in the last few months. Between August and October British recovery reached its summer solstice, and there has been since then a slight but perceptible recession in almost all the different fields of enterprise. There is not, however, in economic affairs, any astronomical inevitability of decline from high summer to the dark days of midwinter. If some further upward stimulus can be provided there is no reason why the present high level of output in this country should not be broadly maintained, even though it is unlikely that there will be any considerable further increase. A successful economic policy, that is to say, may perform the biblical miracle of making the sun stand still, though it is unlikely to raise it still higher in the heavens. And in any case, even if this success cannot be achieved, there is no reason to

anticipate a sudden eclipse, or anything more drastic than a gradual decline.

The obvious practical conclusion to be drawn from this analysis is that economic statesmanship should be preparing itself to fight a battle in defence of our present prosperity. The Government have hitherto chosen to wage this battle with the weapons of faith. Before Parliament adjourned, the PRIME MINISTER, once more denied that there was any threat of a slump, declared that "this country is in a far better position to meet any temporary decline in trade than at any time since the War," and condemned talk of depression as "not only exaggerated but dangerous," and he has reiterated the same view this week in a New Year message to the Conservative Party.

This attitude has considerable logical justification. It is a commonplace that public psychology plays a very large part in the causation of economic fluctuations, and in the very earliest stages of a downward movement it is the soundest of policies to do nothing to disturb, and everything to maintain, the highest degree of public confidence in the continuance of recovery. It is becoming more and more questionable, however, whether the time for such a policy has not already passed. The disheartening returns of unemployment in November were only the most obvious of many signs which must by now have convinced the majority of thinking men that there is some change in the economic atmosphere. When, in such circumstances, the public authorities persist in declaring that

nothing is or can be wrong, there is a danger lest the effect of their declarations should be to persuade the public that they are either out of touch with the facts or unwilling to accept them. The fate of MR HOOVER's very similar endeavours in the winter of 1929-30 should be a standing warning against any too long-maintained reliance upon faith-healing alone.

The search for a more positive policy is not an altogether easy one. It so happens that almost all of the specifics usually prescribed to guard against trade depression are not available in our present circumstances. Cheap money, for example, is one of these, but the rates of interest in the money market and the gilt-edged market could hardly be much reduced below their present level. Expansion of the basis of credit is another device that has been fully utilised, to such effect that the banks are already carrying an unusually high proportion of investments. Depreciation of the pound, which brought great relief to the British economy six years ago, could not be tried again without evoking reprisals that would rob it of all useful effect. The chief item of the "doctor's mandate" in 1931 was the balancing of the Budget. Whether or not that would be a sound policy for to-day, it cannot be done so long as foreign anxieties prevent us from abandoning the costly re-armament programme. Even that dubious narcotic, another dose of industrial protection, is fortunately far removed from practical politics at the moment.

There is only one policy left for adoption, and that is the policy usually and somewhat misleadingly described as "public works." Within the last few weeks both SIR ARTHUR SALTER and MR J. M. KEYNES have publicly drawn attention to the virtually unanimous opinion among economists that the most useful form of economic policy at the moment would be to prepare schemes of useful capital development to be put into effect if there should be a serious rise in unemployment. With employment near its peak, it would, of course, be foolish to put any such scheme into actual execution at the moment, but the announcement that plans were in preparation would serve as a more effective buttress to confidence than mere declarations of unconcern.

Only the most enthusiastic devotees of public works would claim that they are a remedy of universal application, or that, unassisted, they can change the trend of economic events. Indeed, it is easy to imagine circum-

stances in which a public works policy would do more harm in undermining confidence in the solvency of the State than good in creating employment. Our present circumstances, however, provide an almost uniquely favourable conjuncture for the preparation of such a policy, in which both of the major objections usually urged against it could be avoided. The first of these is that public works are works of no value, which are not required. At present, however, houses for the ill-housed poor and roads for the rapidly expanding volume of motor transport provide by themselves sufficient scope for large expenditures which will in any case have to be undertaken within the next decade or so. There can be no question of "making work" when there is so much work of this nature which needs to be done.

The second possible objection is that a public works programme would create an enormous deficit in the Budget, and lead to another *crise de confiance* such as that of 1931. But the two examples that have been mentioned—roads and houses—can be financed by methods that would impose a very small extra burden on the Budget. If the Road Fund were resurrected, it could raise an autonomous loan for a large programme of construction on the security of its future increase in revenue. In the case of houses, the Exchequer's financial support would be given in the form of a continuing subsidy, and the burden on any one year's Budget would be very small.

The advantages of such a course of positive defence against depression are thus very considerable. It is urged on the Government by an unusual concurrence of opinion. The economic circumstances of the moment make sure that any such programme, if boldly launched whenever unemployment should increase, would have its maximum effect in stimulating enterprise. And the programme could be so arranged as to minimise its fiscal disadvantages. Its adoption by the present Government would have one more circumstance in its favour, for there is a very widespread belief in the country that the National Government laid the foundations for recovery in 1931-32, and any policy of economic preparedness adopted by that Government could be expected to evoke an unusually favourable psychological response from the business community. No Government in modern times has more deliberately sought to build its reputation on its economic policy. The next few months will be a test of its ability and willingness to adapt itself to the dynamic of events.

A Fateful New Year

THE New Year finds the world in a state of utter uncertainty as to what the near future is likely to bring forth. Our situation would be less uncanny if we foreknew that the utter discord which may be ahead of us was inevitable; but that is just what we cannot tell. The thunderclouds that have been piling up, bank on lowering bank, for the past six years, are not bound to discharge an annihilating thunderbolt. Their sensational accumulation may be followed by an unsensational dispersal, and the skies, while remaining murky, may cease to be menacing. Our complete inability to predict our own future is the sign of the times. What a contrast to the outlook of our fathers and grandfathers, who foresaw their future and beheld that it was very good—with a vision that saw true up to the point marked 1914 in the Recording Angel's calendar.

Perhaps just one thing can be predicted: the future is likely to be less obscure—for good or evil—twelve months hence than it is to-day; 1938 seems likely to be a fateful year, though not necessarily a fatal one. As it opens one question is in every mind: what are the chances of aggression or against it?

Against aggression there militate two hard facts, one

technical and the other economic. The technical fact is that, in the art of war to-day, the defence is decidedly, and perhaps even decisively, superior to the attack. The economic impediment to aggression is that an overwhelmingly large proportion of the world's economic resources are under the control of non-aggressive Powers. Unfortunately, however, these considerations are not so conclusive as might appear at first sight. For the defence is, of course, only superior to the attack when both the combatants are approximately at a parity of efficiency in the widest sense of the term. To take an extreme case, an Abyssinian defence is no match at all for an Italian attack. The great risk of 1938 is that the democratic and non-aggressive Great Powers may still seem, in the eyes of a potential aggressor, to be a possible prey, since he sees that they are technically still largely unprepared, while he guesses that they are still morally pusillanimous.

All the same, the actual or would-be aggressors cannot be feeling very cock-a-hoop at this moment if they are looking the facts in the face, for the course which aggression has run during the past six years has been etched with a biting irony. On the one hand, the inability of the

victims of aggression to defend themselves, and the unwillingness of their fellow members of the League of Nations to carry out their obligations under the Covenant, have no doubt surpassed the aggressors' most sanguine expectations. Japan in Manchuria and Italy in Abyssinia have pursued their way unhindered. But here comes the irony; for the successfully conquered territories have turned out to be as great liabilities as they were expected to be great assets; and to keep up the illusion of enriching expansion, each country has been impelled to plunge into a second adventure in aggression—Italy in Spain and Japan inside the Great Wall. Looking at these first two stages in the Japanese and Italian progress, a Germany which has not yet broken out may well hesitate.

Can a German outbreak *à la japonaise* or *à l'italienne* be averted? This is perhaps the most crucial of the imminent practical questions of the day. There is no reason to think that the men who have the last word in determining the policy of the Third Reich are themselves in a desperate mood at present. But they might be driven into desperate courses by economic difficulties at home that have been mainly of their own making; or again they might be drawn into desperate causes by a despairing ally.

Of all the seven Great Powers, Italy is manifestly the least capable of standing the competition in brute force which SIGNOR MUSSOLINI himself has precipitated. Already the DUCE's policy has caused Italy to forfeit her post-war influence in Central and South-Eastern Europe to her now re-armed German ally. Italy is economically weak and already under heavy strain; and her only alternative to a confession of frustration may be a quest for power and territory in the Mediterranean and Africa at the expense of France and Great Britain to set off against her losses to Germany on the Danube and the Brenner. But she could only attempt so desperate an adventure as this if she could succeed in embroiling Germany too. Is she likely to succeed in that if she tries? SIGNOR MUSSOLINI's strong card would be to play upon Germany's fear of being left isolated in Europe, without an ally, if the southern end of the Berlin-Rome axis came to a smash. This was the card which Austro-Hungarian diplomacy played with success in July, 1914; and it is perhaps unlikely that the Germans will allow themselves, twice running, to be lured into disaster at the tail of a weak ally. The Reichswehr have forgotten neither July, 1914, nor those months in the following year in which the Italian member of the Triple Alliance abandoned even neutrality in order to stab her old allies in the back. The German General Staff are not going

to pull MUSSOLINI's Spanish chestnuts out of the fire if they can help it.

These German misgivings about Italy's adventures in aggression are no doubt being greatly accentuated at this moment by even more acute anxieties about the behaviour of Germany's other ally, Japan. Germany has been hoping to find in Japan a second arm for a pair of nut-crackers that are to crush the Soviet Union when the favourable moment turns up. But the Japanese have thought otherwise. Instead of attacking a Power which can bomb Tokyo and Osaka from Vladivostok, the Japanese have run their heads into a China who is as difficult to cope with as PIER GYNT's antagonist the BOYD. The Japanese ram is driving his horns so deep into the Chinese clay-bank that he may never be able to pull them out; and to make matters worse for Germany, the frenzied animal is at the same time trampling with his forefeet upon German trade in China while he is lashing out with his hind legs against the British Empire and the United States.

The rapid and brilliant success of Japanese diplomacy in rousing the English-speaking peoples and bringing them closer together may set German diplomacy on a new tack. For Japan's imbroglios are lightening the pressure on Russia. Germany would have no stomach for trying an anti-Russian adventure if, instead of taking the shape of a limited German-Japanese attack on the Soviet Union, with the rest of the world neutral, it were to mean a world-war in which Germany would once more find the English-speaking peoples ranged against her. It is possible that this new constellation of forces, made in Japan, will incline Germany to look for a realisation of her economic ambitions in Eastern Europe through an *entente* with Russia and not through an assault upon her. Any such re-alignment would present to each of the other Great Powers the task of thinking out again *ab initio* its place in the world. But its immediate effect would be greatly to relieve the present tension. There would be at least an interval, in which the nations could make another attempt to live side by side as members of a genuine international society instead of being offered the tragic choice between the rôles of anvil and hammer. In this fateful year 1938, German statesmanship could perform no greater service to the German people than by making up its mind to keep the peace with Russia as well as with the Western Powers, and thus securing golden advantages, both in Eastern Europe and in Africa, by a process of friendly negotiation, without having to put Germany's fortunes to the perilous hazard of another Great War.

Gas or Electricity?—I

The Rival Industries

IN this age of scientific wonders there is little of the magic of the whole thousand-and-one Arabian Nights that the average British citizen, who keeps the peace and pays his bills, cannot have for the asking. Gas and electricity have contributed largely to this result and, in consequence, have added much to the total of human happiness. But they are rival geni, whose emulation, if carried to extreme lengths, may have consequences neither in the public interest nor in their own. We propose, therefore, to examine some of the consequences of their present-day competition and to see how far a *modus vivendi* is practicable between the two great public utilities.

First, we may indicate their respective extent and scope by a few significant figures. In 1936 there were 11,318,174 gas consumers, industrial and domestic, in the United Kingdom. In the year ended March 31, 1937, there were 7,652,000 premises connected to electricity systems in the supply areas of Great Britain, and of these premises

some 6,484,000 were domestic. The total number of consumers of electricity in the United Kingdom is put at about 8,000,000, of which over 87 per cent. are domestic consumers. The output figures of the two industries are given in the following table:—

GREAT BRITAIN: OUTPUT OF GAS AND ELECTRICITY

	Gas (million cubic feet)	Electricity* (million units)
1920 ...	259,000†	...
1929 ...	316,419	10,294
1930 ...	313,046	10,914
1931 ...	313,753	11,413
1932 ...	309,336	12,224
1933 ...	309,557	13,562
1934 ...	313,546	15,459
1935 ...	319,342	17,569
1936 ...	334,049	21,650

* Authorised undertakings only.

† Partly estimated.

Electricity, the newer industry, has naturally achieved the more rapid progress during recent years. Its output,

nothing

indeed, has more than doubled since 1929. The gas industry, nevertheless, has shown steady expansion; for in 1936 the output of authorised undertakings in Great Britain was 5½ per cent. higher than in 1929 and about 30 per cent. higher than in 1920. Industrial consumption of gas, in particular, has a healthy upward trend. But electricity, undoubtedly, has the wider scope for expansion in the near future.

Hitherto, increased demand for electricity has come largely from new consumers, many of whom use it only for lighting purposes. There is still room for further expansion, since on March 31st last about 40 per cent. of potential consumers were still unconnected to any source of electricity supply. But as the field for new development becomes more restricted, on the domestic side, the industry will need to persuade customers to take electricity for other purposes than lighting, particularly for space heating, water heating and cooking. And here strong resistance will undoubtedly be encountered from the gas industry. The latter, having been first in the field, to-day holds the larger part of it. There were installed in the 12 million occupied dwellings of Great Britain, at the end of 1936, some 636,400 electric cookers, 200,800 water heaters and 150,300 electric wash boilers. In other words, there was one electric cooker to approximately every nineteen dwellings, one water heater to every 56 and one wash boiler to every 80. But a single large gas producer, the Gas Light and Coke Company, whose area holds less than 14 per cent. of the total number of gas consumers, installed 397,450 gas cookers and 99,447 gas water heaters in a single year—1936.

Both industries have made extensive and effective use of the modern weapon of co-operative advertising. The consumer, whose custom is thus vigorously solicited by two great industries, is free, in theory, to choose the form of lighting, heating and power which best suits his particular purposes. In practice, his choice is effectively limited by considerations which may be purely local in character, and are concerned mainly with relative charges. Standards of efficiency are not uniform among suppliers in all areas, but, broadly speaking, in districts where both gas and electricity undertakings are reasonably well run, and the relative prices charged per unit are not unduly high (by existing standards), there is a tendency for many consumers to have both gas and electricity connected to their houses. Competition for new business, consequently, focusses itself on the persuasion of the customer to instal heating and cooking appliances. How far should the two industries go in offering inducements to potential users by means of special tariffs?

The practice of most electricity companies is to charge a high flat rate, in relation to generation costs, for lighting purposes, but to offer the consumer the alternative of a two-part tariff. Under this tariff a standing charge, based on either the number of rooms or some other index, is combined with a low charge per unit. Critics of this system argue that it compels the lighting consumer to pay a higher price than is economically justified in order to subsidise the heating or cooking consumer. To this contention the reply has been made that, since lighting provides the "peak load" for the makers and suppliers of electricity, it is in everybody's interest to encourage consumption in the "off-peak" hours by offering lower over-all prices to those who use electricity for purposes other than lighting.

Whatever the position, it is generally acknowledged that the two-part tariff is a powerful weapon of the electricity industry in competition with its rival. In this respect the gas industry has hitherto been at a considerable disadvantage. A company must supply gas to any person within a specified distance of a main and has no power to charge for the installation; whereas the electricity supplier can bargain for a cash payment or annual instalments towards the installation costs. Many gas consumers are, in fact, so

small as to be unremunerative to the companies who supply them—in the sense that their consumption is insufficient to carry a due share of the total cost of gas distribution (as distinct from that of manufacture). Many attempts have consequently been made to encourage individual consumers to burn more gas. In October, 1935, the Gas Light and Coke Company even introduced a voluntary form of two-part tariff, by giving consumers the option of paying a flat rate of 8.6d. per therm or a fixed standing charge plus 4d. per therm for all gas consumed. In the industry as a whole, however, the difficulty is that, after more than a century's operation, the uneconomic consumer has reduced flat-rate charges to levels which leave very limited scope for offering consumers any inducements. To do so would normally involve the raising of flat rates—which, in most cases, is quite impracticable.

An attempt to solve the problem on rather different lines was made in September, 1936, when the South Metropolitan Gas Company introduced a three-decker tariff: 11d. per therm for the first ten therms per month, 7½d. per therm for a further quantity calculated according to the consumer's probable maximum demand, and, thereafter, 4d. per therm. The object of this new system was to ensure that each consumer should first pay a price to cover the standing charges on his installation and then receive gas for a payment only slightly in excess of the actual manufacturing cost. The proposal was, however, abandoned in face of considerable opposition because it threatened the majority of consumers with a compulsory increase in price and the poorer consumers with definite hardship.

Consequently, the gas industry to-day is limited to three systems of charging. The first was established by law the best part of a century ago, and prescribed a maximum selling price for gas, coupled with a maximum dividend on ordinary capital. This maximum price system, designed to constrain what was then a monopoly, meant that the consumer received no benefit from improved efficiency until the maximum dividend was reached. This system was later supplemented by the standard price system, which embodied a sliding scale of charges, based on the principle that the consumer was entitled to the bulk of the economies of increased efficiency, but the shareholder had a right to between one-tenth and one-fifth of the proceeds of such economies. The third system, introduced by the South Metropolitan Gas Company in 1920, was the basic price system; a basic price was laid down by statute, and the difference between the actual revenue and the revenue which would have been received had all the gas been sold at the basic price was to be divided between the stockholder, the consumer and the worker.

The complaint of the gas producers is, briefly, that none of these systems, to which they are bound by circumstances and by statute, really allows them to meet the rival appeal of electricity on level terms. The consumer makes his choice for domestic or industrial purposes by comparing prices; and the gas industry is prevented, largely by extraneous and historical reasons, from offering really competitive tariffs. There is certainly some justification for this contention; and the results are serious both from the viewpoint of the gas industry and of the public, whose interests demand the most efficient use of the national fuel resources. As we have seen, the two industries are still going ahead together despite their rivalry, and there is room for much more expansion. But, if the consumer's choice is to result in the most economic use of fuel and a proper functional separation between the uses of gas and electricity, competition on the basis of price is not the end of the matter. The question is not merely one of productive efficiency; efficiency in consumption deserves much more attention than it has had hitherto. To this question, and to the possibilities of co-ordination between the two industries, which it opens up, we propose to turn in a concluding article.

Publicity for Whitehall

PROPAGANDA is the ugliest child of the Great War. It was discovered in 1918 that the victor depended for success as much upon the mobilisation of the public mind as upon the mustering of men and material. The lesson was learned so completely in some countries that the deliberate control of public opinion is now a recognised part of the mechanism of a Fascist State. Great Britain, which was credited with the most skilful and effective propaganda machine in wartime, abandoned it at the Armistice, and has only very recently begun, in this department as in others, to re-arm in self-defence against the potential threat of the Dictator States.

The full power of propaganda, however, is not to be seen in international relations so much as in the internal public opinion of countries from which all other sources of news and opinion are excluded. These recent extensions of the power of governments over the minds and souls of their subjects are so deadly poisonous to the democratic idea that they must inevitably be regarded with the utmost abhorrence by all who see in the freedom of the human spirit the chief hope for the future progress of mankind. But there is some danger that, in our detestation of Government propaganda, we shall be led to disapprove of another entirely different and much less objectionable development—the gradual provision of an efficient publicity service for the doings of Government. It may not in every specific case be possible to draw a clear line where publicity ends and propaganda begins, since one man's news may be another man's propaganda, but the distinction in principle is unmistakable: publicity seeks to enlarge the supply of facts available to the public in free competition with other sources of information; propaganda seeks to mould opinion without any particular regard to truth. We may agree with JOHN STUART MILL that any attempt by the State to bias the opinions of mankind on controversial questions would be a great evil, and yet hold that there is room for a very great improvement in the machinery by which the State keeps its citizens informed of what it is doing and, where necessary, solicits their co-operation.

In Great Britain, apart from the great development of official publicity during the war of 1914-18, there were no significant efforts by the administrative (as distinct from the political) machinery of State to inform public opinion, still less to influence it, for a particular purpose, until the foundation of the Empire Marketing Board. Then, for the first time in British administrative history, a high-pressure publicity department was created in the service of an economic cause. Its career was brief, but not inglorious. It set new standards in official propaganda and it even surpassed the achievement of many commercial undertakings.

The Empire Marketing Board was killed by the economy crisis of 1931. But that same crisis saw a further development of State publicity in the intensified campaign to "Buy British," and in the next year the conversion of War Loan was "put across" by means of widespread publicity.

These examples, however, were all of a more or less temporary character and for specific purposes. The tradition of Government departments and of their political heads remained until very recently one, at best, of passively providing information only when asked for it, and, at worst, of retiring behind a screen of secrecy and anonymity. The only pre-1932 exception to this rule was the excellent News Department of the Foreign Office, itself a survival of the war, which has continued to foster excellent relations between the Foreign Office and the Press without the exercise of any pressure save that of fact and reason.

The first breach of the official tradition came not in Whitehall but in the City, when the General Post Office secured the services both of the Empire Marketing Board's successful film unit and of SIR STEPHEN TALLENTS, who had first shown in his administration of the Board what public relations might do for a Government department. So successful has been the example of the publicity given by the Post Office to its activities and services that, in the short space of six or seven years, Whitehall has already transformed itself. It was probably no mere coincidence that after the promotion of the POSTMASTER-GENERAL to the Cabinet rank of MINISTER OF HEALTH a joint Public Relations Department was created to serve both the Ministry of Health and the Board of Education, neighbours in the same building. Although the two departments have since severed the union, the divorce was not the result of a weakening faith of either in the common cause. Each department now has its separate service, and the current campaign to make the health services more widely known is the biggest and most important achievement of administrative advertisement to date.

Many of the other Departments have taken similar steps. The Ministry of Labour has sought to popularise training and transfer schemes in the derelict areas. The Ministry of Agriculture has obtained publicity for its National Mark and marketing schemes, and has provided an information service both for farmers and for the public. The Ministry of Transport in recent years has necessarily made a direct appeal to the public, and MR HORE-BELISHA, like SIR KINGSLEY WOOD, has carried the infection of publicity from one department to another, since one of his earliest actions at the War Office was to appoint a Director of Public Relations. In short, the Department that makes no attempt to supply information or to obtain publicity for its actions is now the exception rather than the rule.

The mere provision of a Public Relations Department, however, does not by itself ensure that a Government office secures that share of the public attention which it desires, and still less that the public is given all the information it wants about the activities of the Civil Service. There are enormous differences, as any journalist knows, between the services which different departments provide for the seeker after information. Some Ministries still consider it the chief purpose of their Public Relations Officer to hold the enquirer at bay. In others, the Officer is not given sufficient scope to be able to be of much service to the public. Generally speaking, it is only those departments where either the political or the permanent head is a convinced believer in the virtues of publicity that make a real effort to give a good account of themselves to the public. The change, however, has been rapid, and the discovery that publicity is a political asset to the Cabinet Minister at the head of a department is sufficient by itself to guarantee its further extension in the future.

This sort of publicity is a new development in the British political machine. Hitherto the only link between the Civil Service and the public has been the House of Commons, and it must not be thought that the creation of a new link through the Press and other media, such as the cinema and the hoarding, finds universal approval. It is thought by many civil servants to transgress against the Gladstonian traditions of their service. There is also the danger, hitherto successfully avoided, of overstepping the line between publicity for the actions of the Government and propaganda for the policies of the political party in power. Parliamentary criticism and control is very necessary as a safeguard against abuse of the new weapon. Any form of publicity, especially when it is based on exclusive

nothing.

of information, is necessarily to some extent persuasive as well as informative in character, and it is essential to have some assurance that it is used only for purposes—such as better housing, better nutrition, better health—which are generally acceptable. Just as Ministers, when giving information to the House of Commons, are subject to criticism and questioning which they cannot evade, so in the new development of direct publicity, it is essential that information should not merely be handed out in a form which provides no opportunity for testing its value. In other words, to achieve its full value, publicity for Whitehall must be two-way publicity. If the Departments want the benefits of publicity, they must bear its obligations. They must not claim the interest of the public one minute and rebuke its inquisitiveness the next.

The new development of State publicity thus has its

dangers. But to attempt to arrest it would be swimming upstream. Like democracy, it is a difficult system to work without abuse, but the effort is worth while. The example of the United States, where direct relations, on equal terms, between public officials and the Press have gone much further than in this country, gives cause for much more encouragement than alarm. For the American citizen is kept closely in touch with the actions, theories and aspirations of his Government without being unduly or exclusively prejudiced in its favour. On the contrary, the free supply of information is frequently of great advantage to the Opposition. In the modern democratic State, with its mass electorates, the rulers of the people must prove themselves in the widest forum. In the long run, anything that enlarges the mutual contacts between the administrators and the administrated cannot fail to bring benefits.

Topics of the Week

Changes in *The Economist*.—This issue, No. 4923, of *The Economist* is the first since the paper's inception, ninety-five years ago, to be printed on a rotary machine. The change, with its time-saving possibilities, is a logical sequel to increased readership; for *The Economist's* circulation, as the annexed chart shows, has risen by 80 per cent. in little more than a decade. We have associated the technical changes inseparable from the replacement of flat-bed by rotary printing with a re-arrangement and extension of reading matter which will, we trust, be found acceptable by our subscribers, old and new. Familiar features such as Leading Articles, Notes (now called "Topics") of the Week, Overseas Correspondence and Book Reviews have been retained. In place, however, of

body type combining suitability for rotary printing with the satisfaction of more æsthetic canons, whose name commemorates a great master-printer of the sixteenth century: Christopher Plantin of Antwerp. Industrial, financial and investment questions have become part of the warp and woof of daily life, and if our innovations contribute by one whit to their clearer understanding our purpose will have been well served.

Christmas in 1937.—Not even the vicissitudes of foreign affairs are comparable with those of the British climate. Christmas in 1937 was preceded by snowfalls and frozen roads. On the eve of the holiday, however, temperatures rose, fog descended, and almost everywhere Christmas Day was celebrated in moist murkiness. Yet it was a good Christmas, befitting a year of prosperity; and as much money as ever before was spent on gifts, travelling and greetings—so, at least, say the oracles. It was a family Christmas when millions of people congregated by the fireside and listened to the broadcast message of His Majesty the King, speaking from the bosom of his own family. Two years before, King George V had addressed the whole of the British Empire; this year, King George VI spoke, more informally, to his subjects in the British Commonwealth. He spoke of peace and friendship, in terms of quiet confidence, in which, through good times and ill, lies a nation's best strength.

New Laws in 1938.—Most of the legislative achievements of 1937 either have already been put into effect or have still to be consummated. This generation's belated Factory Act does not begin to pass stage by stage into operation until next July. The Coal Mines and Films Bills are still on their several ways to the statute book. And other important measures, like Mr Morrison's Agriculture Act, become operative as and when the Minister orders. Nevertheless, 1937 has no mean contribution to make to the *début* of its successor. On New Year's Day, 1938, there will come into force the most remarkable of the previous year's laws. The Matrimonial Causes Act (or, more popularly, the Herbert Act) comes into effect on January 1st. This law, which deservedly commemorates the earnest conviction and the Parliamentary generalship of the senior burgess from the University of Oxford, should, if rightly administered, alleviate some of the worst consequences of error in the conclusion of one of the most solemn and durable of human contracts. Its welcome counterpart, the Summary Procedure (Domestic Proceedings) Act, which created machinery to settle domestic disputes speedily and satisfactorily, came into operation three months ago. Another law which begins to operate on January 1st is the National Health Insurance (Juvenile Contributors and Young Persons) Act, designed to fill in

one of many gaps in the health services. And two days later, on the "first Monday in January," the provisions of the Widows', Orphans' and Old Age Contributory Pensions (Voluntary Contributors) Act will be put into effect. The trend and character of modern legislation are well exemplified by these New Year measures of reform and social provision.

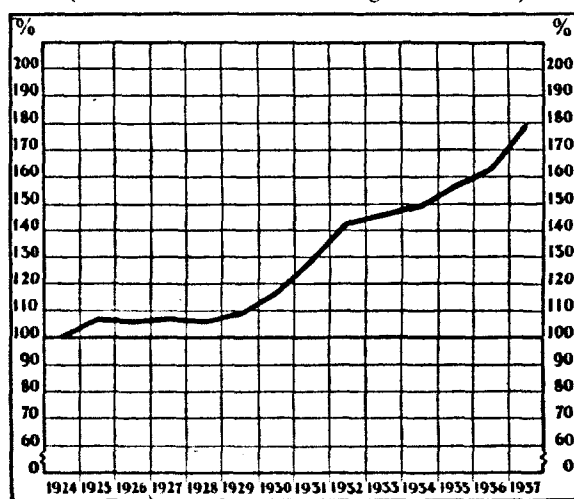
Ex-Service Pensions.—Before the House of Commons dispersed for its Christmas holidays, members heard an impressive appeal from Mr F. O. Roberts for more generosity in the administration of pensions for ex-servicemen. Mr Roberts' argument was appropriate to the season of goodwill. Himself an ex-Minister of Pensions, he spoke with authority and asked for a review of pension grants by a Select Committee and, in particular, for a special fund to meet the needs of hard cases. His main point was that several groups of ex-servicemen were dissatisfied because, owing to the inflexibility of the present pension regulations, their applications for grants had been refused. The case for a review of the kind proposed by Mr Roberts was stated as long ago as last autumn at no less a gathering than the Conservative Party Conference. In the course of the debate on December 23rd, it was argued that because now, nearly twenty years after the end of the war, it was naturally difficult to decide precisely the causes of applicants' disabilities, was an argument, not for greater stringency, but rather for more generous decisions. The Minister replied that the charges made at the Conservative Conference had been proved ill-founded. The total number of complaints from ex-servicemen in 1937 was 3,129—a figure equal to no more than 0.07 per cent. of the 4,000,000 survivors of the war. None of the criticisms made about the treatment of ex-servicemen's widows could be substantiated; and the British Legion was satisfied. Clearly, after the lapse of two decades, new principles of pensions policy cannot be lightly introduced. Nevertheless, the condition of men who, to-day, are prematurely aged, presumably as a result of their war-service, is a new and serious problem. There is also *prima facie* evidence of a certain punctiliousness among local committees in the treatment of applications. In general, a difficult job is being well done; but the case for generosity and elasticity is strong.

Apologies Accepted.—The Japanese Government's apology for the sinking of the "Panay" was received in Washington on Christmas Eve, and it has been accepted by the United States Government as "responsive" to their own demands. This "responsiveness" presumably lies in the obsequiousness of the tone of the Japanese note, and not in the account of the "Panay" incident, which the Japanese Government have officially adopted. The Japanese note states that, as a result of a thorough investigation, it has now been fully established that the attack was "entirely unintentional." To this Japanese assertion, the American Government have implicitly given the lie in their own declaration that they rely on the report of the findings of the Court of Inquiry of the United States Navy. This report will presumably receive ocular confirmation from the film of the Japanese attack, which was taken on board the "Panay," and which was almost the only material object at stake that the Japanese assailants failed to destroy. This film will now be seen by millions of eyes in every corner of the United States; and this will be the real answer to the Japanese note. What the Japanese have succeeded in doing in that historic day's work in the Yangtse is to provide the American people with materials for a lightning course of self-education in international affairs. American men and women whose homes are thousands of miles distant from the nearest sea-board will now be enabled to teach themselves that the insulation of their country from the fortunes of the rest of the world is an unattainable ideal. The prospective increase in the American Naval Budget comes too soon after the event to be a direct consequence of the "Panay" affair, but it clearly has a close bearing on it in the American mind. For our part, we believe that

the logic of coming events would anyhow have convinced American minds in the course of the next few years. The effect of the "Panay" film will have been to speed the demonstration up; and, in an issue in which the time-factor is crucial, this quickening of tempo in the United States may prove to have been decisive. The bombing of the "Panay" is not the only outrage for which Tokyo has been busy apologising this week. A not dissimilar Note has been sent to the British Government about the shelling of H.M.S. "Ladybird," and is likely to meet with a reception in London similar to that of the "Panay" note in Washington—namely, an acceptance of the apologies it contains, together with a total rejection of the excuses put forward for what, by any test, was inexcusable.

Japanese Advance Continues.—The Japanese army continues to make rapid progress both at the various battle-fronts and also in its dealings with the foreign settlements at Shanghai. After the capture of Nanking and Wuhu, it appears to have been decided to go no further up the Yangtse Valley for the time being, and the attention of this army has been turned to the coast south of Shanghai. Hangchow, the capital of the province of Chekiang, was captured at the end of last week. In the north, the province of Shantung is now being overrun. Tsinan, the provincial capital, has been peacefully occupied, and the Japanese are making a rapid advance on the port of Tsingtao. This movement into Shantung has a double significance: it brings the Japanese definitely to the south of the Yellow River, and it also brings them up against the disciplined troops of the efficient Governor of the province, General Han Fu-Chu. In spite of the stiffer resistance to be expected, however, it seems to be only a matter of time until the Northern and Yangtse armies make a junction and drive the Chinese away from the whole coast-line, at least as far south as Hangchow. After that, the next step will clearly be the occupation of the southern coast, for which Canton is the crucial point. Troopships have now appeared near Macao, but the invasion of this part of China has not yet been seriously begun. At Shanghai it is daily becoming clearer that the authority of the Municipal Council of the International Settlement is allowed to continue only on sufferance. The Japanese have proclaimed what amounts to martial law not only in the Chinese territory outside the Settlement, but also in the southern half of the International Settlement itself, and they have refused to give any assurance that this martial law will not be applied to foreigners. With four million Chinese in the Settlement and the French Concession, half of them refugees from the war areas, sporadic bomb-throwing against the Japanese troops is inevitable, and several of these incidents have already occurred. The Japanese army has shown itself in the last few years to be adept at taking advantage of incidents, and it will no doubt have plenty of opportunities for practising its polished technique in Shanghai.

THE CIRCULATION OF THE ECONOMIST
(Index number of annual averages: 1924=100)



the separate divisions of the paper formerly devoted, respectively, to finance and banking, the Stock Exchange and industry, readers will find a single self-contained section headed "The Business World." This section, with its sequence of leading articles, shorter notes, market reports and statistics, has been designed to furnish business men, investors and general readers with a succinct, comprehensive, up-to-date and conveniently arranged compendium of specialised fact and inference. Its presentation, incidentally, embodies numerous typographical expedients, including the interposition of three-column with two-column matter, which are new to the regular pages of *The Economist*, but will, we trust, make for improved appearance and readability. Finally, our "Current Statistics" section will, from now onwards, include various new tables, together with a series of weekly charts illustrating a wide range of contemporary economic trends. For *The Economist*, in its new guise, we have chosen a

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Spanish Government's Success.—The Spanish insurgents, gallantly ignoring all but one of the facts, still maintain that Teruel has not fallen to the Government's "New Army." The single fact that supports this thesis is that the Insurgent troops still hold out in the civil government building in the centre of the town; but the rest of the town and the surrounding countryside is securely in the possession of the Government. It can now be seen that the capture of Teruel was a considerable tactical success. The attacking forces were assembled in secret and struck swiftly at a surprised enemy. This looks like being the first occasion in the course of the war when the Government has been able both to take the initiative and to carry its initial attack to a successful conclusion. The successful conclusion, however, is not yet quite attained, for an insurgent relieving column is trying to fight through to the city under the command of General Moscardo, the defender of the Alcazar at Toledo, and General Aranda, who withstood a siege at Oviedo, and their names are a possibly ominous reminder that the Government army has not shone in siege work hitherto. How important the capture of Teruel is for the strategy of the 1938 campaign cannot yet be determined, although it looks as if General Franco has had to rearrange his plans for an early offensive in order to draft troops to the assistance of Colonel Rey in Teruel. The most decisive results of the affair are likely to be moral, for the new Republican army is naturally elated, and outside Spain the belief that the insurgents held the decisive military advantage has had to be very drastically revised.

Neutrals and the League.—On December 22nd the President of the Swiss Confederation, M. Motta, made a speech before the Swiss Federal Parliament in which he—very reasonably, from the Swiss point of view—expressed grave concern over the fact that two out of the three Great Powers that are Switzerland's immediate neighbours are now out of the League of Nations. He referred with regret to the departure of Italy, Germany and Japan and the admission of Russia, and he recalled the fact that in 1935 Switzerland had declined to go all the way with her fellow States members in imposing sanctions upon Italy. M. Motta explicitly reaffirmed a declaration—already made by him on August 1st last in a broadcast address to Swiss citizens abroad—that Switzerland must "proclaim with increasing vigour the will to be neutral even in regard to the League of Nations." Article 16 of the Covenant ought, he said, to be cut out. As things were, the League was in danger of becoming, even without wishing it, a coalition opposed to another coalition, and this would be fatal. This Swiss reaction is, no doubt, exactly the kind of result aimed at by Signor Mussolini in formally seceding from the League, and by Dr Goebbels in instructing the German Press to refer to the League as "the Geneva Coalition."

Switzerland is not the only small country in Western Europe to feel in this way at this time. Last year saw Belgium's breakaway from her alliance with France and Great Britain, and at this moment the Dutch Government is negotiating with the other signatories of the Oslo trade convention (i.e. with Belgium, Luxembourg and

the four Scandinavian countries) with a view to their making a joint *démarche* to the British and French Governments on the subject of the diplomatic recognition of the Italian conquest of Abyssinia. The Dutch suggestion is that the Oslo States should inform the two West European Powers that they intend, for their part, to accord this recognition, and should at the same time inquire whether France and Great Britain feel disposed to join them in this move. One of the Oslo States—Norway—has already declined the Dutch invitation, but the meaning of these Dutch and Belgian and Swiss gestures is plain. The small countries of Western Europe have given up hope of the organisation of international law and order, and they are bending all their own efforts to the object of preserving their own neutrality if another war between the Great Powers should break out. For this flight from the League the British and French Governments have only themselves to blame.

Strikes in Paris.—During the Christmas Holidays sectional strikes broke out in Paris among the transport workers and in the larger food warehouses. On December 28th the movement spread further, when, as the result of a snap decision taken late at night, a general strike was arranged in the Paris municipal and transport services. Numerous reasons were given for this drastic step. For example, complaints were made of victimisation arising out of the earlier Christmas strikes, and resentment was expressed over the use of Army lorries to ensure supplies of food. More generally, disquiet has been aroused by the rapidity with which the rising cost of living has wiped out the gains in wages accorded under M. Blum's New Deal. Yet neither these pretexts nor the technical difficulties which have recently arisen about labour recruitment were actually responsible for the general strike, which was largely political in character. A dissident minority, who regard M. Chautemps' financial liberalism and his determination to prolong the "pause" in social reform as betraying the Popular Front, took advantage of the absence of several of the most important trade union leaders to precipitate the strike. Momentarily, their manoeuvre was surprisingly successful. Transport in Paris was brought to a standstill throughout December 29th, and all but the "key" workers in the gas, electricity, water, cleansing and hospital departments of the municipal services ceased work. The strike was peaceful at its outset, but its potentialities for civil conflict were enormous.

The Cabinet unanimously agreed to take a firm line. They called upon the strikers to return to work, and threatened to take over and operate the transport services under a decree of 1926. Early in the morning of December 30th the trade union leaders called off the strike. The Government's ultimatum, endorsed by Socialists and Radicals alike, with its latent threat of action similar to that of M. Briand in 1910, when he mobilised the railway strikers as soldiers, was too potent to be ignored—unless the union leaders were prepared for something not far short of civil war. Events have shown that they were not. Indeed, the union leaders have been scrupulously moderate since M. Blum left office, and this sudden strike may well have been as distasteful to them as it was dangerous to their cause. As the Socialist *Populaire* pointed out on December 29th, there were no grounds for believing that the strike would find any support in public opinion. At the least, it was likely to injure the whole trade union movement. And it has probably weakened the position of the Socialists in the Popular Front almost as much as the Government's prompt and resolute action has enhanced the prestige of M. Chautemps and his policy.

French Budget.—Despite attacks from both Left and Right, M. Bonnet has secured the approval of the Chamber for his Budget programme. On the one hand it has been argued, by spokesmen like M. Reynaud, that his estimates are too optimistic, and that he will have to

borrow more than he has allowed for, while receiving less than he anticipates in revenue. On the other hand, the extreme Left is not content with the liberal financial policy to which MM. Chautemps and Bonnet, faithful to the Tripartite Agreement, have nailed this flag. M. Bonnet refuted the calculated pessimism of M. Reynaud, who had argued that the Government were inflating public expenditure, at a time of general economic deflation, which could only lead to monetary inflation in the end. The Treasury would borrow no more than 20,000 million francs, M. Bonnet declared, and would tolerate no expenditure beyond that limit. The estimated requirements of the Treasury in 1938 were 46,000 million francs, and would not be exceeded. Since the Budget report was accepted, M. Bonnet has restated his confidence. It is, however, admitted (as our Paris correspondent points out on page 18) that without a marked acceleration of business activity neither taxes nor loans can be realised as estimated. There are many reasons why such an improvement should take place, but it can only do so with the maximum of co-operation and hard work in French industry and trade.

Eire Begins.—The Irish Free State expired at midnight on Wednesday, when the new constitution of "Eire," or Ireland, came into force. The changes between the old regime and the new are metaphysical rather than practical. Mr De Valera ceases to be the President of the Executive Council and assumes the new office of Taiseocht, or Prime Minister, but the change makes no difference to the personal dominance that he exercises over the Government, or for that matter over the whole of Irish politics. The President, or ceremonial head of the State, is represented for the time being by a Commission consisting of the Chief Justice, the President of the High Court, and the Speaker of Dail Eireann, and the election for the presidency is to take place within 180 days. Mr De Valera's candidate is believed to be Mr Sean O'Kelly, his present chief lieutenant, but he may be opposed in the election by Mr Alfred Byrne, the very popular Lord Mayor of Dublin. Since the new constitution claims to apply in theory to the whole of Ireland, official cognisance has had to be taken of it by the British Government. A statement was issued in London on Wednesday to the effect that His Majesty's Government in the United Kingdom, in agreement with the Governments of Canada, Australia, New Zealand and South Africa, have decided that the new constitution shall be regarded as making no change in the relations between the Irish Free State and the other members of the Commonwealth. At the same time it is explicitly declared that the new Government in Dublin can no more than the old be regarded as having any jurisdiction over the six counties of Northern Ireland. The unreality of the change is revealed at its clearest by this question of Ulster, for though the constitution bravely incorporates the whole of the island within the new State, it is evident to everybody that Ulster cannot be subordinated to Dublin except by consent, and that such consent will not be forthcoming in any foreseeable time. The final irony is that if the referendum on the new constitution had been held over the whole territory to which the document claims to apply it would have been rejected by a majority of the voters.

Nazi Cuts Nazi.—The first international sequel to the recent establishment of a semi-Fascist regime in Brazil is one that must be as disconcerting to Berlin as it will be reassuring to Washington. In the Brazilian State of Rio Grande do Sul, which has a large German element in its population, the police have just banned the wearing of Nazi badges and have taken steps to protect against victimisation those members of the local German community who have been unwilling to turn Nazi at a word of command from Party Headquarters in the Reich. These German settlers have been as valuable, and as highly valued, a reinforcement to the population of Brazil as the corresponding German community in North America has been to the population of the United

States. In their unobtrusive but effective way the German emigrants of the pre-Nazi era have served as witnesses abroad to the virtues of German culture. No sooner, however, had Herr Hitler come into power in the Reich than the Party set itself to make the position of these *Auslandsdeutsche* impossible by pressing them to assume a militantly chauvinistic attitude which would be intolerable in any minority in any country in the world. The Brazilian authorities in Rio Grande do Sul have now had the same disagreeable experience as the South African authorities in South-West Africa. It is no wonder that, under a regime which has taken a leaf out of Mussolini's and Hitler's book, the Brazilians should have reacted forcefully against a challenge to their own mastery in their own house. The incident illustrates the difficulties in the way of co-operation between hyper-nationalistic regimes whose only common bond is, after all, their respective determination to assert their own tribal egoism against everybody and everything that lies outside the tribal zereba.

Crisis in Roumania.—The peculiar course chosen by King Carol before the Roumanian General Election on January 20th has brought him into severe difficulties. The Liberals, who have formed the Government for the past four years, had hoped by allying themselves with two small parties, the Roumanian Front and the National Democrats, and by exercising all the pressure which their control of the administrative machinery placed in their hands, to secure the 40 per cent. of the total vote which, by the peculiar Roumanian electoral law, would give them 60 per cent. of the seats in the Chamber. They were, however, outflanked by an agreement between the largest Opposition parties of the Left and the Right, the National Peasants and the Iron Guard, to co-operate in maintaining the freedom of the elections. In the event, the Liberals and their allies received only 37 per cent. of the votes. The National Peasants and the Iron Guard both gained, the latter especially. This result placed the King in a quandary. By excluding the National Peasants from what they considered their right to office before the election, he had made co-operation with them very difficult even in the form of a Liberal-Peasant coalition. The National Peasants and the Iron Guard could not form a coalition since they have in common only their hostility to the persons of the King and Mme. Lupescu. In the end, the Tatarescu Government has resigned and a new Cabinet has been formed by M. Goga, leader of the National Christians, the smallest of the important Roumanian parties, which has less than one-tenth of the seats in the Chamber. The Cabinet contains four members who are titular National Peasants, but they have been disowned by their party. The newly-elected Parliament will not be summoned, or will be summoned only to be dissolved, and new elections are to be held in April or May. The intervening period will be utilised by the Government to

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prepare the ground for an electoral victory, and the good work has already been begun by the suppression of newspapers and the dismissal of prefects. The National Christian Party has a programme of fanatical anti-Semitism, totalitarian restrictions on liberty and alignment with the Fascist dictatorships. How far the policy will be applied is not clear. The new Foreign Minister, M. Micescu, is a recent convert from the Liberal Party, and it is probable that King Carol will be his own Foreign Minister. Formally, the Government has declared that it will religiously guard all the alliances and friendships of the past, but Roumania's allies in Paris and the Little Entente countries will not take such words very seriously. Roumania has, in fact, through the King's interference, been set upon the Fascist path under the leadership of a party which is not even the largest Fascist faction in the State. The situation looks very much like Germany in 1932, with M. Goga in the rôle of Herr von Papen and the King in that of Hindenburg. If the King is to avoid complete eclipse, he will have by some means to maintain his chosen Government against nine-tenths of the Roumanian people at home and all their friends abroad.

* * *

Rising Wages and Industrial Peace.—The past year has been remarkably free from important labour disputes. A year of busy prosperity, in which the cost of living has risen fairly rapidly, might well have shown a record of strife and controversy. Actually, wages in general have been readily adjusted to changing conditions by mutual arrangement between employers and employed. The chief changes in weekly wages during the eleven months from January to November, according to the returns of the Ministry of Labour, were made in coal-mining, engineering, textiles, clothing, building and public works contracting, and transport. Some 4,928,000 workpeople, excluding agricultural labourers, shop assistants, clerks and Government employees, were affected, and the net increase in full-time rates of wages was about £723,250 a week, compared with a net increase of only £422,000 a week affecting 3,520,000 workpeople in the first eleven months of 1936. Nor have wages alone been changed; during the eleven completed months of 1937 some 380,000 workpeople have had an average reduction of about two and a half hours per week in hours of labour. The instances of lower wages and longer hours (apart from overtime) were slight. The technical efficiency of the machinery for negotiations between employers and employed has clearly enabled changes to be made with the minimum of friction. There have been strikes and threats of strikes, but they have been relatively inconspicuous. Some 1,076 disputes, affecting 598,900 workpeople and involving the loss of 3,406,000 working hours, have occurred in eleven months. Last year only 1,634,000 hours were lost in 759 disputes. By contrast with the United States and France the labour scene in Britain has been peaceful and calm.

* * *

Waterloo Bridge.—The latest chapter in the confused story of London's inadequate bridges was closed on December 22nd. The Minister of Transport then announced in the House of Commons that a contribution of 60 per cent. of the total cost of rebuilding Waterloo Bridge would be made from the Road Fund. To say the least, the Government have not up to now been open-handed. They were unable to contribute anything towards the cost of demolishing the old structure. For a time they were even reluctant to allow the London County Council to borrow to build the new bridge; and they have hitherto been adamant in their refusal to contribute towards the cost of the scheme. They have now decided, however, that "a number of important improvements in London's highway facilities are necessary, including cross-river facilities on the site of old Waterloo Bridge." The discovery may be a little belated, but the Government, nevertheless, must be congratulated on it. The decision will save the L.C.C. interest and sinking fund charges on £400,000, and despite the inadequacy of the southern approaches to the bridge, will ease the traffic burdens of London.

Typhoid Inquiry.—When the inquiry into the typhoid epidemic was resumed after the Christmas holidays, 289 cases had been reported and 30 deaths had occurred. This was only a slight increase on the previous total, and it is obvious that the outbreak has now, happily, spent its force. It has been stated at the inquiry, on behalf of the Croydon authorities, that although the well at Addington (which supplies about 5,000,000 gallons of water) was contaminated in 1931, it was clear and harmless in 1935, while a chlorination apparatus was introduced in 1936. On the other side, it has been argued that the monthly analyses of the Addington water were not regular enough, nor were they carried out in sufficiently close co-operation with the Medical Officer. Admittedly, the well showed a high degree of contamination on November 3rd, which might have been caused by adjacent cesspits and latrines, or even by foul matter from farms. Could this have been foreseen or averted? In particular, once the outbreak began on October 19th, could not the source have been located sooner than it was, in view of the history and environment of the Addington well? In reply to these criticisms, it has been urged that only by eliminating all possible sources of infection, such as flies, food, drains and other water, could the responsibility of Addington be proved. And, even then, the disease might have been transmitted by a carrier, rather than have been water-borne. With regard to the steps taken once the epidemic was proved, the Medical Officer has stated his disinclination on November 4th to precipitate public alarm. All necessary measures were, it is claimed, quietly carried out, and the large number of typhoid victims is contended to be relatively small for a water-borne epidemic. The inquiry is still proceeding.

* * *

Road Haulage Vehicles.—Certain figures given recently by the Minister of Transport, in reply to parliamentary questions, bring out the significant fact that the increase in the number of authorised road haulage vehicles during the fourteen months to June, 1937, was attributable entirely to the "C" licensee—i.e. the ancillary vehicle user. Indeed, the number of "A" (general carriers') licences and the total vehicles so licensed have actually shown a slight decline:—

	No. of Licence Holders		Vehicles Authorised	
	April 1936	June 1937	April 1936	June 1937
"A" Licences*	28,916	28,888	91,567	91,101
"B" Licences	34,320	34,589	53,061	53,775
"C" Licences	161,535	186,734	324,233	362,380
Total	224,771	250,211	468,861	507,256

* Including "A" contract.

According to the meagre particulars given in the reports of licensing authorities, the decline in Class "A" vehicles began well before April, 1936. The falling-off is greater than the figures suggest, since the totals are swelled by the conversion of horse-drawn vehicles to motor transport.

* * *

The slight increase in "B" licence holders (who use their vehicles partly for hire and partly in their own business) reflects, in part, the tendency of some licensing authorities to substitute a limited for a full public carrier's licence when the latter comes up for renewal, usually coupled with a limited radius of operation. On the whole, the position of the public operator, as distinct from the ancillary user, seems unlikely to be substantially improved in the near future. It is true that the recent report of the Transport Advisory Council on "Services and Rates," which laid down the principle that "there should be an unfettered right on the part of the trader to select the form of transport of which he approves and which is most convenient and economic for his purposes," may be regarded as giving the public operator a virtual charter of operation. He is faced, however, with competition from the ancillary user as well as from other forms of transport. The public haulier can obtain business only by organising his work so that he can quote lower charges than the ancillary user's cost of doing the work himself.

THE ECONOMIC OUTLOOK

A New Year Survey

INTRODUCTION

The Economist of June 13, 1936, contained, under the title of "1936 and After: A Survey of British Economic Prospects," a lengthy analysis of the British economic outlook at that time, together with a little cautious prophecy of the future. The caution of the prophecy has been justified by events; for the most definite prediction made in June, 1936, was that the movement of British recovery, which was then already comfortably middle-aged when judged by any historical standard, would last for a further period of between twelve and eighteen months.

Those eighteen months have now elapsed, and the British national economy finds itself in a state of puzzlement, an almost hypochondriacal mood of worry over the diagnosis of its own state of health. For the last three months the economic news has worn a faint air of apprehension. Nothing has been actually wrong; but everywhere, and most notably in Throgmorton Street, there have been premonitions. We cannot yet say for certain, though an attempt will be made later in this Survey to guess, whether the very slight downward moves of the indices this autumn are the beginning of a major decline. If they are, then the peak of this trade cycle was passed between August and October, and the first signs of its approach were clearly visible, in the summer months, in the failure of anæmic security and commodity markets to recover from a series of blows, such as the National Defence Contribution and the gold scare, none of which, had the markets been healthier, need have caused more than temporary hesitation.

But we go too fast. It is clear that there was at least a local peak this autumn. But was it the peak of the whole cycle? Eighteen months ago *The Economist* boldly prophesied not only that recovery would last until the summer or autumn of 1937, but also that 1938 would see the beginning of a slow decline in activity. Is this prophecy about to be justified?

An attempt will be made in the following pages to supply not so much confident replies to these questions as the materials from which the reader can fashion his own answers. Clearly, there could be no more appropriate moment for attempting the task than this New Year's Day, 1938. Before it is begun, however, two preliminary words of warning are appropriate. The first is that no account can be taken of the possibility of a European war, which would upset all calculations. The second is that economic prognostication has become in recent months the football of party politics. It need hardly be said that *The Economist* is affected neither by the desire to buttress confidence that may be false nor by the wish to make political capital out of economic movements that may spell national adversity.

THE RECORD OF 1937

The year 1937, taken as a whole, has undoubtedly been not only a good year, but a very good year. Almost every business index in the country has broken new records in the course of the year. This can be most strikingly illustrated by the component series of *The Economist* Index of Business Activity. There are fourteen of these series, covering directly or by implication every phase of the national economic life. The figures for the last month of 1937 are not yet available, and some of the figures for other recent months are provisional, but if an average for 1937, subject

to these two qualifications, be compared with the averages of previous years there are only two series for which 1937 was not at least the best recovery year, and only five for which it was not the best year ever known.

The record is almost tedious in its excellence. But averages are deceptive and close inspection of the figures brings out the very significant fact that all but three of the fifteen series finished the year below their best figure (they are all statistically corrected to eliminate the normal seasonal fluctuation). The months in which each series reached its peak for the year are interesting (the latest month is given when there are two or more months with an equal figure):—

February: Town Clearings.

March: Metropolitan, Country and Provincial Clearings.

April: Postal Receipts, Building Activity.

May: Consumption of Coal, Consumption of Cotton, Shipping Movements.

June: Exports of British Manufactures (volume).

August: Merchandise on Railways.

September: Employment, Imports of Raw Materials (volume), Complete Index.

November: Consumption of Electricity, Consumption of Iron and Steel, Commercial Vehicles.

This may, of course, be a statistical accident. But it is notable that both in 1935 and in 1936 nine out of fourteen series, and the complete index, reached their peak for the year in November or December.

So much for the evidence of the Index of Business Activity. It is confirmed by the two great indicators not comprehended in it: security prices and wholesale prices. Each of them reached, or equalled, its post-depression peak in 1937, security prices in January, commodity prices in March. But each finished the year well below this peak and on the down-grade—if, indeed, "grade" is not an understatement for the autumn tendencies of the Stock Exchange.

In retail trade, another department of the national economic life which is not directly comprehended in the Index of Business Activity, the evidence is inconclusive. The figures published by the Bank of England continue to show sales larger than a year ago. But these figures relate to the money value, not the unit volume, of transactions, and for some time it has seemed probable that the expansion of money value has only just kept pace with rising prices, leaving no room for increase in the actual volume of goods sold. Moreover, there have been distinct hesitations in some recent months. October, for example, was a bad month for many large stores in the West End, and November also showed some disquieting tendencies. But the Christmas shopping was satisfactory on the whole. Some of the large manufacturers of branded goods have noticed a decline in sales in recent months, and there has also been some decline in the demand for new motor-cars, which has shown itself in the most recent figures of cars registered for the first time. On the other hand, provision shops report no decline. Furthermore, many of the industries which are still very busy, such as several branches of heavy metallurgical industry and shipbuilding, report some decline in recent months in the volume of new orders for work to be executed in 1938.

As a final indication of the present position, we may devote particular attention, as in the earlier survey eighteen months ago, to the great popular measure of prosperity and depression, the returns of employment and unemployment. For the greater part of the year these have been

nothing

excellent. The figure of insured persons in employment has been particularly satisfactory, breaking its own record almost from month to month. Moreover, when the annual census of the employed was taken in July, it was found that the monthly estimates had understated the improvement to the cumulative amount of 100,000.

Unemployment, though it is still well above the figures of a decade ago, has been declining steadily for three-quarters of the year. The following figures show the improvement recorded each month in comparison with the year before:—

REDUCTION OF UNEMPLOYMENT

(The figure against each month shows the reduction in the total of registered unemployed in Great Britain as compared with the same month in the previous year.)

	Thous.		Thous.
January, 1936	165	January, 1937	471
February	260	February	397
March	272	March	281
April	213	April	377
May	340	May	244
June	297	June	346
July	321	July	273
August	334	August	256
September	335	September	235
October	304	October	*172
November	295	November	*70
December	240		

* Approximately corrected for effects of a new method of enumeration.

Thus every month of 1937 has shown a substantial improvement over the previous year, which was itself much better than 1935. But in 1936 there was a definite tendency for the rate of improvement to speed up as the year progressed (except for December, 1936), while in 1937 the improvement has shown a declining tendency, and in the last quarter of the year, it has diminished sharply. The unemployment returns for October and November—and to some extent that for September also—have been definitely unsatisfactory. It is very unfortunate that, precisely at this crucial moment, a change in the methods of enumeration should have been made which impedes direct comparison. But, in any case, it is clear that at a time of year when unemployment normally falls, or at least remains stationary, it has been rising. Taken by itself, this might be a momentary or accidental incident in the statistics. But when it is added to the testimony of all the other indices which have closed the year below their best figures, it becomes impressive. It is not yet obvious on the surface that there has been more than a very slight downturn in activity in Great Britain. But when the evidence is examined under the microscope, its meaning is inescapable.

In the light of all the figures that have been quoted, it can be stated as a fact that in the last quarter of 1937 the movement of economic recovery in Great Britain

received the first serious check to its further progress which it has suffered since it began in the autumn of 1932. What we cannot state as a fact, but can only guess, is whether this check is more than an interruption. The recovery in Britain has been singularly free from interruptions up to the present, and it may only be the unprecedented smoothness of our progress hitherto which leads us to attach such importance to the movements of a single quarter. There is no statistical method of settling this question. Light can, however, be shed upon it by an examination of the stage in recovery at which we have now arrived.

EMPLOYMENT AT THE MAXIMUM

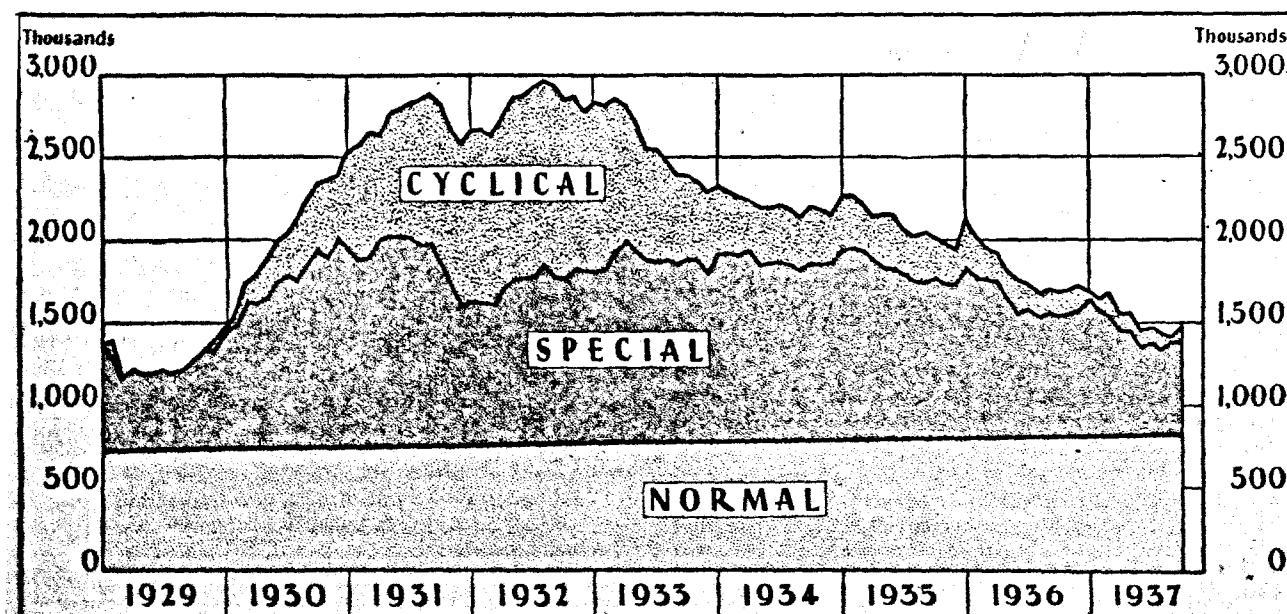
As a first step in this process, it is useful to analyse the total of unemployment into its constituent economic elements. There are, broadly speaking, three such elements. *Normal* unemployment may be said to be that volume of unemployment which can be expected to exist at any time owing to the changing and dynamic character of modern industry. *Cyclical* unemployment is caused by the fluctuations of the trade cycle, rising to a maximum at the bottom of a slump and vanishing at the peak of the trade cycle. *Special* unemployment is that caused in individual industries or localities by circumstances peculiar to them; such are, for example, the special unemployment in the coal and cotton industries, which are fundamentally due to changes in the export markets precipitated by the Great War.

In the chart at the foot of this page, these three categories of unemployment are approximately estimated. The statistical method of calculating the figures is that used and explained in our previous special survey (*The Economist*, June 13, 1936, page 601) and on one other intermediate occasion (March 20, 1937, pages 633-4).^{*} The analysis is not claimed to be more than a rough first approximation, but it is believed to be broadly true. If so, it tends to show that employment is at its peak. Only the continued existence of Special Unemployment in certain districts, owing its origin to causes more fundamental than the ups and downs of the trade cycle and, for that reason, insusceptible of cure by general economic recovery, impedes general recognition of the fact that, except for the Special Areas, British labour is now working to capacity.

Wage demands have played a considerable part in the noticeable rise in industrial costs of production in 1937.

^{*} The assumed percentage of normal unemployment has been increased from 5½ to 6. The higher figure seems to accord better with the circumstances of 1929, when the volume of unemployment in the most prosperous part of the country can be supposed to have been reduced to, or even below, the normal level for several months.

UNEMPLOYMENT IN THE UNITED KINGDOM, 1929-1937
(Seasonal Fluctuations Eliminated)



Normally, rising costs are a danger signal. They tend to lessen consumption by raising prices. Capital works are deferred because the rise in their cost (which has been steep in 1937) puts them out of remunerative relation to the profits they could be expected to yield. Rising costs also, by reducing the margin of profits, tend to check the growth of enterprise. In short, in the orthodox trade cycle, when a period of business expansion has reached the phase of putting up costs of production it has begun to sow the seeds of its own decline.

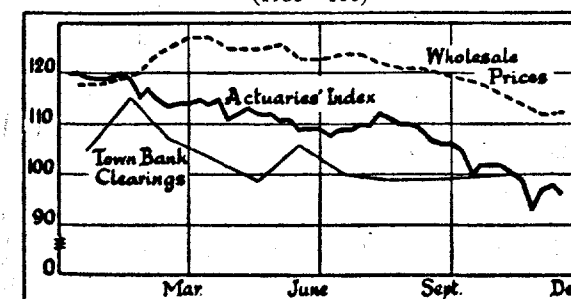
ARE WE AT THE PEAK?

There are two other arguments from past experience which, if the historical analogy be accepted, have considerable bearing on our present state. Both the *duration* and the *extent* of the normal trade cycle are susceptible of measurement, and in both respects our present recovery has already exceeded the norm. The normal length for the recovery period of the cycle is four years, and there is only one previous case on record (1893-99) when recovery, as measured by the unemployment figures, lasted for more than five years.^{*} Our present recovery was five years old in September, 1937. As for the *extent* of the normal recovery, the gradual growth in average productivity has in the past been fairly regular from cycle to cycle. The rate of growth from peak to peak in the pre-war world averaged about 1 per cent. per annum per head. In the first decade after the war it was rather lower.[†] But from the peak of September, 1929, to September, 1937, the rate of growth was 1.2 per cent. per annum per head. These two comparisons with the past show that the present recovery has already lasted for a longer time and pushed the indices to a greater relative height than the normal trade cycle of the past. Historical lessons are not by any means conclusive; but they set up strong presumptions which can only be overturned by a weight of positive evidence that circumstances this time are radically different.

There are, in fact, several notable differences between our present position and the usual appearance of a boom shortly before its collapse. The most important of these is the continuance of cheap money and the assurance given by the absence of a rigid gold standard that money will remain cheap. "Money" in this sense, however, means money in the money market and the gilt-edged market. In the market for industrial capital there has been a sharp rise in interest rates in recent months. In spite of this, however, cheap money cannot be overlooked as a very important favourable circumstance in our present position.

Secondly, there is an absence of speculative excitement. Indeed, the indices of security and commodity prices and of banking transactions in the City of London, which should be the first to reflect the volume of speculation, have been declining for most of the year, as the following chart shows:—

INDICES OF SPECULATIVE ACTIVITY, 1937
(1935=100)



This absence of speculative excitement is important; if there is no bubble there is nothing to burst. But its importance must not be exaggerated; for there was a similar damping-down of speculation in the world's commodity markets and also in security markets in England (though not, of course, in New York) throughout the year 1929. Moreover, depressed markets must be presumed to reflect

^{*} D. H. Macgregor, "Enterprise, Progress and Profits," Chap. III.

[†] Colin Clark, "National Income and Outlay," Chap. XIII.

depressing news from industry about future prospects. And they certainly assist to generate and spread a general psychological feeling of pessimism. In addition, falling commodity prices, if there is a prospect of a further fall, lead to the reduction of stocks by industry. It has been suggested that this variety of "disinvestment" may conceivably have amounted already this year to £100 millions. If so, it is a very important factor.

The various factors that have been mentioned in this discussion can now be collected together in tabular form and arbitrarily assigned to one side or the other according as they support an optimistic view (i.e. that the current recession will give place to a renewed advance) or a pessimistic view (i.e. that the local peak of August-September was the cyclical peak):

Favourable factors	Unfavourable factors
1. Rate of activity so high that small reduction can be borne without necessarily setting up the vicious spiral of deflation.	1. Setback already general, affecting most business indices.
2. Progress of recovery hitherto so regular that interruption is long overdue.	2. Virtual disappearance of cyclical unemployment makes further advance difficult and costly.
3. Continuance of low interest rates for short-term loans and gilt-edged securities.	3. Bad unemployment figures in October and November.
4. Absence of speculative boom.	4. Rising costs of production.
	5. Rising rates of interest on industrial capital.
	6. Recovery has already lasted an almost unprecedentedly long time.
	7. Its pace has been very rapid.
	8. Falling commodity prices are leading to industrial de-stocking.
	9. Some (but inconclusive) evidence that feeling of pessimism afflicting the markets is beginning to affect consumption industries and retail trade.

Setting out the various factors in this way makes it apparent that the favourable factors are in the main negative and static; they do not include anything new. On the other hand, several of the unfavourable factors have only recently appeared and some of them (especially items 8 and 9) can be expected to be cumulative in their effect.

So far in this survey no statement has been made that has not been at least partially verified by reference to recorded facts. The time has now come, however, to take the first hurdle of unsupported estimation:—

It seems probable that if there is no change in the circumstances now existing, the present slight recession in activity will continue.

Two questions remain for discussion. Is any change in the present circumstances to be anticipated? If not, how rapidly can the recession be expected to proceed? Both these questions can only be answered by a more detailed examination of the more important departments of the national economy.

In the remaining pages of this survey, four of these subsidiary inquiries are briefly pursued. The needed stimulus is sought, first, in the consuming power of the domestic population; secondly, in the possibility of further expansion in the capital goods industries; thirdly, in the prospects of the export trades; and, finally, in the influence of American conditions.

THE BRITISH CONSUMER

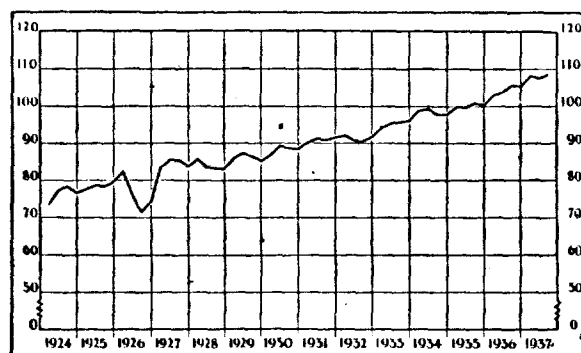
The consumer is an abstraction very familiar in treatises on economics. Unfortunately it is very difficult to give him a statistical embodiment. It is, however, possible to make an estimate of the consuming power of the wage-earning class.

The diagram overleaf presents an index of the total real income of the insured population, employed and unemployed together. The insured population is not, of course, the same thing as the working class, since there are some six million people who are included in National Health Insurance but not in Unemployment Insurance. But for the purposes of a first approximation, the smaller body can be taken as representative of the larger.

The index has been calculated on the basis of the official indices of wage rates and of the cost of living, of the

monthly returns of employed and unemployed and of the returns of sums paid by various agencies to the unemployed. Its chief defect is that it makes no allowance either for overtime or for such short-time as does not appear in the unemployment returns. Subject to this qualification, the index can be regarded as a broadly true indication of the trend of consuming power of the British working class. It should be noted that it is not an index of consuming power *per head*, but of the working class as a whole.

INDEX OF CONSUMING POWER OF BRITISH WORKING CLASS (1935=100)



The chart reveals one fact which, though vitally important for a proper understanding of the British economy, has received remarkably little attention. That strictly statistical conception, the British consumer, was benefited rather than the reverse by the great depression. From 1929 to 1932 his potential standard of living rose rapidly. The explanation is, of course, that Great Britain imports most of her food and a large part of her raw materials from abroad. In a depression she can get them below their cost of production. The consequent gain to the standard of living of the majority who remain in work outweighs (in a strictly statistical sense, not in terms of happiness) the loss to those who are thrown out of work by the depression. The British consumer, in fact, has for several years been getting the best of both worlds. From 1929 to 1932 the fall in prices outweighed to his advantage the fall in employment. And from 1933 to 1937 the rise in employment outweighed to his advantage the rise in prices.

The movement in incomes other than those of the population insured against unemployment is more difficult to calculate, but there are some estimates available. In the following table, the first column shows an index number calculated from Mr Colin Clark's estimates of incomes other than wages and salaries below £250.* The second column shows, for years beginning July 1st, the profits published by a varying number of public companies, as tabulated in *The Economist* (profits, of course, being one of the largest, and possibly the most volatile, of the constituents of these larger incomes).

INDICES OF LARGER INCOMES AND PROFITS (1929 = 100)

Incomes other than Wages and Small Salaries		Company Profits
1932	85	1931-32..... 65
1933	88	1932-33..... 61
1934	94	1933-34..... 69
1935	102	1934-35..... 82
1936	110	1935-36..... 92
1937—1st qr. ...	118	1936-37..... 106
2nd qr. ...	121	

These two series of figures do not entirely confirm each other, but both are agreed that the movement of expansion of income was continuing up to the time of the latest figure, and that it is now well above the 1929 level. It is difficult to make the transition from income to consumption,

* *Economic Journal*, June, 1937, page 310; 1937 figures from *A Commercial Barometer*, published by Messrs F. C. Pritchard Wood and Partners, Ltd.

tion, since saving in this category is not only much larger, but also much more variable, than in the smaller incomes. Moreover, conversion of money figures into real terms is almost impossible, as the index of the cost of living is quite inapplicable to middle-class incomes.

What are the prospects for a further expansion of the real purchasing power of the community in 1938 and 1939? Here, again, we must confine ourselves, at least to begin with, to the insured population. There will be very little increase in the total numbers of insured persons. The total number of persons (whether in the insured category or not) between the ages of 14 and 65 will increase by only a quarter of one per cent. per annum in the next two years, though the number of males between these ages will increase by about $\frac{1}{8}$ per cent. per annum. There is clearly no increase, or only a negligible increase, in the total of wages and unemployment pay to be expected from an increase in the number of occupied persons.

Some reduction in the cost of living is possible. In the next few months the normal seasonal downward tendency will be accentuated by the delayed effect of the falls in wholesale commodity prices in the autumn. But not all the recent increase in the cost of living is attributable to the prices of raw materials. Wage increases, which have been prevalent in the food processing and distributive trades, have also contributed their share to the rise in the cost of living—and a share that is extremely unlikely to be reversed in the immediate future. The fall in the cost of living is thus not likely to be large, unless there are still further falls in the prices of raw materials, in which case there is likely to be an offset (though not perhaps immediately) in rising unemployment, since lower commodity prices mean lower exports. The last time these circumstances arose was in 1930, when the fall in the cost of living outdistanced the rise in unemployment. But the international price structure is not now nearly as vulnerable as it was then, and the same result might not follow now. Indeed, it is possible that the prices of primary products will recover in 1938. If so, there will be no fall on balance.

Little can be said about the prospects of non-wage-earning incomes. So far as profits go, the Stock Exchange (whose livelihood depends on the accurate prediction of profits) takes a gloomy view, holding that, if activity is maintained, profits will be reduced by rising costs, and that if activity is not maintained, they will suffer from falling turnover. Few could be found to forecast bigger profits in 1938 than in 1937.

The upshot of this discussion is that while it would be rash to prophesy a fall in the purchasing power of the people, a further substantial rise seems out of the question. It could only be produced by a fall in the cost of living of the 1930 type; and even though 1930 repeated itself, it might increase popular purchasing power, but it would bring on depression. Thus if there is a further increase in purchasing power, it will not be the *preventive* of a decline in activity in Great Britain, but the *consequence* of a decline in activity in the outside world. It may once again, as in 1930-32, store up a stimulus for domestic recovery two years later. But it will not help us in the meantime.

The new impetus for which we are looking is evidently not to be found in the consumption trades.

CAPITAL GOODS

The most interesting and economically the most important capital goods industry is building. Its expansion since 1932 has been one of the outstanding phenomena of recovery. For at least two years the imminent demise of the building boom has been predicted, but it is still obstinately alive.

There are great difficulties in the way of calculating an accurate index of building activity. The most complete would be the figures of men employed in the industry, but they are known accurately only at yearly intervals and the facility with which labour moves into and out of the industry makes interpolated estimates very approximate. For what they are worth, the following are the figures (in the form of an index number) of insured workpeople em-

ployed in the building and contracting trades in June of each of the recent years:—

	Building	Public Works Contracting
June, 1929	126.8	136.0
" 1930	121.8	146.7
" 1931	117.9	213.5
" 1932	106.2	188.0
" 1933	118.8	159.6
" 1934	132.5	154.7
" 1935	141.5	159.7
" 1936	152.8	178.7
" 1937	155.5	193.8

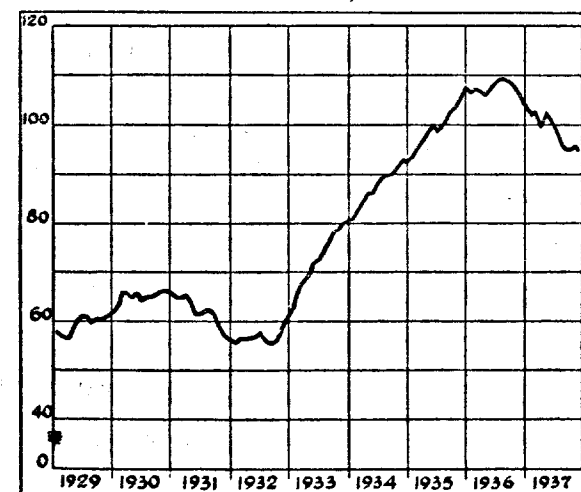
The boom thus appeared to be continuing at least as late as June, and the seasonal rise in unemployment since then has been less, in both sections of the industry, than in the same period of 1936.

On the other hand, evidence accumulates from month to month of the approaching end of at least the residential building boom. In any case, it cannot last indefinitely. For if the recent volume of building were maintained, it would be sufficient either to double the number of houses in existence, or alternatively to replace every house now existing, in about thirty years, and it is the safest of safe predictions that neither thing is going to happen. Since the boom must come to an end sometime soon, the only question is when its end will come.

The figures of building plans approved by 146 local authorities have been showing a declining tendency for months past. These figures vary considerably from month to month and the only reasonable basis of comparison is to take a twelve months' moving average, so that the figure set against each month represents the total of the plans approved in the preceding twelve months. Moreover, the figures of plans are in money values and rising figures might denote merely rising costs. In the following chart, accordingly, the figures have been corrected by an index of building costs:—

BUILDING PLANS APPROVED

(Index of Plans Approved by 146 local authorities; 12-months' moving average; corrected for fluctuations in building costs, 1935=100).



The figures omit London, Wales and country districts. But it is very unlikely that they happen to include all the districts where building is on the edge of a decline and to exclude all those where it is still expanding. Geographically, the figures are representative. A more serious defect is that they exclude all building work done by or under contract from the Government. But it seems probable that the building part of the re-armament programme is approaching, or is possibly already at, its peak. Many of the factories for making armaments, that is to say, are erected or nearing completion. There is a great deal of this constructional work still to come, but it seems likely that the monthly total of work on hand will show little further increase.

This evidence of an impending building decline is confirmed from other sources. At last the very rapid provision of new houses is beginning to cause a sharp rise in the number of vacant dwellings. Light is cast upon this development in London by some figures which we are

enabled to give through the courtesy of the Gas Light and Coke Company. There is a gas meter in nearly every separate dwelling. When a dwelling is vacated, the meter is "capped" (i.e. temporarily disconnected). If the house stays empty, the meter is removed. Consequently, the number of "capped" meters is a fairly faithful measure of the number of recently vacated premises. The figures are given for the same month in each of the last ten years:—

Total Meters "Capped" in Use	Meters	Total Meters "Capped" in Use	Meters
1928 ...	1,115,384	1933 ...	1,243,334
1929 ...	1,139,580	1934 ...	1,273,423
1930 ...	1,163,829	1935 ...	1,305,058
1931 ...	1,173,148	1936 ...	1,339,475
1932 ...	1,217,248	1937 ...	1,374,688

The growing pressure of vacant space is beginning to depress the demand for new houses. From all sides it is reported that the large speculative builders are having increasing difficulty in selling the houses on their newest estates—though this may be in part because the newest estates are necessarily further from the centre than the earlier ones. There is even a significant increase in the amount of building to let—a phenomenon which not only springs from a lessening of the demand for houses, but also presages a reduction in the supply, since building to let ties up far more of the builder's capital than building to sell. Finally, the building societies, who are in the best position of all to judge of the position and outlook, have begun in the last few months to adopt a noticeably more conservative attitude. At least one of the largest societies has made no secret of the fact that it anticipates a decline in building in 1938.

A word should also be said about building by public authorities. Slum clearance is now at its height; in the six months ended March 31, 1937, it was responsible for 26,340 houses—a rate of almost 53,000 per annum. It may have increased since then, but the total of houses built in the same six months was as much as 181,462, so that slum clearance building does not account for much more than 15 per cent. of all houses built. The programmes for the relief of overcrowding have hardly yet begun, and will not, in any case, be as large as the slum clearance programmes. It is always possible for the Government to initiate supplementary programmes of subsidised building, but even if an announcement were made immediately of their intention to do so, very little actual building would be started under these new programmes until 1939. In 1938, accordingly, subsidised house-building will show no increase, and possibly a decrease.

The foregoing applies to residential building. Of commercial and industrial building it is much more difficult to speak. The volume of Government work is, of course, very high, and although, as already argued, there may not be any further increase, it is unlikely that there will be any substantial decline in 1938. Industrial building other than Government work has also been very heavy in 1937. But opinions differ about the outlook for 1938. Some large contracting firms report a very sharp decline in inquiries for new factories during the autumn months; other firms have noticed very little change. But this is a field of building in which the depressing effect of falling security markets could be expected to show itself, and it would be optimistic to expect more for 1938 than a maintenance of the present volume of activity. A decline seems more probable.

Of the four varieties of building, then, a decline in activity is almost certain in one (private house building), probable in one (private non-residential building) and possible in the remaining two. Only in one category (Government non-residential building) does an increase seem possible, and even there it is not very likely. The importance of this conclusion may be estimated from the fact that, in July last, the building and public works contracting industries employed no fewer than 1,100,000 men.

Detailed attention has been paid to building partly because it is in a strategic position, partly because it lends itself to estimation. Not nearly so much can be said about the other capital goods industries. The iron and steel industry is now working to capacity, with a higher rate of output than ever before in its history. It is, of course, very

heavily affected by the re-armament programme, but it would be a mistake to exaggerate the extent of this influence. It is unlikely that more than between a quarter and a third of the present production of steel (if, indeed, as much) goes directly or indirectly into armament work. This being so, the industry cannot consider itself immune to trade depression. The volume of non-armament demand for steel is subject to the influences of steel prices, the outlook for profits and the state of the capital market. It cannot be said that any one of these factors is as favourable to the continuance of a heavy demand for steel as it was twelve months ago. Steel prices have been stabilised at a level which the consumers of steel publicly consider too high. Under the lead of the Stock Exchange, a not very optimistic view is being taken of future profits. And it has become less easy to raise new capital in the market. It is true that a number of large and wealthy companies have work of a capital character waiting for lower prices, and if steel prices could be substantially reduced without any worsening of the general business outlook, the demand would prove itself quite elastic. But the proviso is important, and if, as seems more probable, steel prices come down only as the result of a decline in activity, the change in the outlook for profits in industry as a whole may by then be such that the postponed orders will not materialise.

Thus it is not impossible that even the steel industry, which feels the full weight of re-armament, may not be able to maintain its present rate of production. And in any case there is very little possibility, for physical reasons, of a rapid expansion of production. The same conclusion applies, in a general way, to the other capital goods industries. Engineering is also very heavily influenced by re-armament, but it has in addition an enormous "peace-time" market and must not be considered to be completely dominated by re-armament. The same is true of shipbuilding where, in the last few weeks, there has been a noticeable decline in private orders, which has not been compensated by an expansion of Government work.

Of the capital goods industries as a whole, then, it can be said that one of them—building—is almost certain to suffer a decline, and that the others are unlikely to show any increase. On balance, a drop in the employment provided in these industries seems likely in 1938—not by any means a sharp drop, but enough to show that no stimulus for further general expansion can be expected from this source.

OUTLOOK FOR EXPORTS

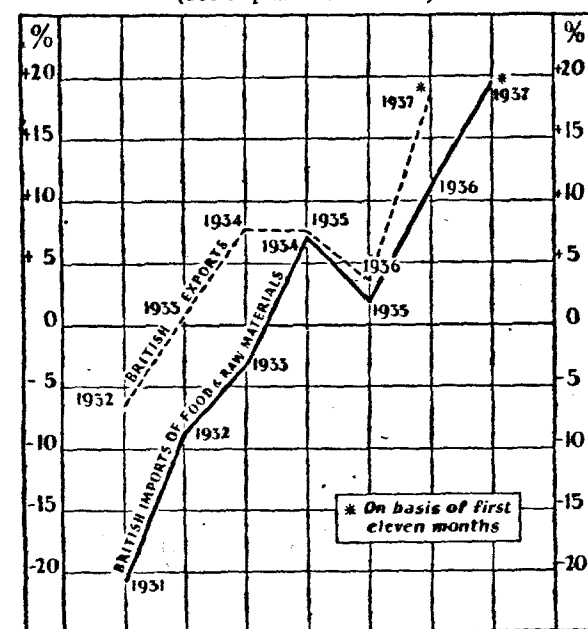
International trade has suffered two decades of attrition. Though its volume has recovered quite substantially in the last year or two, it still makes up a much reduced proportion of the whole production of the world. In 1936, for example, the total value of British exports was only something of the order of 8 per cent. of the whole national income and even imports were only about 16 per cent. Merchandise trade with overseas, to judge by these rough calculations, thus concerns, at the very most, only one-sixth of the economic activity of the nation, and exports take only about one-twelfth of total production.

It is, nevertheless, a very important twelfth. In our national economy, whose internal fluctuations are comparatively moderate, exports tend to be the marginal factor between prosperity and depression. In our present state, moreover, it is only in the export industries—and even there only in some of them—that there is still a large reservoir of idle labour and idle productive equipment. On both scores it is important to make some estimate of the prospects for 1938.

In the last few years of recovery there has been a noticeable tendency for British exports to follow, with a time-lag, the movements of British imports, particularly imports of foodstuffs and raw materials. This, after all, is understandable, since most countries nowadays watch their balances of payments very closely and buy only in strict proportion to the resources they have available, and the working of this mechanism of rigid balancing will tend to be more automatic in the primary producing countries. Whatever may be the explanation, the phenomenon is clearly observable and the attached diagram has been designed to demonstrate it. The two lines show, for each

year, the percentage increase or decrease in the value of British exports or of British imports of foodstuffs and raw materials in comparison with the preceding year. Thus the export line is plotted at +7.6 per cent. for 1934, indicating that the value of exports in that year was 7.6 per cent. higher than in 1933. The lines have, however, been plotted with the export line lagging one year behind the import

INCREASE OR DECLINE OF BRITISH IMPORTS AND EXPORTS, 1931-37
(See explanation in text)



line. This device clearly shows how closely the movement of exports in one year has followed the movements of imports in the year before. In the earlier recovery years, British imports were held back by the various quotas and tariffs, while exports were assisted by the depreciation of the pound, but this stimulus may be supposed to have worn off between 1934 and 1935.

Too much stress should not be laid upon a phenomenon of this nature. It is too regular to be a coincidence. But what applies during a recovery period might be totally invalid in a period of contraction; British imports were higher in 1929 than in 1928, but that did not prevent a sharp slump in exports in 1930. On the other hand, the differences between 1929 and 1937 are nowhere greater than in the field of international trade; in particular, there are no overseas countries to-day relying on an abundant and steady stream of new borrowings to balance their accounts. On the contrary, all the primary producers are now solvent, and many of them are still piling up substantial reserves in London. And the fact remains that the exporters of primary products have had a very good year in 1937. British imports of foodstuffs and raw materials, as the diagram shows, have been nearly 20 per cent. higher in 1937 than in 1936. Wholesale prices, though they have fallen, are still higher than last year's average. The *Economist* index of the prices of primary products, for example, is now 146.7 (September, 1931=100), and though this is 17.2 points below December, 1936, it is still 6.5 points above the average for 1936. Moreover, the 1937 average, at 163.4, is 23.2 points above the 1936 average. The volume (as distinct from value) of British imports in the first three quarters of 1937 was 6.4 per cent. higher than in the same period of 1936. Thus both by value and by volume the primary producing countries have been doing very well, on the whole, in 1937. A considerably increased volume of sterling has accrued to them during the past year and much of it must still remain available for spending on British exports.

All the visible omens would thus seem to favour another year for exporters as good as 1937. It may, indeed, be better, though there have been several reports in recent months of cancelled orders from overseas. But unless commodity prices again fall sharply below their present reduced level, it is difficult to see why there should be anything worse than a slight diminution of exports.

THE AMERICAN ENIGMA

This prediction, however, is conditioned upon the course of commodity prices. And the course of commodity prices, in its turn, depends in the short run of the next few months upon the development of affairs in the United States. Of many important raw materials, America is a greater importer even than Britain, and the effect on the world's markets of the sudden cessation of American purchases during the past autumn has been too obvious to be mistaken. It is not only through commodity prices that events in America affect the economic conjuncture here. The links between Wall Street and the City have never been closer than to-day, and if American business and finance are feeling depressed, the gloom is very quickly communicated to London and, from London, to British industry in general. America must certainly be accounted one of the four major influences on the British economy.

The economic outlook in America has recently been studied in some detail in *The Economist* (November 6, 1937, pages 247-9), and it is not proposed to repeat the argument here. Briefly, however, the conclusion was reached that the cause of the sudden slump of this last autumn was to be found in the failure of the capital goods industries to maintain their previous level of output. This failure was certainly not due to any lack of real and urgent need for new capital equipment. Nor was it merely the reaction from a boom activity which could not, in any case, be permanently maintained. It was due to a breakdown of the nexus of finance and confidence which links the need for capital equipment with the industries that are ready to supply it.

If this argument is correct (and it is accepted by the majority of authorities), the most reasonable forecast of the immediate future is that the psychological gap will be filled and recovery will be resumed. It must be very clearly emphasised, however, that there is as much guesswork as reasoning in this conclusion. Of the three possible forecasts—that there will be no recovery at all from the present low levels; that the recovery will be insufficient to regain the peaks of 1937; and that it will carry the indices to new high levels—the first can perhaps be dismissed as extreme pessimism. But the choice between the other two must be based on hunch rather than on fact.

Only one thing is tolerably certain: that the American economy will not stand still where it is, but will move either up or down. If it moves up, commodity prices throughout the world will recover; British exports will be even larger than in 1937 and the improved state of general business confidence will assist the capital goods industries; but on the other hand a further rise in the cost of living will turn the curve of domestic consuming power definitely downwards. If, on the other hand, the average level of activity in America in 1938 is substantially below 1937, the omens will be correspondingly against British recovery and the only consolation will be the fall of the cost of living.

CONCLUSION

The various threads of this detailed discussion may now be drawn together. Evidence has been marshalled to show that there has already been a noticeable change in the trend of economic events in this country—a change that is visible in almost every statistical series and affects every department of the national economy.

We have given reasons for believing that, unless there is some change in the outward conditions under which the British national economy is operating, the slight downward tendency of the indices will continue. The period through which we have been living has not in every respect resembled the classical boom. But it nevertheless seems likely that the cumulative forces of industrial fluctuation are beginning to work in a downward direction.

We have consequently conducted a search for some

fresh stimulus which will serve to check the action of these cumulative forces. We did not find it in the consumption trades. On the contrary, the only possibility of a considerable expansion in the consuming power of the people seems to reside in a sharp fall in prices, which is almost a synonym for a depression.

In the capital goods industries, we have found evidence of a decline in building and little sign of a substantial expansion in other lines. There is no stimulus here.

The outlook for the export trades is encouraging, and there may even be some further increase if commodity prices are well maintained.

The chief possibility of a favourable development lies in the United States. Among several possible guesses about the course of American industry in 1938 (none of which, however, are more than guesses) the majority view is that the movement of recovery, which never reached a mature phase, will be resumed some time this year. If so, there will be an immediate favourable reaction on the commodity markets and on the general psychology of international business. But there will be offsetting factors; for any such recovery will drive up both the cost of living and costs of production in Great Britain.

No two persons will put the same valuation on these various factors, or combine them to the same result. It may, however, be useful to set down the limits within which a reasonable conclusion must lie. It does not seem possible that there will be any considerable further expansion of production in 1938. The Index of Business Activity will probably not go much, if at all, higher than it is to-day. And even the maintenance of the present level involves putting the optimistic interpretation on the doubtful factors.

On the other hand, no factor has been discovered which would give reasonable ground for anticipating a very sharp depression. A slump of the magnitude of 1930-31 would add over 700,000 a year to the register of unemployment, or nearly 2,000,000 in all. There are two reasons why no figures of this sort are to be anticipated. The first is that in the earlier period the total number of insured persons, employed and unemployed together, was rising by from 300,000 to 400,000 a year, so that unemployment would have increased by these amounts even without any reduction in employment. In the next few years the increase will be only something of the order of 100,000 a year—indeed, it may be less, as there is a substantial volume of delayed retirements from industry to be worked off. Secondly, even apart from the operation of this mathematical factor, no such economic blizzard as burst upon the world in 1929 can be foreseen. It may be of interest to note that the Unemployment Insurance Statutory Committee, advised by the Committee on Economic Information of the Economic Advisory Council, have taken an unemployment percentage of about 16½ per cent. as the probable average during the next trade cycle. If the maximum percentage be supposed to be as far above this average as the present percentage is below it, that gives a figure of 22½ per cent., which, with the present total of insured persons, would mean a total of some 2,900,000 unemployed, or 1,500,000 more than at present. This might mean an increase at the rate of about 500,000 per annum.

For the present, however, this figure of 500,000 more unemployed in twelve months must be regarded as a maximum, which would involve putting the most pessimistic interpretation on every doubtful factor.

The truth, then, in all probability lies somewhere between the two extremes. It seems unlikely that on New Year's Day, 1939, the total of unemployed in Great Britain will be less than it is to-day. But it seems equally unlikely that it will have increased in the meantime at anything like the 1930-31 rate. Which extreme will prove nearer to the truth depends on America more than on any other factor. And within a very few months it ought to be possible to indicate which is the more likely.

Overseas Correspondence

From Our Special Correspondents

France

A Period of Transition

PARIS, December 29.—The year 1936 was a year of great world prosperity, while France was upset by social troubles. This year, on the other hand, has been marked by economic recession in the United States and in France by the "pause" in the New Deal. The capital which left France in 1936 has been partly repatriated in 1937.

The struggle between the two blocs of socialism and capitalism is largely over. The Right has learned the error of its ways, and events have demonstrated to the Left the futility of their extreme claim that "everything is possible." Public opinion is now in favour of necessary social reforms, which is the chief gain of two years of extreme difficulties. The liberal Radical Party seems destined to carry through the reconstruction of the country on this basis.

M. Chautemps's Radical Government has already obtained important financial results, which M. Bonnet underlined before the Senate on the occasion of the voting of the 1938 Budget. But the Opposition has not yielded. Some leaders of the Left had envisaged other circumstances leading to exchange control and fundamental reforms in the structure of the State. They were mistaken—no less in the spheres of finance and politics than in foreign affairs. The Communists cannot be satisfied with the recent trip of M. Delbos in Central Europe which took the same lines as that of Herr von Neurath. Indeed, the tone of the latest strikes in food and in transport suggests that perhaps these developments have not pleased the extreme Left.

On the other hand, the Prime Minister, who has just submitted to M. Lebrun the decrees modifying the application of the 40-hour week in a few basic industries, is conscious that public opinion is equally the enemy of disorder and severe reprisals. He has adopted a firm policy towards the strikes, and the ultimatum of December 29th, which threatened to take over and operate the public services, speedily ended an adventure which, if prolonged, might have had extremely serious consequences.

Difficulties Ahead

The country needs more than the repatriation of flight capital. To balance the Budget an increase of 20/25 per cent. in fiscal receipts will be needed. To raise 30,000 million francs in loans will call for a great effort from people who save. In both cases a considerable investment of capital as the outcome of business activity is required, which is unlikely in the present political and social instability.

Statistics show that the liquid funds of the market are being entirely absorbed by the State. Monthly issues of new companies were three million francs in 1937, against four million francs in 1936 and 48 million francs in 1926. Monthly issues of old companies were 42 million francs for stocks and 48 million francs for debentures, against 610 million francs and 531 million francs respectively, in more normal years. The rates of interest in 1937 were 6, 7, 10 and 7.50 per cent. respectively, against 5.17 and 6.07 per cent. in 1935 and 1934.

Fiscal receipts, on the other hand, show some improvement. This, however, is very largely due to the rise in prices and increases of the rate of tax. The increase in private incomes is slower than the rise in public charges. Fiscal receipts in November were 4,201 million francs, of which 3,869 million francs were ordinary receipts:—

Direct taxes	1,390 million francs
Indirect taxes	2,429 " "
Estate duties	49 " "

Fiscal receipts for the first eleven months of the year were 33,940 million francs, against 29,600 million francs in the same period of 1936; the difference between last year and this, which is now 4,300 millions, will probably reach 5,000 million francs by the end of the year. But the forecasts of M. Auriol, based on the recovery of business, and those of M. Bonnet, based on increased taxation, should have realised

an increase in receipts of 8,000 million francs instead of merely 5,000 million francs.

The Paris Exhibition

The final accounts of the 1937 Exhibition were as follows:—

(Francs 000,000's omitted)

Expenditure	1,443
Receipts	150
Deficit	1,293

Two-thirds of this amount, about 813 million francs, are already covered by various means. The other 500 million francs are still uncovered.

The report of M. Caillaux severely criticises the organisation of the Exhibition and the social disturbances which have hampered its construction and success. Other reports, however, underline the material and moral benefit derived by France from the Exhibition, pointing out that the turnover of many businesses and tourist industries was doubled in 1937. The Municipality of Paris, not unnaturally, voted for the reopening of the Exhibition in 1938. The Chamber did likewise, but with a much smaller majority, and the decision of the Senate is uncertain.

Belgium

Increased Taxation Expected

BRUXELLES, December 14.—Belgium's new Government has taken over the programme of M. van Zeeland. No new policy has been announced, but even if the Government does only what M. Van Zeeland set out to do, the task will be heavy. Moreover, the Government must face an economic situation not so favourable as in the recent past.

The Belgian public has been unpleasantly surprised to learn that the Budget for 1938 will involve some increase in fiscal burden. M. de Man, the Minister of Finance, is likely to ask Parliament to vote 500 million francs of new taxes; thereby half of the relief given to the taxpayers in the last two years will be rescinded.

One reason for this increase is that the increases in old-age pensions, approved by Parliament, are likely to cost some 125 million francs a year. Another is that the financial state of the larger towns has become so critical that the Finance Minister wishes to increase their annual subventions from the Central Exchequer by about 200 million francs.

The Belgian National Railway Company has adopted a plan providing for a 10 to 20 per cent. advance in both goods charges and passenger fares. For 1937 the railways' accounts may be deemed to be balanced, after the payment of financial charges contracted since 1926. But no profit will be left to remunerate the capital invested by the State; and though the National Company is applying for tariff increases, their aim is to cover increasing expenses, not to meet other obligations. The railways' labour costs increase automatically as the cost of living rises, because the wage agreement is linked to the cost-of-living index. There will be strenuous opposition among the public and in Parliament against both increased taxation and advances in railway rates and fares.

Shorter Hours or Higher Wages?

The reduction of the working day in collieries is a problem which the Government must now solve. Some imprudent pledges were given under the influence of the New Deal in France. The working day has already been reduced from 48 hours to 45 hours; and the miners have asked for a further reduction to 42 hours. The Socialist Ministers would rather postpone this question and substitute wage increases

for shorter hours. Probably the working day will be reduced to 42 hours in principle; but it will be made possible to work three hours extra in return for a higher rate of pay for overtime. The Government is, however, inclined to reduce the working day to six hours in particularly unhealthy occupations, though this is being resisted by employers, who maintain that it would impair the competitive position of Belgian industry. Many observers believe that it would be more useful for the workers to press for increased wages rather than for shorter hours.

No Marked Recession

As in most countries, there has been some slackening of activity in Belgium. Heavy industry, coal-mining and iron and steel, are still fully employed. The textile industry, on the other hand, has fared less well, and since the end of October short time has been frequent. Nevertheless, certain special lines, such as linen weaving and the manufacture of cotton carpets, have remained very active.

The Brussels Stock Exchange has witnessed no sensational failures, despite the drop in stock quotations. And most other elements in Belgian economy are in a very satisfactory position. Prices are remunerative; and the movements of the French franc have caused no serious uneasiness in Belgium.

Holland

Setback Unlikely?

AMSTERDAM, December 17.—A great deal of interest is still being focused on the question whether the declining prosperity in America will have repercussions in this country. Economic recovery has made practically no progress in the last few months, and the possibility of a new period of depression is being viewed with considerable misgiving. The period of reviving prosperity in this country has lasted barely a year; the enormous losses sustained during the years of depression have not been recovered; and new reserves have not been accumulated.

Holland is therefore less capable of withstanding a new depression than was the case in 1929. Since the Netherlands failed to benefit by the world-wide recovery for such a long time because of the protracted maintenance of the gold standard, it is hoped and expected that a fresh setback may pass without affecting Holland.

The country is, however, bound to be largely dependent upon the state of prosperity beyond her borders, in view of her shipping, shipbuilding and port interests, her extensive investments abroad, and her export markets. In particular the Netherlands Indies, with their enormous production of a great diversity of raw materials, are very closely affected by the course of prices on the world markets.

Nevertheless, there is still an absence of factors suggesting that a breakdown may be imminent. There has been no boom in trade and industry in the Netherlands; wages have hardly been raised; the money and capital markets are abundantly provided with funds; and undue expansion or excessive investment have been avoided.

Moreover, as is emphasised in a review published by the Central Statistical Bureau, Holland finds her principal foreign outlets for agricultural and dairy produce in Great Britain and Germany, for industrial products in the Netherlands Indies and to a lesser extent in Belgium and the United States, and for her coal in Belgium, France and Germany. It is hardly likely, therefore, that the state of affairs in America will have any direct effect on developments in Holland.

New Issues Inactive

November was a very quiet month on the new issues market. There were no calls for new funds, while conversions were hampered by the fact that the balance of the 3 per cent. Conversion Loan for the Netherlands Indies has not yet been disposed of. Although interest rates are still on the decline, and 3 per cent. municipal and provision loans are being issued more and more, the State is still teetering with the conversion of its 4 per cent. loans.

However, as soon as the balance of the Netherlands Indies conversion has been accommodated the conversion of the further outstanding 4 per cent. State loans is expected. Although 52 million guilders' worth of shares were issued in the first ten months of the year, November passed without a single issue of shares on the Amsterdam market—wholly as a result of the discouraging course of events in commerce and industry.

Bank Releases Gold

In the course of the last two weeks, the Netherlands Bank has released gold to an aggregate of 79 million guilders. This has no connection with the situation of the guilder, but is explained by the credit of up to 150 million guilders granted by the Bank to France. For the remitting of the credit, the Netherlands Bank has transferred the amount in gold to avoid disturbing the foreign exchange market.

The stocks of gold of the Netherlands Bank amount to 1,365,840,000 guilders, and the bank note circulation to 862,717,000 guilders. The great liquidity of the Amsterdam money market is amply illustrated by the fact that the balances held by the Netherlands Bank yielding no interest amount to no less than 760 million guilders.

Decline in Exports

Foreign trade in November proved less satisfactory than in the previous month. Neither imports nor exports could be maintained at the level of October, either in volume or in value. Imports declined from 2,232,000 tons, valued at 148,542,000 guilders in October to 1,952,000 tons, valued at 130,329,000 guilders in November. The figures for November are, nevertheless, considerably higher than those for the corresponding month of 1936. Following the sharp advance of the import surplus to 42,333,000 in October, November showed a pronounced reaction, with an import surplus of only 32,415,000 guilders.

The following table sets out imports and exports (excluding gold and silver) month by month during recent years:—

	Imports (in million guilders)				Exports			
	1934	1935	1936	1937	1934	1935	1936	1937
January	100	76	79	106	56	55	50	73
February	81	70	74	105	51	51	50	79
March	94	80	79	125	61	54	55	94
April	85	78	81	142	54	50	57	101
May	87	78	76	128	57	58	52	90
June	89	73	77	140	59	51	53	95
July	86	76	80	146	58	54	60	102
August	87	76	82	122	69	61	63	98
September	78	76	82	130	69	59	72	113
October	87	94	92	149	62	70	76	106
November	88	86	101	130	60	60	77	98
December	75	73	114	...	56	52	80	...

Exports in November declined because of seasonal factors. In addition, however, the sharp reaction in the raw materials market and declining prosperity in many countries have also contributed towards the decline; just as the decline of world prices has reduced the value of exports and imports.

Poland

Opposition in Parliament

WARSAW, December 20.—The Sejm and Senate were convened in ordinary session this month to pass the Budget Bills for the fiscal year beginning April 1, 1938. The session so far has been much livelier than any since this Parliament was hand-picked in the autumn of 1935 under the "electoral" system—enacted after Pilsudski's death—which went much farther than the Constitution apparently intended in restricting the franchise. The franchise, in fact, was so restricted that the present Parliament, which is "organised" on a regional and non-political basis, actually represents less, and perhaps substantially less, than 50 per cent. of the adult population.

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It is none the less characteristic of the prevailing confusion that Deputies who were virtually "given jobs" now rise in the Sejm to abuse the Government in terms that the Opposition newspapers would not be allowed to employ save in the form of Parliamentary reports. An especially sharp, and, to them, shocking attack on the leaders of the Pilsudski regime was made a few days ago by General Zeligowski, the "Conqueror of Vilna," and one of the oldest and closest friends of the late Marshal Pilsudski; while M. Mudryj, who is a Deputy-Speaker of the Sejm and a leader of the Ukrainians, said that the Ukrainian group this year would, for the first time in the present Parliament, "adopt a passive attitude" towards the Budget Bills. He even went as far as to demand autonomy for the Ukrainians.

The Government and the Peasants

Many Deputies have also criticised the Government's handling of the peasants' strike in Galicia last August, the consensus of opinion, even among supporters of the Government, being that the methods used in breaking up the strike were needlessly ruthless. The Prime Minister has stated that thirty-six peasants were killed during the strike, and many others have since been given severe gaol sentences for taking part in it.

Although the Sejm has just approved supplementary credits of 2,688,360 zlotys for strengthening the police force, the state of feeling throughout the country appears now to be much less tense than it was a few months ago. Disunity among the political parties and groups outside of the Pilsudski regime is decidedly more chronic than the discord which has developed within the regime.

M. Kwiatkowski, the Deputy Prime Minister and Minister of Finance, who has already produced two balanced ordinary Budgets, has undertaken to keep next year's expenditure within the ordinary revenue. The Budget estimates for the present fiscal year were balanced at 2,316,700,000 zlotys, and the revenue and expenditure totals for next year are estimated at 2,447,000,000 zlotys. About one-third of the ordinary Budget expenditure will be devoted to national defence. M. Kwiatkowski expects to provide 200,000,000 zlotys from the ordinary revenue towards the 1,000,000,000 zlotys which he plans to spend from January 1, 1938, to March 31, 1939, on the public works and investment programme—which is really an extraordinary Budget.

The Strategic Triangle.

The most important item in this programme is the Four-Year Plan, which was started a year ago, to create a new industrial region in the "strategic triangle" formed by the Bug, San and Dniester rivers. About 800,000,000 zlotys, of which the ordinary Budget has provided nearly 300,000,000 zlotys, have been spent this year on pioneer investments in the triangle—mainly on waterways, dams, electrification works, roads and railways.

M. Kwiatkowski, who was largely responsible for the building of the port of Gdynia, is now virtually the financial and economic dictator of Poland. Many regard him as the most efficient and effective member of the Cabinet; and, like Dr Schacht in Germany, he is skilled in the use of the credit market. Part of the money needed for the investment programme is coming from the French military credits arranged for a year or so ago, but much of it is being borrowed internally, through the sale of Treasury bills and notes, which in due course will presumably be converted into long-term obligations.

The Burden of Public Expenditure

A substantial measure of relief has been obtained for the Treasury, as well as for the Bank of Poland, which must provide most of the foreign exchange, through agreements recently concluded with American, British, Swedish and other creditors, for the reduction of interest on Polish bonds issued in foreign currencies and still held abroad. About \$37,000,000 of repatriated bonds, most of which carried a 7 per cent. coupon, have also been converted during recent months into a new 4½ per cent. internal loan payable only in zlotys.

Thus the external debt structure is now being brought into much better relationship with Poland's capacity to pay; but any hope of widespread economic improvement appears to be ruled out because of the continuous growth of expenditure on national defence and a State investment programme governed by military rather than purely economic considerations. It is a great misfortune that a country which is economically nearly the most backward in Europe must squander so much of its income and savings on national defence as to preclude any possibility of substantially raising the standard of living.

Jugoslavia

Treaty with France

BELGRADE, December 15.—The concrete result of M. Delbos' visit to Belgrade was the signing of a commercial treaty. This abolishes clearing and introduces payment in devisen; lowers the tariffs on certain French goods (calcium sulphate, champagne, cosmetics, etc.); and guarantees to Yugoslavia extra quotas of maize, haricot beans, fruit, cheese and other goods. The treaty gives Yugoslavia the right to an export surplus of 20 per cent. in trade with France, and follows the precedent set by similar treaties with Great Britain, Holland, Denmark, Sweden and Belgium.

The official reception of M. Delbos was cordial and the *communiqué* underlined the "traditional friendship between France and Yugoslavia." This was to convey that the recent improvement in relations with Italy, confirmed during Dr Stojadinovic's visit to Rome, had in no way affected those with France. The popular welcome of the French Minister was markedly enthusiastic. In general it may be said that, so far as this country is concerned, M. Delbos' visit served to confirm optimism on both the economic and political fronts.

Business Still Prosperous

There are no signs as yet that the recession noticed in some countries has affected Yugoslavia. This is chiefly due to the fact that the end of the year, which coincides with the export season, is always the most prosperous time; and also to the fact that corn and timber, which are among the most important Yugoslav export articles, have not suffered from the setback in prices. There are, moreover, no perceptible indications that, even when the seasonal fillip has been exhausted, the country is due for any marked setback in economic activity. Exports for the first ten months of 1937 were well above last year's level, being 3,722,000 tons worth 5,110 million dinars, compared with 2,197,000 tons valued at 3,306 million dinars in 1936.

Exports have thus risen by 71.69 per cent. in volume and 54.56 per cent. in value. Imports have also increased by 14.95 per cent. in volume and 27.77 per cent. in value. Some 904,000 tons were imported worth 4,265 million dinars, against 787,000 tons worth 3,286 million dinars in 1936. The export surplus is valued at 845 million dinars, against only 20 million dinars last year.

Increased Expenditure

The Budget for 1938-39 amounts to 12,180 million dinars, which is 11.6 per cent. above that of 1937-38 as it originally stood (though additional credits of 424 millions were voted later). The increase is chiefly due to defence, the building of new railways, and the enlargement of the scope of state economic enterprises. No new taxes have been introduced, except the raising of the gold *agio* on import to 13 per cent., since the Minister of Finance expects to be able to cover the Budget from increased economic activity.

The Minister's expectations are partly based on the results of state receipts during the last eighteen months. The 1936-37 Budget produced a net surplus of 248 million dinars, while the first half of 1937-38 has yielded revenue of 5,631 millions, against 4,827 millions in the last year. Budgetary expectations have been fully realised. August and September, in fact, both yielded over 1,000 million dinars, and established records for receipts in the last seven years.

Higher National Income

The national income in 1937 was estimated by the Minister of Finance at 44,200 million dinars, against 42,000 millions in 1936. The highest post-war figure was that of 1926, when national income reached 69,600 millions, and the lowest, in 1932, was only 37,500 million dinars. The present monetary income works out at 2,875 dinars per head per annum, from which should be deducted the average fiscal burden of 503 dinars, giving a net total of 2,372. In an agricultural country like Yugoslavia such a low monetary income is to a great extent supplemented by income in produce which, being raised by self-sufficient households, never reaches the market.

The main economic indices are still satisfactory. Employment is steady at about 715,000. The index of mining for October improved to 139.7, against 132.7 in October, 1936; and that of smelting to 158.1 from 141.7. Savings have grown from 10,622 to 11,755 million dinars, and the increase has been equally distributed between privately-owned and state guaranteed institutions. The only disturbing factor, from the point of view of the town population with fixed incomes, is the rapidly rising index of prices which in September reached 78.1, against 67 last year.

Hongkong

Political Calm

HONGKONG, December 8.—Despite the bitter feeling aroused by Japanese atrocities, Chinese behaviour here has been exemplary. Tension has, of course, been increased by the conduct of the Japanese military authorities in Shanghai as well as by veiled threats directed against Hongkong. But these threats are not taken very seriously.

Although the Canton-Kowloon Railway has been persistently bombed for the past two months no serious damage has been done and interruptions have been very brief. The link between this railway and the Canton-Hankow Railway has proved invaluable, as a large amount of through traffic now passes between the Yangtze valley and the coast at this port.

Canton's Plight

The situation in Canton is not very happy. The daily bombardment has certainly not broken the spirit of the population, but the trade of the city has been dislocated. Plants such as the sugar refinery, the brewery, the fertiliser factory, the cement works, and the spinning and weaving mills, are reported to be either working short time or else at a standstill. At present the Kwangtung dollar is at a discount of over 40 per cent. Exports of produce from Canton are moving freely, but direct trade between Shanghai and Canton has been affected by the restrictions on shipping.

The Hongkong Budget for 1938 does not call for additional taxation. The revised estimates for 1937 anticipate a deficit of \$862,000, which will leave the Colony reserve fund at just over \$12 millions at December 31st. The estimates for 1938 contemplate a deficit of \$3,000,000, which would reduce the reserve fund to well below the normal level of \$10 millions.

War and Trade

In most respects, ever since the outbreak of the undeclared war between China and Japan the trade of this Colony has been in an abnormal state. Imports in September and October showed an increase of over 60 per cent. compared with the corresponding months of last year, because of the large volume of merchandise which was destined for Shanghai but landed here. Exports, swollen by produce filtering into the Colony via the Canton-Hankow Railway, have also risen, although their increase is not much more than 30 per cent. The most noticeable feature of the trade returns, however, is the huge amount of treasure which has

passed in and out of the Colony during recent months, as the following table shows:—

	July	August	September	October
	\$	\$	\$	\$
Imports	133,607,000	10,926,000	140,669,000	92,875,000
Exports	2,137,000	7,297,000	71,517,000	126,440,000

These figures are made up to a large extent of Chinese dollars and subsidiary coins from Shanghai and Canton, forming part of China's note reserve and sent here in the first instance to evade seizure by the Japanese. Subsequently most of this specie was shipped to London and possibly disposed of in part before the recent break in the price of bar silver.

War conditions in China have affected Hongkong in many ways. The large influx of refugees has seriously taxed housing accommodation, and has created an extra demand for foodstuffs. Rents, at an uneconomic level for some years, have now risen substantially, and food prices have gone up despite the extra stocks available through Shanghai shipments being dumped here.

In general, retailers have been doing a brisk business, but stores which normally stock a large proportion of Japanese manufactures, and particularly piece goods, have been handicapped. The amount of capital tied up in Japanese goods which cannot be sold must be very large, but the chief sufferers are the importers, mainly Japanese concerns who are finding it impossible to force dealers to clear.

Imperial Preference

Hongkong industries are passing through a period of transition due to the tightening up of Imperial preference relations. Hitherto Japanese materials have entered into the manufacture of various types of garments made in Hongkong, but exports to British Colonies extending preference to Hongkong are now required to be "spun, woven and finished within the British Empire."

This standard was established for rubber shoes a few years back, but until recent months Japanese cotton yarn, artificial silk yarn, and even Japanese woven cloth, were being used in Hongkong factories in the making of garments, showing a "25 per cent. Empire content." Now Hongkong manufacturers are required to satisfy the local authorities as to the Empire origin of their raw material, and this has meant switching over to Indian yarn for various textile garments and to British spun artificial silk yarn. The output of Hongkong textile factories is almost entirely marketed in Crown Colonies, where the purchasing power of the native population is on a low level, and it has to a large extent replaced Japanese goods.

Letters to the Editor

Lancashire's Remedy

TO THE EDITOR OF THE ECONOMIST

SIR,—Proposals for reorganising the cotton industry from the Joint Committee of Cotton Trade Organisations are being placed before the various sections of the trade for their approval. This is no industry suffering from severe foreign competition at home; for Lancashire still "supplies practically the whole requirements of the home market." On the contrary, it is an industry which still retains nearly a third of the world trade in cotton goods.

During the last twelve months, various interests in the cotton trade have failed to persuade the Government to give them legal powers to enforce schemes for production control, quotas and the removal of surplus capacity. In July the President of the Board of Trade told a deputation that the Government would give help towards reorganisation so long as that reorganisation was devised to consider the trade as a whole and would assist the export trade. The proposals put forward under the heading of "Lancashire's Remedy" are designed to meet these conditions.

Briefly, it is proposed that the Government should pass an Enabling Bill under which sections of the trade may legalise their schemes through a draft order which, if approved by Parliament, would be given statutory effect without delay. All such schemes must first be passed by a Board representative of the whole industry and an Advisory Committee of three outsiders. The schemes which may come under the jurisdiction of the Board include the reduction of surplus capacity, the prevention of waste from excessive competition,

the regulation of the production and sale of goods, the establishment of minimum prices, the institution of pools and quotas, and the imposition of levies on the trade.

It is difficult to understand how the promoters of "Lancashire's Remedy" hope to recapture by these means an export trade which has been lost by high costs of production at home, high tariffs abroad, and the fact that other countries, notably Japan, China and India, are now making what we previously made for them. In a very natural desire to fix prices at a level at which they are remunerative to her, Lancashire seems to have forgotten that that level may be, and recently has been, very considerably above the world price level; and it is the latter, and not any price which she

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may fix for herself, that determines the amount of business Lancashire is likely to do abroad. If Lancashire is to expand her export trade, she can only do so by competing in world markets at world prices.

Experience has taught us that the institution of pools and quotas and the establishment of minimum prices have done nothing to accelerate expansion in exports. Since the Coal Mines Act of 1930 officially recognised a system of pools and quotas, the percentage of coal exports to coal production in this country has declined from 22.5 per cent. in 1930 to 17.4 per cent. in 1935. Lancashire might do well to note the unfortunate experience of the United States. After three years of control in production, the price of cotton is 30 per cent. lower than it was a year ago, and the policy of control and price fixing has so stimulated the production of cotton in other countries that the U.S.A. has now lost her virtual monopoly of the cotton markets of the world.

The consumers of coal, a raw material, are well aware how difficult it has been since the introduction of pools and quotas to get continued deliveries of the sorts they require. How much more difficult would it be to obtain that delivery were a similar system introduced into an industry like cotton, producing a finished article in an infinite variety of different styles. In such an industry any system of pools and quotas means stereotyping the existing organisation, fettering the efficient for the benefit of the inefficient, and creating a rigid, cumbersome, bureaucratic control to deal with circumstances that demand infinite flexibility and rapid decision.

The Government has rightly accepted the postulate that the crying need of the cotton industry is for increased foreign trade. It is difficult to see how they can approve of a scheme as a result of which the export trade may well be limited rather than expanded. The need is to make it possible for the industry to compete in foreign markets. This can be done by producing better goods at the same price, or the same goods at lower prices; both require cheap capital in order that the industry may purchase the best and most efficient modern machinery to do the work. With such machinery available, and bearing in mind the shortage of labour in the trade, it should be possible, with Government help, for a conference of employers and employed to substitute for the out-of-date and involved wage systems at present in force a new method which would mean more pay to the operatives at a lower cost of production to the employers.

The trade may yet be saved by the discovery of new uses for cotton; the tyre trade, the shoe trade, and the hosiery and corset trades are a few examples. A committee of experts to investigate and discover new uses for cotton would undoubtedly do more for the well-being of the whole industry than any grandiose schemes such as those suggested in "Lancashire's Remedy."

Yours truly,

S. B. L. JACKS.

Manchester.

Books and Publications

Realpolitik in Palestine

A BOOK on Palestine at this juncture from "Scrutator's" pen* could hardly fail to be an able and important piece of work. On this subject Mr Sidebotham has a double right to make his voice heard. His general mastery of international affairs is here reinforced by close study and keen enthusiasm; and Mr Sidebotham was the non-Jewish member of a triumvirate of Manchester men who bedded the Balfour Declaration out of a Mancunian nursery garden.

Mr Sidebotham's approach to the Balfour policy is characteristically British. He is bent on proving that the policy is both good for goodness' sake and good for British interests. This time-honoured British dodge of hitching a star to our own particular wagon is what the rest of the world calls British hypocrisy.

Time and again, one of these stars of idealism has been converted into motive power to propel the Imperial perambulator another stage further on its upward course. Will the old dodge work in Palestine under the post-war conditions of international politics? That is the question. Mr Sidebotham still answers it in the affirmative, and he has written this book to support his thesis.

* "Great Britain and Palestine," by Herbert Sidebotham. 1937. Macmillan. 10s. 6d. net.

Eire

TO THE EDITOR OF THE ECONOMIST

SIR,—I am surprised at one grave omission in the acute and penetrating article on "Eire" which appeared in your issue dated December 25th. The new Irish Constitution imports *not one* significant and effective change as compared with the former one. It roots out one set of humbugs and introduces a new set, but produces no effect either on the internal administration of the State or on its relations with the United Kingdom, apart from the incidental exasperation of the Ulster majority by claiming them as a *terra irredenta*.

Since 1922, some eight significant changes have been brought about in the operation of the Free State Constitution. They are: the abolition of the appeal to the Judicial Committee of the Privy Council; the incipient politicisation of the judicial bench; the weakening of civil servants' security of tenure; the surrender by Parliament to Ministers of extensive administrative and legislative (including taxing) powers; the creation of many semi-governmental institutions whose personnel is outside the scope of the Civil Service Regulation Acts; the restriction of the citizen's liberty in many directions; the abandonment of security of tenure and freedom of sale of agricultural holdings as an objective of agrarian reform; the weakening of the legislative influence of the Senate. But it is not the new Constitution that has imported these. They have been effected by distinct legislative and administrative acts over the last fifteen years. Compared with these innovations, the new Constitution deserves the hackneyed comment: "*Plus ça change, . . .*"

Yours faithfully,

Rathgar, Dublin.

G. A. DUNCAN.

The Republics of South America

TO THE EDITOR OF THE ECONOMIST.

SIR,—In the review of "The Republics of South America" in your issue of December 25th, you state that "there is no industrialisation and no possibility of more than the most artificial industrial growth" [in South America].

May I ask you to consider these figures?

Exports of Cotton Piece-goods from the United Kingdom to Brazil.			
	Quantity.		Value.
1903 ...	266,000,000 yds.	...	£3,100,000
1913 ...	97,000,000 yds.	...	£1,600,000
1937 (11 months)	979,000 sq. yds.	...	£50,460

That this growth is artificial, I agree, for it has taken place behind an insurmountable tariff wall; but the statement that there is no industrialisation can, I think, hardly be upheld.

Yours truly,

Manchester.

W. H. ZIMMERN.

anyone who studies the vastly different geographical distribution of forces in the world to-day must surely see that the British Empire's one chance of survival now is to strive with all its might for the establishment of a system of international law and order with a world-wide application.

World-order is no doubt more like a nebula than a star. All the same, it is the only British interest that any longer counts. Mr Sidebotham scents this truth when he observes in passing that a defence of the principles of the League of Nations might be regarded as a primary British interest (page 182)—but after all he passes by on the other side.

This is the frame of ideas in which his Palestinian arguments are set. He has some hard things to say about the Royal Commission's Report, but his arrows glance off because his attack is aimed not so much at the substance of the Report as at what he feels to have been a breach of etiquette on the Commissioners' part. In recommending partition, he argues, they went beyond their terms of reference. Possibly they did; but, anyhow, the British Government have blessed them for it.

Mr Sidebotham himself does not blast the Commission root and branch. He would appear to have resigned himself (like the majority of the Zionist Congress) to the principle of partition, with a plea for somewhat enlarging the proposed area of the Jewish state. (His well-put Jewish arguments in favour of partition on pages 269-70 are more convincing than his British military arguments against it on pages 255-8).

In one illuminating passage, Mr Sidebotham gives reason to the Arab charge that Zionism, in its heart of hearts, has always thought of the Palestinian Arabs as exterminable aborigines.

Nothing was more certain than that if Palestine became part of the British Empire it would never be colonised in any real sense by the sort of Englishmen who have made Canada and Australia. The only possible colonists of Palestine were the Jews.

Delenda est stirps Arabica! If the Englishman is disinclined to play this game we must find somebody who will.

Shorter Notices

"Armaments Year Book for 1937." League of Nations Publications. Allen and Unwin. 1,113 pages. 25s.

The thirteenth edition of this valuable annual includes all the officially published information about the armies, navies, air forces and national defences of 64 countries, together with articles on the organisation of these countries' fighting services. The figures given are remarkably up to date, and were it not for the fact that governments do not publish exact information about the war-footing of their armaments and defences, this volume would be a mirror of the foreboding arms race in which all countries are now engaged.

"Marketing Survey of the United Kingdom." Edited by Cecil Chisholm. Second edition. Business Publications Ltd. 564 pages. Price 40s.

The major part of this second edition of "the salesman's statistical abstract" is a gazetteer of town and county markets. For each market we are given the figures of the population, the proportions of families earning different incomes, the amount of rates and the numbers of shops and cinemas. Even school teachers, editors and dog licences find their place in this exhaustive array of statistics. Home market trends are carefully examined. Mr and Mrs Consumer are as readily detected buying groceries and shoes as spending an evening at the cinema or the dogs. On holiday, too, their favourite seaside resort is betrayed by their habit of writing letters and post cards. For 132 markets an index number of purchasing power has been computed. To draw distributors' attention to places which might repay further investigation it is useful and above criticism. But one may question whether an index based almost entirely on the numbers of persons in employment, and on necessarily doubtful estimates of the numbers of families earning between £250 and £500 and over £500 respectively, can be more than the bluest of guides. When we are told that Coventry and Oxford are at the top of the purchasing power scale and Merthyr Tydfil and Rotherham at the bottom, we do not feel we have learnt anything strikingly new. And it is doubtful whether much significance can be attached to the fact that Manchester shows six points more prosperity than Greater London.



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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 1936 are as follows: Vol. I, 13s. (13s. 6d.); Vol. II, 32s. 6d. (33s. 1d.); Vol. III, 20s. (20s. 6d.); Vol. IV, in the press. Post-free prices in brackets.

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THE BUSINESS WORLD

Our Changing Industries

AFTER an abrupt recession between 1929 and 1932, British business activity has been expanding steadily for nearly five and a half years, and now stands well above the level attained in 1929. *The Economist's* Index of Business Activity (1935 = 100), which fell from 99½ in August, 1929, to 81½ in September, 1932, stood at 113½ last September and 112 in November. This recovery has been associated with a welcome rise in the number of employed workers, whose total in 1937 reached the highest level on record. The increase in the total volume of activity and of employment, however, is a composite of innumerable changes in separate industries and geographical areas, and these changes have been anything but uniform. Factors like the trade cycle, technical progress and the changing proportion of the national resources employed for the home and export markets have affected different industries unequally. What has been the nature of these changes during the past eight years?

The material for a detailed and illuminating answer to this question is given in the official reports of the Ministry of Labour on the results of a "census" of insured workers, taken by the Ministry, in June of each year. The latest of these reports was published in *The Ministry of Labour Gazette* of last December. The official employment analyses, unfortunately, do not cover the whole of Britain's occupied population, but only that section of our human resources which is covered by the Unemployment Insurance Acts.

During the years since 1929 industrial changes have been particularly rapid. The proportion of our resources employed for the satisfaction of the domestic market has increased considerably, and technical progress has been marked both in old and newly established industries.

The main trends in employment are shown graphically in a series of diagrams on page 45. In the first place, the total number of insured persons aged 16 to 64 in the United Kingdom has increased by 1,603,000 during the past eight years, from 12,094,000 in June, 1929, to 13,697,000 in the corresponding month this year. The number of insured persons in employment, on the other hand, declined from 10,930,000 in June, 1929, to 9,967,000 in 1932, but rose to 12,327,000 in 1937; thus there was a net increase of 1,397,000 during the eight years. These figures show that, despite the remarkable expansion of business activity since 1932, the growth of employment has not fully kept pace with the increase in the number of insured persons. Thus, while the numbers in employment last June were 12.8 per cent. greater than in 1929, the increase fell short, by some 206,000, of absorbing the total increase in the insured population.

So much for employment in general. How has the depression and subsequent recovery affected the distribution of employment among the main branches of activity? Which industries have absorbed the 1,396,000 additional workers who have found employment between 1929 and 1937? The answer is given in Table I (see next column), which shows changes in the number of employed persons aged 16 to 64 by broad categories (a) between June 1929 and 1932, (b) between June, 1932 and 1937, and (c) between 1929 and 1937. This analysis shows that the decline in employment during the depression was confined to the so-called "productive" industries, including fishing, mining, manufacturing, and building and public works contracting. Employment in these industries declined altogether by 1,169,000 between June, 1929, and June, 1932. On the other hand, employment in the "service" industries continued to rise during the depression, the total increase in the five branches of activity shown separately amounting to 206,000. The continued expansion of the "service" industries

TABLE I. CHANGES IN EMPLOYMENT IN THE UNITED KINGDOM SINCE 1929

Industry Group	Number employed in June, 1937	Increase (+) or decrease (-) in the number employed		Net increase (+) or decrease (-) 1929-37
		1929-32	1932-37	
Fishing	28,182	- 1,180	+ 3,940	+ 1,760
Mining and quarrying	794,315	- 273,920	+ 99,830	- 174,090
Manufacturing	5,947,552	- 823,550	+ 1,378,000	+ 554,450
Building and contracting	1,119,145	- 70,840	+ 299,610	+ 228,770
Transport and distribution	2,693,132	+ 128,360	+ 279,130	+ 407,490
Gas, water and electricity supply	202,661	+ 2,300	+ 47,390	+ 49,690
Miscellaneous services	835,466	+ 41,480	+ 167,170	+ 208,650
Commerce, banking, insurance and finance	260,354	+ 8,720	+ 28,720	+ 37,440
National and local government services	445,985	+ 25,290	+ 56,000	+ 81,290
All industries and services	12,326,790	- 963,340	+ 2,359,790	+ 1,396,450

tries during the depression has thus offset, to some extent, the severe decline in the "productive" trades. In the upward phase of the trade cycle, however, it is clear that employment increased in every branch of activity which is shown separately in the table, though numerically the increase was most marked in the manufacturing group. During the whole period from 1929 to 1937 all branches of activity, except mining and quarrying, showed an increase in employment.

Changes in the relative importance of the main branches of industrial activity are shown in the next table. The number of employed aged 16 to 64 in each group is shown as a percentage of the total number of insured workers in employment in each year.

TABLE II. CHANGES IN THE DISTRIBUTION OF EMPLOYMENT SINCE 1929

Industry Group	Proportion of the total number of insured persons employed in different industrial groups at the end of June			
	1929	1932	1936	1937
Fishing	0.2	0.2	0.2	0.2
Mining and quarrying	8.9	7.0	6.1	6.4
Manufacturing	49.4	45.9	47.4	48.3
Building and contracting	8.2	8.2	9.3	9.1
Transport and distribution	20.9	24.2	22.6	21.9
Gas, water and electricity supply	1.4	1.6	1.7	1.6
Miscellaneous services	5.7	6.7	6.9	6.8
Commerce, banking, insurance & finance	2.0	2.3	2.2	2.1
National and local government services	3.3	3.9	3.6	3.6
All industries and services	100.0	100.0	100.0	100.0

The table reveals the growth of the "service" industries between 1929 and 1937. The proportion of the total number employed engaged in fishing, mining, manufacturing, and building and contracting declined from 66.7 per cent. in 1929 to 64.0 per cent. in 1937. The relative decline of the productive industries, however, was mainly due to the decline in the number employed in coalmining, which, in turn, can be attributed—in part, at least—to mechanisation of mining operations. The relative importance of the manufacturing group of trades has also diminished during the past eight years, but these trades still employ nearly half of the total number of insured persons. The relative importance of all the "service" industries increased markedly between 1929 and 1937, and in the latter year they accounted for as much as 36 per cent. of the total number of insured persons in employment.

This increased importance of the "service" industries is a normal concomitant of a rise in the general standard of living. But there have been equally significant shifts within the manufacturing group of industries. These are revealed

in the last table, which shows the trend of employment in the food, drink and tobacco, textile and clothing, and metal industries between June 1929 and 1937. This classification has been adopted in order to draw a rough distinction between consumption and capital goods industries. While the metal industries, producing mainly durable goods, usually bear the brunt of cyclical variations in business activity, fluctuations in expenditure on non-durable consumption goods are usually less marked:—

TABLE III. NUMBERS IN EMPLOYMENT IN IMPORTANT MANUFACTURING INDUSTRIES (In thousands)

June	Food, Drink and Tobacco	Textiles and Clothing	Metal Industries	Other Industries	Total Manufacturing
1929	477	1,697	1,910	1,207	5,291
1931	461	1,390	1,501	1,110	4,462
1932	465	1,444	1,449	1,212	4,570
1936	508	1,555	2,059	1,399	5,512
1937	531	1,614	2,322	1,451	5,948

As was to be expected, recovery has been most marked in the metal industries. While employment in the food, drink and tobacco trades in 1937 was only 11.3 per cent. higher than eight years ago, the number actively engaged in the metal industries rose by 21.6 per cent. during that

period. Largely as a result of the decline in export business, employment in the textile and clothing group last June was actually 5.1 per cent. smaller than in 1929.

Apart from the important changes in the relative importance of the main branches of activity, there has been a significant geographical redistribution of employment between 1929 and 1937. For example, the number of insured workers employed in London and South-East England rose by 23 per cent. during the past eight years. The Midlands and South-West England have gained 19 per cent., but employment in the North of England showed an increase of only 5 per cent. In Wales and Scotland the number employed in June, 1937, was only slightly higher than eight years ago.

We may briefly sum up the conclusions suggested by this survey. There have obviously been far-reaching changes since 1929 in the relative importance both of individual branches of industry and of geographical areas. The growth of the "service" industries has been accompanied by a marked concentration of activity in and around London and in the Midlands. Among the productive industries there has been a marked expansion of the durable goods trades, but employment in the textile and clothing trades has declined both absolutely and relatively between 1929 and 1937. Finally, the net increase in employment between June 1929 and 1937 has been measurably smaller than the growth of the insured population during that period.

Investment Signs and Portents

THE careful investor, like Mr Samuel Pepys nearly three centuries ago, will spend this week-end striking his balance of profit and loss for 1937. His task will not be a happy one. For the first year since 1931 ordinary share prices declined last year, almost uninterruptedly, and finished with a net loss of 18½ per cent. The actual fall in many leading issues was much greater. The stock-taking investor will discover that British Oxygen have fallen from the year's highest point by 40 per cent., Imperial Tobacco by 20 per cent., Marks and Spencer by 35 per cent. and Woolworth by 27½ per cent. After a 4½ years' bull market these are hard facts indeed.

Why has the Stock Exchange changed its outlook so fundamentally? A year ago we epitomised our view of prospects for 1937 in a question: Green Light or Amber? At that time, we were in a small minority in suggesting even the possibility of a substantial recession in Stock Exchange values. To-day opinion has altered significantly. The investor has shortened sail—the year, indeed, has taught us how wide an area of speculative canvas had been unfurled. The majority of Stock Exchange operators would probably acquiesce reluctantly in two general propositions whose importance is fundamental at the present time. The first is that opportunities for securing handsome capital profits on ordinary shares can no longer be expected in the present cycle; the second, that the rising tendency of industrial profits may well be checked some time in 1938.

In short, the less favourable factors which we discussed a year ago, have been accentuated. The most striking feature of the past year has been the disposition of the market to make its downward adjustments quickly—so rapidly, indeed, that prices were discounting a considerable trade recession a few weeks ago, while our Index of Business Activity was still advancing to new all-time high levels. Viewed in retrospect, some of the "special causes" assigned for the continuing fall in equity prices during 1937 lose all but a purely contemporary significance. For example, N.D.C. was merely a confusing shock; the gold scares were unfounded; the commodity price boom in the spring invited rapid retribution. It is clear enough to-day that the market's basic trouble arose from the fact that, by the end of 1936, share prices had been carried too high in relation to reasonable expectations of profits.

The two charts reproduced on the next page (and the year's main price changes, given on page 52) suggest two conclusions. The first is that the conjuncture of rising industrial activity and falling share values is explainable only on the ground that investors expect some

economic recession; they are no longer prepared to pay a handsome price in order to "buy time." The second inference is that, once the possibility of a check to the upward movement of earnings and dividends has been admitted, the margin between the income yield on ordinary shares and on gilt-edged securities has needed substantial adjustment. A year ago, according to the Actuaries' Index, the yield on representative equity shares was 0.73 per cent.

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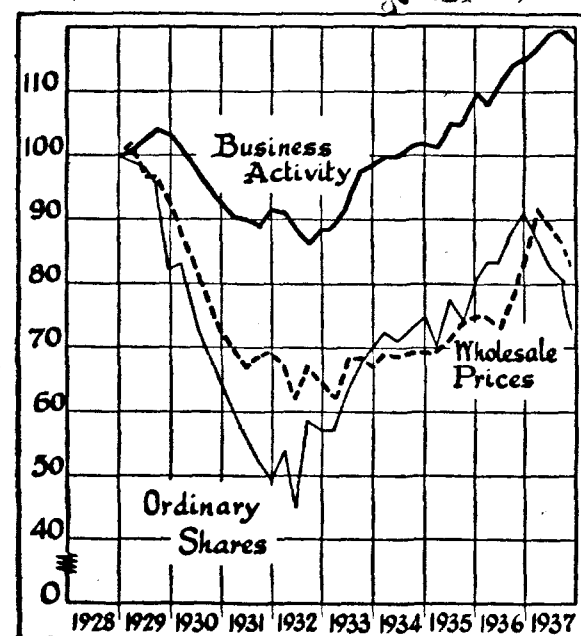
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higher than the yield on 2½ per cent. Consols. To-day the difference is as much as 1.55 per cent.

These conclusions are of major importance in any attempt to evaluate the course of the markets in future months. For the industries on which investment attention was largely focussed during the period of rising values were precisely those whose progress has been most vital to Britain's industrial recovery, and whose position to-day—as we show in a special review of economic prospects on page 11—is most debatable. In particular, the rôle of the building trades and the steel making and consuming group of industries has been, and is, crucial. Any further stimulus to these Key industries, in the present phase of the trade cycle, seems unlikely. They have, however, a significant bearing on the industrial and investment aspects of

BUSINESS ACTIVITY, EQUITY PRICES AND COMMODITY PRICES—1929-37

(Sources: *The Economist* and Act. Price Index)

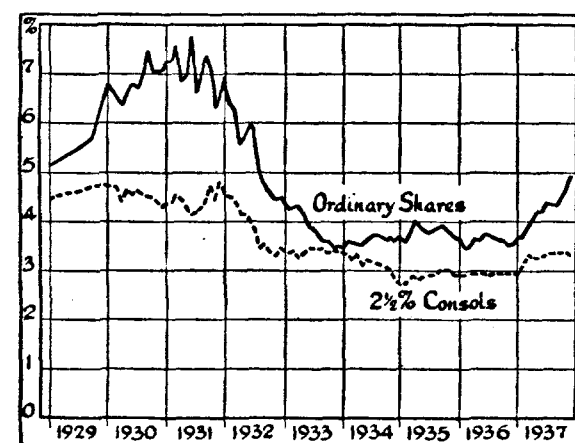


other trades. So far as industrial conditions determine Stock Exchange values, there seems to be little reason to expect a strong upward movement in 1938. But Stock Exchange quotations are also determined by the actual or probable level of general interest rates. In our comparison of average income yields we have taken as a datum the yield on 2½ per cent. Consols. Is that datum itself likely to change? If the industrial trend has, in fact, taken the turn, we have passed a cyclical peak without the attendant monetary crisis which has always marked such points of inflexion in the past. The setback in gilt-edged prices last year was confined to the first three months, and quotations have since been fairly firm.

There are two explanations for the limited rise of interest rates over the year. The managers of cheap money, on the one hand, have received substantial assistance from the growth of extra-budgetary social funds,

whose additional resources, broadly speaking, have covered the first instalment of re-armament borrowing. On the other hand, switching by investors from industrials into gilt-edged—particularly “dated” gilt-edged—appears comfortably to have offset sales of investments by the banks. These factors suggest a firm gilt-edged market for some time to come. The generalisation, however, is subject to two contingencies: rising taxation and a permanently expanded Budget; and the possibility of gilt-edged sales by the extra-budgetary funds if industrial conditions become markedly adverse. There is, accordingly, sufficient obscurity, even in the gilt-edged outlook, to underline the attractions of stocks with a definite redemption date, despite their low current income return. The large section of the security market which is conditioned by gilt-edged movements, includes stable industrial equities of the J. Lyons type, and industrial preference and debenture issues. It may, perhaps, be open to question whether these two latter classes fully reflect potential industrial changes as

YIELDS ON INDUSTRIAL SHARES AND OLD CONSOLS—1929-37 (Actuaries Index)



yet. The Actuaries' Index shows that the average yield on miscellaneous industrial debentures and preference issues actually rose last year by an appreciably smaller percentage than the yield on Old Consols. Thus a state of affairs has arisen in which London Brick ordinary stock, for example, is on 7¼-8 per cent. dividend yield basis and discounts an appreciable fall in building activity, while the preference stock still yields no more than 4.2 per cent.

The decline in industrial share values, in this and in other cases, has already discounted so much that a repetition in 1938 of anything like the set-back of 1937 seems inherently improbable. Will there be even a temporary movement the other way? The answer may depend on the course of events in the United States, which has yet to enjoy a recovery in any full sense, and is now experiencing a marked recession. Whether this will be succeeded, six months hence, by increased activity in the constructional trades is an open question. But without the help of “recovery” in the United States, with its beneficial effect on commodity prices and, through them, on international trade, British investors may be more concerned with the security of their capital than with capital profits in 1938.

Whither British Banking?

EIGHT years have elapsed since the beginning of the last depression, and six years since Great Britain suspended the gold standard. Most of the latter period has embraced a deliberate, substantial and successful attempt to foster recovery in this country, by means of an enlargement of the credit base and the institution of a regime of cheap and plentiful money. Subsequently, there has been an expansion of joint-stock bank cash and resources, a considerable increase in the note circulation, a definite rise in the price level, a marked fall in interest rates and a growth in business activity to a point considerably above the 1929 peak. Only within the last month or two have there been signs of a downward turn in business activity.

At the opening of a new year it is opportune to consider

the differences which the past eight momentous years have made to banking structure and policy. Let us take first the changes in the credit base, as illustrated by the returns of the Bank of England:—

	Nov., 1929	June, 1932	Nov., 1935	Nov., 1937
Gold	131.9	134.5	196.5	326.4
Fid. Note Issue	260.0	275.0	260.0	200.0
Note Circulation	358.1	357.4	401.4	485.6
Reserve	34.7	52.8	55.9	42.4
Securities*	95.3	107.2	107.2	133.1
Bankers' Deposits	54.7	87.5	92.9	90.9

* In banking department.

The main point which leaps to the eye is the enormous increase in the Bank's gold reserves. Moreover the Bank's gold is seriously undervalued; at 140s. per ounce it would amount to the tremendous sum of £537 millions. Furthermore, this gold is immune both in law and practice from withdrawals on foreign account; for the Exchange Account's gold, amounting to nearly £200 millions, serves as an effective buffer. In comparison with the Bank's gold, the increase in the banking department is very moderate. Moreover, if the securities behind the fiduciary note issue are taken into account, the Bank is holding less securities to-day than at any of the previous dates in our table. The expansion in the credit base has been entirely a gold expansion.

On the other hand most of the expansion since 1932 has been absorbed by the increase of over £100 millions in the note circulation. The Reserve is actually lower than in June, 1932, or November, 1933. Nevertheless, the apparently moderate increase in bankers' deposits (reduced slightly last November by a temporary increase in public deposits) has been sufficient to bring about an increase in joint-stock bank resources great enough to create several new problems.

This appears from the next table showing the position of nine English clearing banks. The District Bank is necessarily omitted, as it was not a member of the London Clearing House in the earlier years:—

	Nov., 1929	June, 1932	Nov., 1935	Nov., 1937
Cash	186.4	188.3	211.1	223.5
Call and Short Loans	139.7	108.9	142.3	145.8
Discounts	230.7	275.8	291.6	291.9
Investments	259.5	348.5	604.5	589.6
Advances	973.0	836.8	759.3	939.2
Deposits	1,751.4	1,726.8	2,002.0	2,193.1
Ratio to Deposits				
Discounts	13.2%	16.0%	14.6%	13.3%
Investments	14.8%	20.2%	30.2%	26.9%
Advances	55.5%	48.5%	37.3%	42.8%

We may reserve comments upon this table for a moment, and proceed to show a comparison of long-term and short-term interest levels for the four selected dates:

	Nov., 1929	June, 1932	Nov., 1935	Nov., 1937
Bank Rate	6%	2½%	2%	2%
London Deposit Rate	4	½	½	½
Short Loans	5½	¾-1½	1½-1	1½-1
Treasury Bills	5½	1½	½	½
Bank bills (three months)	5½	1	9½	9½
Consols (yield)	4¾	3½-16	2½-16	3¼

Using these figures as our text, let us first consider recent changes in the structure of the joint-stock banks.

First, we find that there has been a steady growth in bank cash, and therefore in the power of the banks to acquire earning assets and, as an automatic consequence, to add to their deposits.

The striking feature of the second table is the drop in advances, first between 1929 and 1930 and subsequently between 1932 and 1935. Trade depression, the fall in prices, and the writing-off of bad debts, together explain the earlier decline. The decrease up to 1935 was due to a variety of causes. The initial stages of recovery permitted the repayment of previously frozen loans. Industrial amalgamations reduced the demand for new loans. The municipalities borrowed far less from their bankers partly because their needs were lower, and partly because they could obtain money elsewhere.

The result was that the banks had to employ their surplus resources in securities, as is shown both by the absolute growth in investments and by the drop in the ratio of advances to deposits and the big growth in the investment ratio.

Reference to the third table shows that in comparison with 1929, liquid banking assets, such as call and short loans and discounts, no longer earn their keep. The banks hold more securities than they did, both absolutely and relatively to deposits, and the yield on those securities is less than in 1929 or in 1932. Advances have shrunk both absolutely and relatively, and the banker's former slogan for advance rates, “One above Bank rate, minimum five,”

has completely gone by the board. Loans at 4½ per cent., 4 per cent., and even less, are readily obtainable by large borrowers.

On the other hand there has been a drop in deposit rates, both in London and the country. There has been no saving on the majority of current accounts, which received no interest in 1929, and cannot receive less to-day. Bank charges on unremunerative accounts cannot be increased without provoking public resistance. Competition between the banks continues and so does the public demand for gratuitous or unremunerative services.

We imagine that while few bankers would seriously quarrel with this diagnosis, no two would agree on the changes in banking policy it may ultimately entail. An early return to a regime of dearer money now seems highly unlikely. The banks can scarcely expect significantly to reduce their total gilt-edged security holdings, at a time when the Government has several hundred millions of Defence Loan still to place; on the contrary, their holdings are likely still further to increase. Certain other expedients need only be stated in order to demonstrate their impracticability. The banks, for example, cannot seriously reduce their standards of security for advances, or voluntarily tie up their resources in long-term loans, and this factor in itself imposes a definite upper limit on the return they can expect to earn. In case of dire necessity, they might contemplate various internal adjustments, including possibly a reduction in the number of their branches; for no system, however efficient, is sacrosanct, and circumstances alter cases. But here the banks would encounter a difficulty which would be even more formidable if they endeavoured to take the logical step of revising the charges for some of their “unremunerative” services, particularly cheque clearing. They provide a species of “public utility” service, and public opinion would contemplate a reduction in their profits much more complacently than a curtailment of their facilities.

On the other hand, the banks may reflect that the railways, faced with a problem similar in some respects to their own (though far more acute), stemmed the decline in their traffics by introducing cheap fares and more excursion trains. In the long run, the banks in making advances to customers must necessarily follow the policy of charging what the traffic will bear. The reductions they have already made in their average interest charges honour that principle; and a marginal advance may be profitable, even if it earns only a little more than the yield on gilt-edged securities.

Whether the boundaries of banking business, in the traditional British sense, should eventually be enlarged is a far wider question. In view of recent American and Continental experience, there would be little serious support for the suggestion that the banks should participate in industrial enterprises or make large-scale advances on mortgage against real property. But there certainly exists to-day a demand for medium-term credit for industry and for capital for small but progressive businesses, which the banks might well be able to meet. These questions may assume increasing importance as time goes on. Meanwhile, it is clear that banking profits will not return speedily to the levels of 1927-29. But, after all, the present return on bank shares can scarcely be called inadequate or be used as a powerful argument for the necessity of restoring pre-depression earnings by reducing the banks' facilities or increasing their charges to the public.



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Finance and Banking

Christmas Currency.—On December 23rd the note circulation reached the record level of £509.3 millions, making this year's Christmas increase one of £28.9 millions. It is impossible to assess the amount of currency actually in use during the period of Christmas trade, for the period covers several weeks, during which notes are continually being paid into the banks and drawn out again. Still, the actual expansion in the circulation between mid-November gives a fair indication of the intensity of Christmas trade, especially when used as a basis of comparison with earlier years:—

	NOTE CIRCULATION (£ million)			
	1934	1935	1936	1937
Mid-November	376.9	398.9	444.9	480.4
Christmas week	405.1	424.5	474.1	509.3
Increase (actual)	28.2	25.6	29.2	28.9
Increase (per cent.) ...	7.5	6.4	6.6	6.0

Absolutely, the 1937 Christmas increase compares well with the average for earlier years, but when it is remembered that trade a year ago was interrupted by the constitutional crisis, Christmas, 1937, does not compare too well with Christmas, 1936. Again, if the increase is expressed as a percentage on the note circulation of mid-November, 1937 does not come out particularly well. The significance of this last comparison can be realised when it is remembered that retail prices are some five or ten per cent. higher than a year ago, while the cost of most Christmas railway travelling has also gone up by five per cent. Hence it is possible that the *volume* of Christmas spending was less this year than last. This is a natural but regrettable consequence of the year's setback on the stock markets and rise in retail prices.

France's Capital Requirements.—The £40,000,000 French railway credit has now been repaid, but reports are already busy crediting the French Government with the intention of returning to London for fresh accommodation early in the New Year. Such a decision should cause no surprise. The French Government's capital requirements for 1938 amount to Frs. 28,000 millions, according to the official estimates; if we are to believe calculations recently made by M. Paul Reynaud they will reach over Frs. 45,000 millions. On present indications the domestic capital market cannot satisfy these requirements, and if there is no external borrowing they will have to be met, whether directly or indirectly, by inflationary borrowing. There has been some repatriation of capital to France—M. Bonnet estimated the movement at Frs. 10,000 millions in the recent Budget debates—but there has been no apparent sign of the re-investment of that capital in the French market. Most of it was probably liquid industrial and commercial capital which was repatriated together with its devaluation profits and was re-employed in the enterprises concerned. But the market for French rentes continues to reveal the investor's strike that is still proceeding in France. The latest issue of 5 per cent. 3-, 6- and 9-year bonds had to be made on an average yield basis of 6½ per cent. and, even so, the operation brought in only Frs. 3,600 millions. Another approach to the London market for temporary accommodation may thus be in prospect.

Royal Bank of Canada.—It is interesting to compare the recent trend of Canadian banking, as exemplified by the Royal Bank's latest report, with the British trend discussed in a leading article on another page. The accounts of the Royal Bank, summarised below, suggest

one or two significant conclusions. First there has been an increase in advances during the past year, but it is proportionately much less than the British increase. Next, the drop in call loans, both inside and outside Canada, reflects both the year's trend of the stock markets and a cardinal distinction between British and Canadian banking; for the Canadian call market, like the American call market, deals in loans against securities, and not against bills as is the case in Great Britain. The rise in deposits, both in Great Britain and in Canada, is of the order of one per cent., and so is very moderate. Finally, the limited increase in the Royal Bank's advances, together with a drop in call loans, has led it to add appreciably to its investments; while the British bank's investments have fallen during the past year.

	November 30 1936	1937
Liabilities:—		
Deposits	746.8	756.1
Note circulation	29.5	28.6
Assets:—		
Cash	179.3	168.6
Call loans	40.8	29.5
Investments	293.2	316.6
Advances	300.1	308.5
Net profits	3.5	3.7

In spite of the year's decrease in cash, the bank's position remains liquid, when it is recalled that the bulk of its investments are in Dominion and Provincial Government securities. It is to be assumed that ample reserves are held against any conceivable depreciation. Advances represent 40.8 per cent. of deposits, or much the same proportion as now exists in England. Net profits have risen from \$3,506,000 to \$3,711,000, and an extra \$100,000 is being given to the Pension Fund Association.

Canadian Bank of Commerce.—According to a cabled summary, the latest accounts for the bank confirm the general Canadian banking trend. Deposits at \$560.7 millions show a moderate increase over last year, while cash has fallen to \$110.5 millions, and call loans have contracted sharply to \$32.4 millions. Investments are higher at \$262.9 millions. So far as can be told from the summary, advances at \$200 millions are much the same as last year. Net profits at \$2,934,000 are slightly higher. The latest balance sheet of both this bank and the Royal Bank called attention to one possible source of weakness in American and Canadian banking practice. Call and short loans are essentially the way of employing such surplus funds as a bank has at any moment. That surplus is clearly subject to frequent variations, and a banker should obviously have the assurance that he can always dispose of that surplus in the call market. In England, call and short loans are made largely against bills, and in practice, little difficulty arises. Across the Atlantic, however, there is no well-developed bill market, and call loans are habitually made against securities. Last year's Canadian banking experience has shown that, quite apart from the bank's needs, call loans have had to be drastically reduced simply because of the year's recession in the stock markets. The banks therefore have apparently been driven to invest their floating resources in securities. At the same time, while the banks show more securities and deposits, they also show less cash than a year ago. It would be interesting to know the reason for these three movements, taken in conjunction with one another.

Average Money Rates.—For purposes of record we give below a table of annual averages of short loan and discount rates over the past nine years. In interpreting the

table, however, a sharp distinction must be drawn between the earlier and later years. During the past few years, both short loan and discount rates have been pegged within fairly narrow limits, mainly through co-operation between the clearing banks. There has thus developed a controlled market in place of a free market.

AVERAGE MONEY RATES

Year	Bank Rate	Market Rate 3 Months' Bills	London Deposit Rate, Banks	Short Loans
1929	5 10 0	5 5 4	5 10 0	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
1937	2 0 0	0 11 6½	0 10 0	0 15 1½

To illustrate the distinction, since nearly two years ago the clearing banks have as a rule lent money at fixed rates of

½, ¾ and 1 per cent., the rate depending on the collateral lodged against each loan. Other banks and financial houses, known as "outside lenders," vary their rates at will, but a common rate is ½ per cent. for loans against bills, and ¾ per cent. for loans against bonds. Thus the effective average rate for loans against bills has lately been ½ per cent. As regards discount rates, the clearing banks have agreed to buy Treasury bills at not less than ½ per cent., and during most of the year their minimum rate was also the actual rate at which the bulk of the Treasury bills were bought and sold. Three months' bank bills were dealt in more freely—in practice at rates just above the Treasury bill rate. These considerations explain the apparent anomaly in the table of the short loan rate being higher than the market rate for three months' bank bills. This phenomenon has been apparent ever since 1933; it arises directly out of the fact that the market rate of discount on Treasury Bills has fallen far below the rates to be obtained on bonds and other securities. The actual rate for short loans against bank bills was ½ per cent., compared with an average market rate of just over ¾ per cent. Thus bill brokers had a very small margin of profit.

MONEY MARKET NOTES

The Bank Return

Coincident with the increase in the circulation to the new high record of £509.3 millions, the Reserve shrank on December 22nd to £38.0 millions. Had it not been for the seasonal increase of £20 millions in the fiduciary note issue, the Reserve would have been down to £18.0 millions, and the Proportion to 12.4 per cent. This week the Christmas currency has begun to return, and the circulation is down to £505.3 millions.

	Dec. 30, 1936	Dec. 15, 1937	Dec. 22, 1937	Dec. 29, 1937
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.

Issue Dept.	313.7	326.4	326.4	326.4
Gold	467.4	502.0	509.3	505.3
Notes in circulation	46.8	45.6	38.0	41.9
Reserve	12.1	11.4	10.8	11.4
Public Depts.	150.6	103.4	98.2	120.6
Bankers' Depts.	39.2	36.5	36.5	36.6
Other Depts.	134.5	95.0	96.5	114.6
Govt. Secs.	17.5	7.8	7.5	9.2
Discounts and Advances	21.2	20.7	21.5	20.9
Other Secs.	23.1%	10.1%	26.1%	24.8%
Proportion				

In the banking department, the final week of the Christmas currency expansion reduced bankers' deposits to £98.2 millions. This week they have recovered to £120.6 millions, because of heavy Treasury bill maturities and no payments. Discounts and advances have only risen this week from £7.5 to £9.2 millions. Thus, up to December 29th there had been very little market borrowing from the Bank in preparation for the end of the year. This confirms the market view that there will be comparatively little pressure on the last day of the year.

The Money Market

At the Treasury bill tender last week the market concentrated upon bills to be paid for on January 1st. Immediately after Christmas one or two of the banks continued to buy bills, in contrast to their usual custom so near the end of the year, and the market was able to sell a few February and March Treasuries at ¾ per cent. There were also very heavy maturities of Treasury

bills on December 30th. As a result comfortable conditions prevailed during most of the week, and up to the moment of going to press there was no report of any borrowing at the Bank.

	Dec. 31, 1936	Dec. 22, 1937	Dec. 30, 1937
Bank Rate	2 ½	2 ½	2 ½
London Deposit Rate	1 ½	1 ½	1 ½
Short Loan Rates:—			
Clearing Banks	1¼-1½	1¼-1½	1¼-1½
Others	1	1	1
Discount Rates:—			
Treasury bills	nom.	11½	11½
Three months' bank bills	11½-3¼	23½-3¼	9½-5½

* Viz. ½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

The clearing banks continued to lend day-to-day money at ½ per cent. against bills, and were renewing old weekly fixtures into the New Year at ½ per cent. Otherwise 2 per cent. was charged for loans over the turn of the year. The market had the proceeds of Thursday's maturities on their hands over that night, for the banks only called for balance-sheet purposes on Friday. Still the market naturally preferred to forgo a day's interest rather than carry bills over the turn of the year and have to borrow from the Bank for eight days at 2½ per cent. There were no hot Treasury bills available during most of the week, but there was some business in March bills at ½ per cent. for delivery in early January.

The Bullion Market

Dealings in gold this week have been mainly noticeable for a continued shrinkage in the premium over the American shipping price, which by Thursday had dropped to as low as 4½d. There has been a fair Continental demand, including both private and official arbitrage demand from Belgium. Supplies of gold have come almost entirely from the British authorities, who have shown a willingness at the fixing to meet all demands. This does not necessarily indicate any particular line of policy, for both the Transvaal and Russian gold coming to London is normally disposed of by the authorities. It has been noticed that

for several weeks past Switzerland could have bought gold in London at a profit, and this week the London price was at a discount of about 4½d. below the Swiss parity price.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. *	Amt. dealt in	Cash	Two Mths.
Dec. 23 ...	s. d.	d.	£'000	d.	d.
" 24 ...	139 8	8pm	310	18½	18½
" 25 ...	139 7½	6pm	591	18½	18½
" 26 ...	139 7	5pm	432	18½	18½
" 27 ...	139 6½	5pm	728	18½	18½
" 28 ...	139 6	4pm	391	18½	18½

* Above or below American shipping price. The New York price of silver remained at 45 cents per ounce .999 fine during the week.

The silver market has been awaiting the declaration of the Administration at Washington regarding the United States' future silver-buying policy. The latest impression was that this would not be made until January 31st. Meanwhile the market was weak up to Tuesday under Indian selling relieved to some extent by bear covering. Then on Tuesday afternoon came the news that the United States had agreed to continue buying, during January at least, Mexican silver on the 1937 terms. This caused the market to stiffen, and at Wednesday's fixing the price for both cash and forward rose by ¼d.

Foreign Exchanges

The French strikes caused francs to be offered on Wednesday up to Frs. 147½. The French Control then brought the rate back to Frs. 147½. Three months' francs similarly weakened to Frs. 4½ discount, came back to Frs. 4½ and then went out again to Frs. 4½ discount. It was believed in London that this week the French authorities have had to buy a fair quantity of francs. Belgas were offered a little this week, and the spot rate for sterling rose to Bel. 29.46½. The forward rate remained steady. There was no change and very little business in dollars, guilders or Swiss francs, and altogether it has been a very quiet market.

Investment

Wall Street in 1937.—There is a disposition among some British investors to ascribe to Wall Street, in 1937, the rôle of the Wicked Fairy at the Stock Exchange Feast. Chronologically, the indictment cannot stand. *The Financial News* daily index of ordinary share values in London attained its highest point for the year on January 8th and had fallen by 4 per cent. by March 6th, when the Standard Statistics daily index of industrial equities reached its own high point for 1937. Thereafter, it is true, the decline was steeper in New York than in London; for the Standard Statistics index on December 29 had fallen 44 per cent. below the highest figure of the year, whereas the total drop in *The Financial News* index was limited to 23 per cent. And it is beyond question that the American slump inflicted loss on a number of British investors and speculators in American equities, and, at a later stage, compelled a number of American operators to liquidate their holdings in leading London equities in order to cover themselves at home. London, which has thus had the worst of it both ways, can hardly be expected to take an unbiased view. On the whole, however, if due allowance be made for the fact that New York's upswings and downswings alike are normally more violent than those of London, the movements in the two markets do not seem to have been wholly disproportionate. The market's disappointment has been rather due to the fact that, a year ago, trade recovery was believed to have advanced less far—and consequently to have a longer prospective lease of life—in America than in Great Britain.

* * *

Both markets have now discounted a good deal, and in both cases it is difficult to say how far purely technical factors have influenced the trend of prices. In America, certainly, prevailing conditions made for rapidity in the downward movement, once it had begun. The exact degree of importance which can be attached to factors like the popularity of the Dow Theory and the effect of official and semi-official regulations in creating "thin" markets, is difficult to estimate—and, probably, easy to over-estimate. What has probably been more important is the widespread realisation of the deflationary effect of the American Government's determination to work towards a balanced budget, after many months during which successive spurts of trade recovery had coincided with the outpouring of large sums of money and a rapid increase in the public debt. The check to industry which this decision would in any case have entailed was aggravated by the dual objective of the President, who made taxation a vehicle not only for collecting money but for prosecuting his campaign against big business. The end of the year finds Wall Street still in depressed mood. In the United States, recession in industry, particularly in some of the capital producing industries, is at present a statistical fact, and not, as in Great Britain, a coffee-house topic. Whether the depression will be shaped like the letter "V" or the letter "U" lies mainly with the gods and the White House.

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Brazilian Bond Service.—As we go to press, the fate of the Brazilian coupons which are due for payment on January 1st is not finally known. It was understood, when the first reports of default were received in this country, that arrangements had been made to cover these coupons. The senior Funding issue of 1898 has a quarterly coupon due on January 1st, but the larger issue of 1914 has quarterly interest dates commencing with February. The lack of precise news regarding the future of the service is becoming a leaden weight on the bond market, which must now feel that the reopening of dealings was premature, judged at least by the prospects of a definite undertaking regarding future service. Bondholders learned, before the Christmas recess, that the British Ambassador in Brazil has been conferring with President Vargas and his Finance Minister, but it is not known whether the rumour that Brazil contemplates the resumption of debt payments on the basis of one-third of the full amounts due represents the sense of the discussions. A provision of 240,000 contos of reis has been made in the Budget for 1938 to provide for the service "until the conclusion of new agreements," but bondholders know, by bitter experience, that budgetary provision is not the same thing as actual payment. The provision appears to compare with a total of 316,762 contos for 1937—a reduction of approximately 25 per cent. Does this envisage a substantial scaling-down of payments on the Funding issues, on which full interest payments have been made under the 1934 scheme? Lest bondholders should feel that the New Year has opened in unrelieved darkness, it may be recorded that the arrangements reached in November, 1936, regarding the final settlement of partly-paid Bulgarian loan coupons are to be continued by the Government under the same conditions. These payments, it will be recalled, have been previously recommended for acceptance by the League Loans Committee and the other bondholders' organisations.

* * *

A Pending Cement Merger?—The announcement that Associated Portland Cement Manufacturers may shortly make an offer for the ordinary shares of Alpha Cement rescued the Christmas Eve financial headlines from complete dullness. It is understood that negotiations are still proceeding, though it is officially suggested that the basis for the exchange might be nine Associated shares for every 20 Alpha shares. The participation of Tunnel Portland Cement is anticipated if the merger is carried through. To discuss these terms in detail until they are officially offered is supererogatory. They correspond, within a few pence, to current share prices, and also to the latest earnings ratios, and whether or not Alpha has greater immediate profits potentialities is beside the immediate point. It is clearly more important, at this stage, for the cement shareholder to place the proposals in their proper historical perspective. The record of the cement industry during the present century is a continuous succession of mergers and absorptions; the Associated group itself was formed in 1900 to acquire cement undertakings in the Thames and Medway districts. No ordinary dividends had been paid for more than a decade, up to the formation of British Portland Cement Manufacturers in 1911. The acquisition of new capacity continued after the war. The group acquired the "Red Triangle group" in 1931, after cement prices had fallen 36 per cent. in the preceding six years, at the moderate price of slightly over £2 millions.

* * *

The recurrent expansion of new capacity, however, still continued, and by 1934 the Alpha Cement Company was plainly destined to take an important place among "outside" producers. A period of unofficial price cutting was terminated in April of that year by a price and quota agreement, under which official prices were lowered but un-

official prices considerably strengthened. In this development the managing director of the Alpha company played a large part. The present move has come, not after a similar outburst of price cutting, but immediately following the announcement of an increase in cement prices by 3s. per cwt. to offset rising costs. The present merger proposals, therefore, are quite different in nature from similar proposals in the past, for the price cartel has worked without trouble for nearly four years of recovery. But if constructional activity were to fall off there might be some difficulty in keeping certain of the lusty newcomers in the industry within the bounds of a given price policy. It is calculated that the Associated group controls about 55 per cent. of British cement capacity, Alpha some 15 per cent. and Tunnel Cement some 12½ per cent. For the time being investors may regard the merger plan in the light of a co-operative insurance proposal, taken out by the principal producers, rather than a signal that the existing price arrangements are not giving them satisfactory results.

* * *

Gaumont-British Controversy.—The opposition which expressed itself at the Gaumont-British Picture Corporation annual meeting last October has continued its campaign. On that occasion an amendment for the rejection of the report and accounts, and for a Board of Trade inquiry into the Corporation's affairs, was lost on a show of hands, and the accounts were adopted by a large majority. Shareholders have lately been circularised from both sides. A Provisional Shareholders' Committee announced in the middle of December that it was ready to proceed with the proposed application to the Board of Trade for an investigation. The directors of the Corporation have replied to this circular by another, in the course of which they ask shareholders to "consider the responsibility that the authors of the circular (i.e. the Shareholders' Committee) invite you to undertake." If the blue form is signed "you yourself accept responsibility for the many inaccurate and misleading statements in the document expressed to be 'grounds on which application is made to the Board of Trade.'" The meaning of this passage in the directors' reply might well have been clarified, though its burden of suggestion, presumably, is to invite the shareholders to consider certain unspecified legal consequences.

* * *

It is, of course, rare for action of this sort to be proposed in the case of a public company with a combined loan and share capital totalling £11½ millions. In 1934, for example, only ten applications were made under the relevant Section 135 of the Companies Act; in three cases an inspector was appointed, three applications were refused and four applications were not proceeded with. The Act requires that the application must be backed by members holding not less than one-tenth of the shares issued. Applicants must satisfy the Board of Trade that they are not actuated by any malicious motive, and may be required to deposit a sum not exceeding £100 as security for costs. Inspectors have power to examine officers or agents of the company concerned on oath, and the examinations are conducted in private. If, from the inspectors' report, it appears that any person has been guilty of any offence in relation to the company for which he is criminally liable, the Board must refer the matter to the Director of Public Prosecutions. The powers of the Board of Trade in the matter of inspections are thus permissive, and not mandatory.

* * *

Old Silkstone Collieries Scheme.—The need for a reorganisation of capital by Old Silkstone Collieries has long been recognised, and its appearance is opportune at a time when a return to dividends appears possible. No dividends have been paid on the existing 397,560 8 per cent. cumulative £1 preference shares since September, 1924, nor on the £476,393 of ordinary capital since 1923-24. The auditors' reports have been qualified, and in the past ten years the profits record has been irregular and unsatisfactory. Shareholders now have the scheme,

clearly expounded in the board's circular. A net assets deficiency of £317,538 is to be met by writing down the nominal value of the ordinary shares by two-thirds. The ordinary shareholders are to retain only three-fourths of the resulting issued capital of £158,854. The balance of one-quarter of the new equity is transferred to the preference shareholders, who will receive two new 1s. ordinary shares for each £1 preference share held. This allotment is offered in consideration of the sacrifice of arrears, which now amount to 100 per cent. gross, and of the modification of existing preferential rights. The existing preference capital is not reduced, but it is to be split equally into two classes, represented by £198,780 in 6 per cent. cumulative preference stock (with prior rights in a winding up) and by £198,780 in non-cumulative participating preference stock, carrying a 5 per cent. preferential dividend, with rights to participate *pari passu* with the ordinary shares in any surplus up to a further 5 per cent.

* * *

Thus, if full preferential participating dividends are paid, existing preference shareholders will receive their original 8 per cent., plus ordinary dividends, towards their arrears. But one-quarter of the equity seems a barely adequate compensation for the arrears that have accrued. And, in respect of the original preference holdings, rights (worth little, it is true, on the dividend record of the past decade) to a cumulative dividend of 8 per cent. are to be exchanged, in effect, for only 3 per cent. cumulative, 2½ per cent. non-cumulative and 2½ per cent. contingent. As the board's circular shows, profits of £39,747 are needed before these full dividends can be paid. The directors consider that, "subject to continuity of existing trade conditions and freedom from strikes and labour troubles, this figure is well within the earning capacity" of the company. This assurance is welcome as indicating an advance on the 1936-37 profits, which amounted to £30,749, and a striking advance on the 1935-36 figure of £8,518. The recent earnings record does not, of itself, guarantee the maintenance of profits amounting to nearly £40,000. The desirability of adequate compensation to the preference shareholders for the sacrifice of their arrears and the alteration of their rights does not seem to be recognised in the scheme, which might be amended to grant the preference shareholder somewhat fuller equity rights.

* * *

Oil Results.—The resumption of interim dividends by Lobitos Oilfields (whose directors have declared a 5 per cent. interim in respect of 1937 after an interval of four years), coupled with the preliminary announcement of good results by Apex (Trinidad), has provided no significant stimulus for the oil share market. Indeed, the market is still more sensitive to conditions on the Continental bourses than to the cold assessment of earnings and dividends by the British investor. Oil shares enjoyed their boom with other commodity shares earlier this year,

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although some apologists for oil shares object to the grouping of their favourites among the more volatile metal and plantation markets. The boom was based on estimates of potential earning power which, if not wholly dependable, have proved at least three-parts accurate. The Apex preliminary results for the year to September 30th last, for example, are very satisfactory. Oil profits have increased from £369,700 to £489,714, while the amount earned for dividends and directors' extra remuneration, after providing for amortisation of wells on a slightly increased scale (£138,754 against £132,378), taxation and expenses, has been raised from £188,305 to £273,311. Of this sum, the 45 per cent. total dividend absorbs £247,500. For 1935-36, the rate of dividend was 35 per cent., and the cash payment amounted to £175,000. The difference is accounted for by the issue of new shares a year ago which rank for this year's full payment.

—And Oil Prospects.—Apex is a crude oil producer, whose output is refined and marketed by Trinidad Leaseholds, and thus finds its way to the "Regent" petrol pumps in this country. The company is probably as closely dependent upon the British market as any other substantial concern in which the British investor is interested. This point is important when assessing the prospects for individual companies. Shell and, to a larger extent, Royal Dutch are interested in the American and world markets, Anglo-Iranian business is not restricted to this country, while Burmah Oil has an important stake in the Indian trade. These market divisions may make important differences to the fortunes of individual producers. But all are linked, ultimately if not directly, to the American oil market, and the oil shareholder has rightly kept a watchful eye on changes in American conditions during recent months. There are elements making for strength and for caution in the American oil industry. The crude oil price structure is unshaken. Mid-Continent and East Texas crude prices are still firmly pegged, and output has been brought under stricter control. The reduced December "allowables" have not been fully produced, except in California. The condition of the gasoline market, however, is less auspicious. One effect of the substantial increase in output of fuel oils, as the *Petroleum Press Bureau* points out in its current bulletin, has been to increase the supplies of gasoline at a time when demand is seasonally reduced. Moreover, substantially increased gasoline stocks were carried over from the summer. Although this increase was not seriously regarded at the time—actually end-summer stocks represented a smaller number of days' supply than twelve months before—the open fact of industrial recession in the United States has since raised the issue whether further adjustments of gasoline prices will be required.

Whether such adjustments would react upon the crude price structure, and whether, in turn, export markets might ultimately be affected, remains to be seen. But there are potentialities in the American oil situation which suggest the need for caution on the part of the long-sighted British oil shareholder. Meanwhile, cost conditions affecting British refiners are undergoing certain changes. Tanker freights, for example, are considerably lower than the summer peak, although there is no hint of significant weakness in the freight market. It has been recently reported that the national petrol distributors have conceded an increase in the retailers' margin amounting to one farthing per gallon. Since the oil share market was speculating on the possibility of a halfpenny cut in retail prices before this step was taken, the decision may be the answer to the bears. It seems probable that no immediate altera-

tion in British petrol prices is in contemplation. And since the volume of consumption in the British market would probably be well maintained for a time, even on the impact of a moderate trade recession, those who argue that oil shares have found a reasonable yield basis, at the Actuaries' average of 7.68 per cent., may well be right—also for a time. The next move, however, lies with the directors of the Royal Dutch-Shell group, whose interim statements are awaited with keen interest.

United Serdang Profits.—The time lag between the earning of plantation profits and their distribution in dividends is necessarily so long that substantial changes can occur in the commodity markets in the interim. So it happens that, since the close of United Serdang's financial year, rubber has fallen further from a fraction under 9d. to a bare 7d. per lb. These figures, in fact, approximate to the average selling prices for the past and the preceding financial years respectively. Profits for 1936-37 make an excellent comparison with those of the previous year. The total has increased from £173,286 to £278,523, and after providing the increased amount of £25,000 for depreciation of mature areas and £20,000 for taxation reserve, the net balance available for dividends is increased from £142,911 to £223,662:—

	Years to August 31		
	1935	1936	1937
Total Profits	£104,109	£173,286	£278,523
Expenses and fees	7,150	6,702	9,861
Depreciation, etc.	10,531	23,673	25,000
Taxation reserve	...	...	20,000
Earned for ordinary	86,428	142,911	223,662
Paid	85,396	142,327	213,491
Earned %	6.1	10.1	16.0
Paid %	6	10	15
Carried forward	82,169	82,753	92,923

The twopenny increase in the selling margin, however, does not obscure the effect of the substantial increase in rubber output, from 7,813,000 lbs. to 10,689,000 lbs.—a record for the company. It is difficult, however, to assess the potential production and price conditions which will apply throughout the current year. And since the company does not provide cost data, their effects upon profits would still remain uncertain. The price of the 2s. units, at 3s. 7½d., however, obviously discounts some potential reduction in earnings during the current year, although the shares are among the most popular of florin counters.

Motor Share Outlook.—Last week Lord Nuffield issued a fierce denunciation of those who asserted that activity in the motor industry was slowing down. Investors who weigh the authority of the speaker against the 12.6 per cent. fall in motor registrations in October (the figures are discussed at further length on page 37) will probably regard the issue as *non proven*. But assurances that all is well within the industry do not reflect the convictions of the share markets. Motor shares, in fact, have fallen some 35 per cent. on the average during 1937, compared with a general decline in industrial shares of 19 per cent. The average yield on the five motor shares included in the Actuaries' Index has increased from 3.97 per cent. to 5.98 per cent. and now exceeds the return on industrials generally by one per cent. Indeed, the only other industrial categories in the Actuaries' list which show an average yield of this order are steel and building materials shares. These

industries, indeed, have much in common. Both supply durable goods, whose replacement may be postponed in poor years and hastily overtaken in good years. Hence their profits curves in each case are likely to show more than normal fluctuations over the course of a trade cycle.

But the current doubts regarding motor shares do not rest on the cyclical factor alone, though its effects on demand are well recognised. The effect of rising cost of living is felt in the small car and second-hand car markets—and both have made important contributions to the industry's prosperity in recent years. But assuming that demand were quite unaffected, it would not follow that motor companies' profits would be maintained. Costs have increased, and although selling prices were advanced last July it is not clear whether profit margins in general have thereby been stabilised. It may, moreover, be symptomatic that

competition is increasing in the low horse-power categories. Despite the import duties, certain low-powered Continental models are finding a market here. And the latest developments by the Standard Motor Company, which evidently intends to make a bid for part of the small-car market, will increase the struggle in a hotly competitive area. In general, the present circumstances of the industry, despite the confidence of its leaders, appear to endorse the cautious attitude of the Stock Exchange.

Other Company Results.—Our usual table of company results, appearing on page 50, gives the profits of some twenty further concerns. Among the larger companies represented are *Rio Claro Investment*, *Scottish Stockholders* and *Roneo, Ltd.* We discuss the results on page 51 under the heading "Shorter Company Comments."

THE STOCK EXCHANGES London

SETTLING DAYS

TICKET: JANUARY 4 ACCOUNT: JANUARY 6

THE resumption of business after the holiday has been marked by poor attendances in the "House," seasonal indifference on the part of the general investor, and by early uneasiness from Paris and New York. In such circumstances, the week's record of prices and business is of no great investment significance. The Old Year has faded away with a last rallying gesture.

Conditions in the *gilt-edged* market opened quietly, though the tone was firm. Some demand for Redemption three per cents. was reported, but quotations generally subsequently fell on small selling. Home corporation scrips showed a similar easier trend, though the absence of support was more responsible than any selling pressure.

Foreign bonds were marked down. Selling of the Far Eastern issues found the market unresponsive, while Brazilian issues reflected the impatience with which official information is awaited regarding the future arrangements for the debt service. The position is discussed on page 30. Among European issues, German bonds were steady, but French bonds quoted in London were heavy on the serious strike situation.

Movements in the *home rail* market were limited, although the market received Mr William Whitelaw's statement regarding the prospects of nationalisation with some aloofness. Argentine issues, after re-opening unchanged, fell slightly on small selling.

Trading in *industrial* shares was quiet and conditions unsettled by Wall Street. Transatlantic issues opened weak, and most home issues were marked down, in the absence of buying support. Iron and steel shares were almost devoid of interest, though the list showed later improvement. Coal shares were dull, electrical equipment issues declined, and some early firmness among aircraft shares soon evaporated.

Substantial declines were reported in the motor group, whose prospects are discussed on page 32. New support for brewery and tobacco was almost lacking, and store prices tended to move lower where changed. Shipping shares

and the leading miscellaneous industrial equities were naturally affected, though movements in every case were small.

Dull conditions affected the commodity share markets. Oil issues declined, for London refused to take Amsterdam's lead about a new issue by Royal Dutch. Shell were easier, and despite some demand from Paris, closed lower in mid-week. Mexican Eagle were affected by the labour demands, and the company's statement.

A sharp fall in the commodity on the General Motors' statement affected rubber shares on Wednesday. While the volume of selling was still small, the shares were easily depressed. Tea shares, after a more promising start, also fell victim to the gloomier conditions.

In the mining section, *Kaffirs* received but little professional attention at first, and closed easier in mid-week. Some of the finance shares lost slight ground, and the developing counters like West Wits. and Western Reefs, which had made headway before the holiday, were more significantly affected. De Beers were marked down, and base metal issues were generally lower.

"FINANCIAL NEWS" INDICATORS

	Total Bargains†	Corres. Day 1936	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 23	4,855	5,279	97.5	129.0
Dec. 24	3,240	Closed	97.3	129.0
Dec. 28	4,930	10,142	97.0	129.1
Dec. 29	5,320	11,206	95.8	128.9
Dec. 30	5,280	11,387	96.0	129.0
1937 High...	...	...	124.8	136.6
Low ...	...	...	93.1	126.0
			Nov. 22	Sept. 8

† Approx. total recorded in S.E. List. * July 1, 1935 = 100. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 177 industrial ordinary shares is calculated at 73.8 this week (December 28th), compared with 73.6 a month ago, and 90.8 at the end of 1936 (December 31, 1928 = 100). The corresponding yield figures are 4.91 per cent., 4.95 per cent. and 3.68 per cent. In the following tables we give the usual monthly index figures relating to fixed interest securities, from which it will be seen that the Old Consols index, calculated on the

same basis, has fallen from 150.9 to 132.7 during the year, but the movement in industrial debenture and preference issues has been small:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Dec. 29, 1936	Nov. 30, 1937	Dec. 28, 1937
Fixed Interest—			
2½% Consols (1)...	150.9	133.6	132.7
Misc. ind. deb. (20)...	125.6	121.2	121.5
Misc. ind. pref. (47)...	122.5	115.6	115.6
Ordinary—			
Cotton (6)	52.4	36.8	35.6
Iron and Steel (12) ..	83.0	64.9	65.9
Motors (5)	58.9	40.2	38.5
Oil (5)	97.4	77.7	84.4
Electric supplies (10) ..	157.0	131.2	129.9
Stores and Catering (17) ..	88.0	66.9	64.4
Miscellaneous (58) ..	81.3	65.5	66.4

Group (and No. of Securities)	Yields (%)		
	Dec. 29, 1936	Nov. 30, 1937	Dec. 28, 1937
Fixed interest—			
2½% Consols (1) ..	2.95	3.34	3.36
Misc. ind. deb. (20) ..	3.93	4.10	4.09
Misc. ind. pref. (47) ..	4.23	4.47	4.46
Ordinary—			
Cotton (6)	2.01	2.61	2.60
Iron and steel (12) ..	3.76	6.10	6.04
Motors (5)	3.97	5.68	5.98
Oil (5)	2.85	8.08	7.68
Electric supplies (10) ..	3.46	4.78	4.85
Stores and catering (17) ..	3.86	4.32	4.35
Miscellaneous (58) ..	3.87	5.24	5.16

For purposes of record, the total index of industrial shares on December 21st stood at the same level of 73.8, and the average yield at 4.0 per cent.

New York

The improvement on Wall Street shortly before the holiday was deceptive. To the accompaniment of anti-monopoly charges by the Assistant Attorney-General, growing unemployment reports, the setting-off of 30,000 employees by General Motors, and a further fall in steel activity to no more than 19.2 per cent. of capacity, the market has broken badly. In active sessions on Monday and Tuesday, stocks fell \$4 and \$5. Steels were a weak feature, closely followed by motors and railroads. The impression that the Administration is contemplating a forward armaments programme failed to

(Continued on page 36)

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DON'T BE VAGUE—ASK FOR Haig

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks 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 increase 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 Dec. 29, inclusive		Name of Security	Price, Dec. 29, 1937	Change since Dec. 15	Yield Dec. 29, 1937	Prices, Year 1937 Jan. 1 to Dec. 29, inclusive		Last two Dividends			Name of Security	Price, Dec. 29, 1937	Change since Dec. 15	Yield Dec. 29, 1937
High-est	Low-est	High-est	Low-est					High-est	Low-est	(a)	(b)	(c)				
87 1/2	82 3/4	84 1/2	73 1/2	British Funds	74 1/2	- 1 1/2	6 3/4	15 1/2	12 1/2	a 3 1/2 a	a 3 1/2 b	Com. Bk. of Aus. 10-1/2	13 1/2	...	4 1/2	
116 1/4	112 3/4	113	105 3/4	Do. 4 1/2 (alt. 1957)	109 1/4	+ 1	3 7/8	50 6	50 6	3 1/2 a	3 1/2 b	District B. 11 1/2 p.d.	52 1/2	...	4 1/2	
102 1/2	100	101 1/2	94 3/4	Conv. 2 1/2, 1944-49	98	+ 1	2 1/8	108 9	85 -	3 1/2 a	3 1/2 b	En. S. & Aust. 15 1/2 p.d.	87 1/2	...	4 1/2	
105 7/8	103 5/8	103 3/4	97 3/8	Do. 3 1/2, 1948-53	101 1/2	+ 1	2 1/8	117 8	10 1/2	8 a	8 a	Hambros 10 1/2 p.d.	103	...	4 1/2	
108 1/2	106 1/2	106 1/2	98 3/4	Do. 3 1/2, after 1961	102 1/4	+ 1 1/4	3 8 0	121 3/4	84 1/2	6 3/2 a	6 3/2 a	Hong. and S. 11 1/2	188 1/2	...	4 1/2	
111 1/2	109 1/2	109	105	Do. 4 1/2, 1940-44	106	+ 1 1/4	2 8 2	69 -	58 10 1/2	6 b	6 a	Lloyds 15 1/2 p.d.	61 -	+ 1 -	3 1/2	
121 1/2	118 1/2	117 1/2	114 1/2	Fund. 2 1/2, 1944-61	114 1/2	+ 1 1/2	2 1/2	101 32	82 1/2	7 b	7 a	Martins 12 1/2 p.d.	93 8	+ 3 1/2	3 1/4	
95 1/2	92 1/2	95 1/2	89 3/4	Fund. 2 1/2, 1952-57	95 1/4	+ 1 1/2	3 2 0	90	51 5	5 b	5 a	Midland 11 1/2 p.d.	86 -	+ 6 1/2	3 1/4	
104 1/2	101	101 1/2	92 3/4	Fund. 3 1/2, 1959-69	97 3/4	+ 1 1/2	3 2 7	44 1/2	37 1/2	11 b	9 b	Nat. Dis. 12 1/2 p.d.	36 1/2	...	4 9	
119 1/2	115 3/4	116 3/4	109	Fund. 4 1/2, 1960-90	112 1/2	+ 1 1/2	3 4 0	47 3/4	39	9 b	9 a	Nat. of Egypt 12 1/2 p.d.	38 1/2	+ 1 1/2	3 1/2	
117 1/2	113 3/4	113 3/4	96	Nat. D. 2 1/2, 1944-48	99 1/8	+ 1 1/2	2 12 6	16 1/4	14 5 1/2	7 1/2 b	7 1/2 a	N. Prov. 12 1/2 p.d.	147 1/2	+ 1 1/2	4 1/2	
108 1/2	104 1/2	104 1/2	107 3/4	Victory Bonds 4 1/2	111	...	3 12 7	496	459	8 1/2 a	8 1/2 b	Roy. Bk. of Scotland	175	+ 1 1/2	3 1/2	
98 1/4	94 3/4	96 1/2	81 1/4	War L. 3 1/2, af. 1952	101 1/2	- 1 1/2	3 8 3	16 3/8	14 3 1/2	5 b	5 a	St. of S.A. 12 1/2 p.d.	148 1/2	+ 1 1/2	4 1/2	
103 1/4	101 1/2	102	99 1/2	Local Loans 3 1/2	87	...	3 9 9	54	44 3	6 1/2 b	3 3/4 a	Union Dis. 11 1/2 p.d.	50 -	- 1 1/4	4 0	
76 1/8	70 3/4	72	62	India 2 1/2	66 1/2	...	3 15 2	...	...	...	...	West. 14 1/2 p.d.	91 6	...	4 0	
89 1/4	83 1/2	85 1/4	74 3/8	Do. 3 1/2	79 1/2	- 1 1/2	3 15 6	32	26 1/2	50 b	40 a	Alliance 11 1/2 p.d.	28 -	...	3 4	
100	96	98 3/4	87	Do. 3 1/2	91 1/2	- 1 1/2	3 15 3	15 1 1/2	13 1 1/2	7 4 6 b	7 4 6 a	Atlas 15 1/4 p.d.	15	...	2 13	
120 1/2	116	119 1/2	112 1/4	Do. 4 1/2, 1958-68	115	+ 1 1/2	3 9 6	10 1 1/2	9 20	20 b	20 a	Com. Un. 11 1/2 p.d.	10	...	4 0	
113 3/8	109 1/4	109 7/8	105	Dom. & Col. Govts.	107	...	3 19 4	35 3/8	29 3/8	2 1 6 a	2 1 6 a	Gen. Acc. 11 1/2 p.d.	53 8	...	3 6	
104 1/2	102 1/2	104 5/8	101	Aust. 5 1/2, 1945-55	104	...	2 15 6	14	11 1/2	25 b	25 a	Lon. & Lanc. 15 1/2 p.d.	30	...	3 5	
120	117	117 1/2	114	Canada 4 1/2, 1940-60	115	...	3 12 9	22 1/2	18 1/2	3 1 1/2 b	3 1 1/2 a	N. Brit. & Mer. 11 1/2 p.d.	115 8	...	2 13	
114 1/2	108	109 3/4	104	Nigeria 5 1/2, 1950-60	107	...	4 1 1	16 1 1/2	15 3	6 1/2 b	6 1/2 a	Parl. (11 1/2 p.d.)	19 1/2	- 1 1/4	2 14	
109 7/8	106 3/4	107 3/8	103 3/8	N. Zealand 5 1/2, 1946	106	...	3 2 5	37 3/8	32 1/2	19 5 1/2 b	12 5 a	Phoen. 11 1/2 p.d.	10	...	3 15	
117 1/8	113 3/4	114	110 1/2	Queens. 5 1/2, 1940-60	111	...	3 8 2	114 -	103 9	14 3 1/2 c	15 0 c	Prudential 11 A	34	- 1 1/2	2 0	
102	90	105	98	S. Africa 5 1/2, 1945-75	100	...	4 11 10 1/2	117 1/2	9 1/2	13 b	11 a	Do. 11 1/2, with 4s. pd.	102 6	...	2 0	
93	82	91 3/4	84 1/4	Foreign Governments	98	- 1 1/2	5 12 0	9 1/2	8 1/2	13 b	11 a	Royal Exchange 11 1/2	10	...	3 0	
97 3/4	95 1/4	102	95 1/2	Arg. 4 1/2, Stg. Bds.	103	+ 1 1/2	7 10 0	19 1/2	16 1/2	6 6 a	6 6 b	Royal 11 1/2 p.d.	88	- 1 3/4	3 15	
27 1/4	23 1/4	31 3/4	24 1/2	Aust. 4 1/2, 1934-59	86 1/2	- 1 1/2	4 5 5	93 -	80 -	1 3 a	1 5 b	Sc. U. & N. 11 1/2 p.d.	16 1/2	- 1 1/4	3 19	
23 1/2	21 1/2	28	24 1/2	Belg. 4 1/2, red. by 1970	96	...	4 4 5	87 8	7 1/8	11 0 a	11 0 b	Sun L. Ass., 11 1/2 p.d.	82 8	...	2 10	
84 1/4	66	94 1/2	60 1/2	Bulgaria 7 1/2	33 1/2	- 3 1/2	7 9 3 3/8	...	...	...	...	Investment Trusts	...	...	...	
95 1/4	80	101 5/8	60 1/2	Brazil 5 1/2, Fd. 1914	39	- 3 1/2	12 16 3 1/2	311 1/2	264	8 1/2 b	4 a	Anglo-Amer. Deb.	267	...	4 13	
112	95 1/4	100	92 1/2	Chili 6 1/2, (1929)	19 1/2	- 1 1/2	3 0 0	18 1 1/2	18 1 1/2	2 1/2 c	3 c	Anglo-Celtic Ord.	65 1/2	...	4 11	
106 1/2	102	106 1/4	100 3/4	China 5 1/2, (1912)	60	- 1 1/2	7 15 6 1/2	258	230	7 1/2 c	7 1/2 c	Brit. Assets Trust 5 1/2	11 3	...	3 6	
25 1/2	17 1/2	18	12	Do. 5 1/2, (1913)	63	+ 1 1/2	7 12 5 1/2	91	70	2 1/2 b	1 1/2 a	Debenture Corp. 5 1/2	232 1/2	...	4 6	
69 3/4	46	49 1/2	35	Czechoslovakia 8 1/2	105	+ 1 1/2	7 12 5 1/2	154	138	4 b	2 1/2 a	For. Amer. & Def.	139 1/2	...	4 13	
40	34	40 1/2	30	Denmark 3 1/2	97 1/2	...	3 1 6	30 1/2	24 1/2	7 1/2 b	4 a	Guardian Investment	250	...	4 12	
52	39 1/2	42 1/2	27 1/2	Egypt Unified 4 1/2	102	...	3 17 6	105	241	7 1/2 b	4 a	Invest. Trust Def.	274	...	4 15	
90 1/4	79 1/4	88 3/8	52 1/2	French 4 1/2 (British)	13	...	5 2 0 e	36 1/2	260	8 b	5 a	Lake View Inv. 10 1/2	16 -	...	5 6	
97 1/2	83	94 3/8	57 1/2	Ger. 7 1/2, Dawes Ln.	55	- 2	12 14 6	336	260	8 b	5 a	Mercantile Inv.	248	...	4 12	
144 1/2	105	120	110 1/2	Do. 5 1/2, Young Ln.	55	- 2	14 2 0	23 3	15 6	6 b	2 1/2 a	Mercantile Trust Ord.	135 1/2	...	4 16	
93 1/2	60	83	56	Greek 6 1/2, Stab. Ln.	33 1/2	- 1	6 15 2 1/2	181 1/2	153	4 1/2 b	3 a	Metropolitan Trust	28 1/2	...	4 0	
15 1/2	8 3/4	20 1/4	13	Hungary 7 1/2	55 1/2	- 1	9 10 0 1/2	302	249	7 b	5 a	Scottish Inv. 5 1/2	21	...	4 0	
116	112	116 1/2	112	Japan 5 1/2, 1936-65	61	- 1	9 10 0 1/2	252 1/2	215	7 b	3 1/2 a	Scottish Mort. & C.	5 1/2	...	4 17	
119 1/2	116	118	111	Do. 6 1/2, (24) red. 1959	63	- 1	9 10 0 1/2	255 1/2	217	3 a	7 b	Trustees Corp. Ord.	219 1/2	...	4 11	
97 1/2	93 1/2	95 1/4	82 1/2	Norwegian 4 1/2, 1911	115	...	3 10 0	253	192 1/2	6 b	4 a	United States Deb.	192 1/2	...	5 3 1/2	
102 1/2	99 3/4	101	93	Peru 4 1/2, 1922	45	- 1 1/2	7 14 11 3/4	18 -	10 -	2 1/2 c	4 c	Financial Trusts, & C.	11 3	...	3 11	
...	...	103 3/8	100 3/8	Poland 7 1/2, 1922	71	- 1	10 18 3 3/4	45 -	25 9	6 1/2 c	10 c	Argentine Land, & C.	30	...	5 0	
...	...	...	...	Roum. 4 1/2, Con. 1922	16 1/2	- 1	3 5 3	37 6	22 10	10 c	10 c	Brit. Afr. 15 1/2 p.d.	30	...	8 0	
...	...	...	...	U.K. & Arg. C. 3 1/2	92	...	3 8 1	19 6	16 -	2 b	2 a	Charterhouse Inv. 11 1/2	23 9	...	8 8	
...	...	...	...	Corporation Stocks	113	...	3 8 1	48 7 1/2	30 -	12 1/2 a	18 3/4 b	C. of Lond. R. Pty. 11 1/2	16 10 1/2	...	4 14	
...	...	...	...	Brit. Ham. 5 1/2, 1916-56	113	...	3 8 1	40 3/4	26	3 3/4 a	4 1/4 b	Daily Mail & Gen. 11 1/2	32 6	- 1/6	6 19	
...	...	...	...	Bristol 5 1/2, 1948-58	85 1/2	...	3 10 3	30 1/2	26	3 3/4 a	4 1/4 b	Dalgety 12 1/2 p.d.	7	...	5 14	
...	...	...	...	L.C.C. 3 1/2, 1954	85 1/2	...	3 10 3	42 7 1/2	22 -	5 b	3 a	Forest Land 11 1/2	23 -	...	7 0	
...	...	...	...	Liverpool 3 1/2, 1954	103 1/2	...	3 5 0	35 7 1/2	17 6	2 1/2	1 1/2	Hudson's Bay Co. 11 1/2	25 -	+ 6 1/2	6 11	
...	...	...	...	Mid. 3 1/2, 1957-62	103 1/2	...	3 5 0	14 1/2	4 1/2 b	Nil	Nil	Java Invest. 11 1/2	25 -	+ 6 1/2	6 11	
...	...	...	...			...		18 4 1/2	9 9	Nil	Nil	Peru. Corp. Pref.	5	- 7 1/2	6 11	
...	...	...	...			...		25 -	17 3	7 1/2 c	7 1/2 c	Primitiva Hold. 11 1/2	10 6	...	5 14	
...	...	...	...			...		57 6	28 -	10 c	12 1/2 c	Staveley Trust 11 1/2	17 3	- 9 1/2	8 14	
...	...	...	...			...		102 6	75 -	5 a	5 a	Sudan Plant. 11 1/2	33 -	- 6 1/2	7 12	
120 1/4	111	2 1/2	2 1/2	Public Bonds	113	...	6 3 1/2 d.	37 9	30 6	5 1/2 b	2 1/2 a	Breweries, & C.	77 -	+ 1 -	4 10	
123 3/4	110 1/2	2 1/4	2 1/4	C. L. 5 1/2, 1950-70	117 1/2	...	3 14 6	140 -	127 -	15 a	120 b	Amalg. Sec. 11 1/2	31 -	...	5 6	
135	121 1/2	2 3/4	2 1/4	Con. Pass. Transport	127 1/2	...	3 14 6	79 -	62 -	11 b	3 a	Barclay Perkins 11 1/2	129 -	+ 1 1/6	3 18	
125	115	2 1/2	2 1/2	4 1/2 "A" 1985-2023	120 1/2	...	3 16 0	94 6	80 6	14 b	6 a	Bass Ratchiff Ord. 11 1/2	63 -	...	4 9	
99 3/4	74	1 1/4	2 3/8	5 1/2 "A" 1985-2												

(Continued from page 33)

steady the market at first, but by mid-week the steel and base metal groups came into prominence in a late rally on shipbuilding and armament possibilities. General Motors, however, touched new lows. The sudden break of confidence is not assisted by *Iron Age's* estimate that the year has closed with the steel industry operating at 20 per cent. of capacity—the lowest level since September, 1934. Trading in bonds has been small, and conditions irregular.

New York Prices

	Dec. 29, 1937	Dec. 30, 1937	Dec. 31, 1937	Dec. 30, 1937
1. Rails & Transport				
Archison	39 3/4	37	37 1/2	19 1/2
Balt. & Ohio	11 1/2	9 7/8	9 7/8	53 1/2
B.M.T.	8	7 1/4	7 1/4	48 1/4
Can. Pac.	7 1/4	7 1/4	7 1/4	30
Ches. & Ohio	36	35 1/2	35 1/2	15 1/4
G.N. Ry. P.	25	22 1/2	22 1/2	6 1/2
Illinois Cent.	10 1/4	9 1/4	9 1/4	10 1/4
N.Y. Central	18 1/4	17 1/4	17 1/4	12 1/4
Norfolk Pac.	11 1/4	10 1/4	10 1/4	31 1/4
Pennsylv. R.	22 1/2	21	21	39 1/2
Southern Pac.	21 1/4	19 1/4	19 1/4	51 1/2
Southern Ry.	13 1/4	11 1/4	11 1/4	26 1/4
Union Pac.	87 1/4	81 1/2	81 1/2	167 1/2
Greyhound	9 1/2	9 1/2	9 1/2	77 65
2. Utilities and Communications				
Am. W. Works	12 1/4	11 1/4	11 1/4	44 1/2
C. & S.	2	1 3/4	1 3/4	101
Con. Edison	23 1/2	22 1/2	22 1/2	73 1/2
Col. Gas & E.	8 1/4	7 1/4	7 1/4	19 1/2
Ed. Bond & Sh.	10	9 1/4	9 1/4	52 1/2
Nat. Power & Lt.	7 1/4	7 1/4	7 1/4	38
N. American	20 1/2	20	20	86 1/2
Pac. Gas & E.	27 1/4	26 1/2	26 1/2	77 1/4
Pac. Lighting	37 1/4	35	35	81 1/2
Pub. Serv. N.J.	33	32 1/4	32 1/4	13 1/2
Stan. Gas & H.	4 1/2	4 1/4	4 1/4	59 1/2
United Corp.	3 1/4	3 1/4	3 1/4	85 1/4
Un. Gas Imp.	10 1/2	10 1/4	10 1/4	20 1/2
Amer. Tel.	148	143 1/4	143 1/4	40 1/2
Internat. Tel.	7 1/4	6 1/4	6 1/4	12 1/4
West. Union	26	23 1/4	23 1/4	13 1/4
Radio	6 1/4	6	6	17 1/2
B. Pref.	46 1/4	45	45	158
3. Extractive and Metal				
Am. Rol. Mill	19 1/2	16 1/4	16 1/4	19 1/2
Beth. Steel	9 1/4	8 1/2	8 1/2	45
Republic St.	18 1/4	16 1/4	16 1/4	31 1/4
U.S. Steel	60	55	55	62 1/2
U.S. Steel P.	97 1/2	105 1/4	105 1/4	56 1/4
Alaska Indus.	11 1/4	10 1/4	10 1/4	18 1/4
Am. Metal	32 1/2	30 1/4	30 1/4	35
Am. Smelting	50	46 1/4	46 1/4	17 1/2
Anaconda	32 1/4	30 1/4	30 1/4	31 1/4
Boh. Alum.	25 1/2	22 1/2	22 1/2	15 1/4
Cerro de Pas.	36 1/4	37	37	18 1/4
Int. Nickel	46 1/4	44 1/4	44 1/4	13 1/4
Kennecott	37 1/4	35 1/2	35 1/2	7 1/2
Patino Mines	10 1/2	10 1/2	10 1/2	62
Tex. Glt. Sul.	26 1/4	27 1/2	27 1/2	86
U.S. Smelt.	62	60	60	163 1/2
Vanadium	16	14 1/4	14 1/4	44 1/4
Atlantic Refg.	29 1/2	18 1/4	18 1/4	214
Phillips Petr.	39 1/4	39	39	22 1/2
Shell Un. P.	17 1/2	16 1/2	16 1/2	34 1/4
Shell Un. P.	90 1/4	87 1/4	87 1/4	8
Socoy Vac.	15 1/4	15 1/4	15 1/4	38 1/4
Stan. Oil Cal.	29 1/4	28 1/4	28 1/4	31
Stan. Oil N.J.	46	45 1/4	45 1/4	7 1/2
Texas Corp.	40 1/4	39 1/4	39 1/4	36

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):—

WEEKLY AVERAGES

	Low	High	Dec. 15, 1937	Dec. 22, 1937	Dec. 29, 1937
100 Ind'ls.	86.7	155.7	93.6	96.1	90.0
4012 Rails	28.4	64.5	30.4	31.2	28.2
204 Utilities	73.7	116.4	77.3	77.5	73.7
101-17	55	75.6	132.4	80.7	82.5
(a) Interim d. %	8.60	3.20	8.34	8.05	8.71
(b) Yield on common stocks					
(c) December 29th. March 17th.					

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

Dec. 16	Dec. 17	Dec. 18	Dec. 20	Dec. 21	Dec. 22
107.1	106.5	108.0	109.5	110.3	108.5

Dec. 23	Dec. 24	Dec. 27	Dec. 28	Dec. 29
107.9	107.3	103.7	99.9	101.1

High: 180.3 March 6th. Low: 96.9 November 24th.

TOTAL DEALINGS IN NEW YORK

Year, 1937	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Dec. 22	1,150	8,730	237
Dec. 23	1,050	7,730	224
Dec. 24	840	5,909	156
Dec. 27	1,360	8,080	314
Dec. 28	2,180	12,510	504
Dec. 29	2,480	12,980	573

Paris

DECEMBER was a quiet and undecided month on the Paris Bourse and though features were not entirely lacking, no real improvement in trend emerged. Prices of domestic issues, in particular, were barely maintained. Public support was again noticeably absent, the available business being due largely to professional operations. Early in the month Renten were rather weak on the announcement of the new loan. Internationals were the most active section of the market, though the news from the Far East, followed by the usual lethargy as the holidays approached, restricted business in the second half of the period. As in other centres, Royal Dutch were in demand on dividend and bonus expectations. Strikes at the end of the month subdued the Bourse.

Berlin

THE share market in December was dull, and in the first part of the month weak selling on emigrant accounts was evident. Potash shares, stimulated by news of the Salzdetfurth fusion, were the only important group to show strength. Bond issues had a fair turnover, but among them Reichsbank was at first very weak. The market later obtained a certain support from the announcement that the Property Tax assessment, due in January, 1938, would be postponed for a year; and from the arrangement for refunding impounded stock dividends. The latter part of the month witnessed a general but moderate recovery, and after the Christmas interval prices were firm. The market for reichsmark bonds was quiet, but the tendency was steady to firm. A feature was the strength of the German section of Young Loan. The announcement of the new Reich Rm. 1 milliard Loan had no effect on markets. The official shares index (1924-26 = 100) for November was 112.04, against 113.24 for October; bonds 99.62 as against 99.44.

Amsterdam

IN an unspectacular way, and despite the lack of cheerful sessions, December proved fairly satisfactory in Amsterdam. Business remained small in volume, but despite occasional hesitations, prices moved upward on the whole. Probably the oil group showed the greatest gains. Quotations generally resisted the inevitable slackening of interest towards Christmas, and shared instead the impetus given by some good dividend announcements.

	Dec. 1, 1937	Dec. 29, 1937
Reichsbank	206.50	208.75
Lloyd	81.75	81.00
A.E.G.	115.60	118.00
Siemens	200.40	204.25
Stahlwerke	112.25	112.25
Hamburg-Amer.	80.50	79.50

Capital Issues

CAPITAL ISSUE TOTALS

Week ending Jan. 1	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	270,000	Nil	247,500
By S.E. Introduction	15,100	Nil	20,761
By Permission to Deal	624,292	Nil	630,542
Sav. Certs. w.e. Dec. 25			Dr. 150,000

Year to date—	Including Conversions	Excluding Conversions
1938 (New Basis)	748,803	748,803
1937 (New Basis)	5,035,982	5,035,982
1938 (Old Basis)	97,500	97,500
1937 (Old Basis)	Nil	Nil

Destination

(Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1938 (N.B.)	748,803	Nil	Nil
1937 (N.B.)	2,239,955	1,799,927	Nil
1938 (O.B.)	97,500	Nil	Nil
1937 (O.B.)	Nil	Nil	Nil

Nature of New Borrowing

Year to date—	Deb.	Pref.	Ord.
1938 (N.B.)	582,500	101,250	65,053
1937 (N.B.)	1,362,130	1,546,875	2,126,927
1938 (O.B.)	77,500	Nil	20,000
1937 (O.B.)	Nil	Nil	Nil

BY STOCK EXCHANGE INTRODUCTION

Nineteen Twenty-Nine Investment Trust.—Particulars of issue of £200,000 4 per cent. debenture stock, placed by Messrs. Joseph Sebag and Company at par for 1/2 per cent. commission. Redeemable at par April, 1963. Further stock issuable up to maximum of amount of share capital (£1,000,000 at present).

PRIVATE PLACINGS

Powell Duffryn Associated Collieries.—This company has placed privately at 101 £500,000 4 per cent. debenture stock. The stock is on offer in the market at 102 1/2 free of stamp, and carrying three months' interest, due April, 1938.

Yorkshire Electric Power.—This company has placed privately, at 93, a further amount of about £440,000 of 3 1/2 per cent. debenture stock, 1965.

ISSUES TO SHAREHOLDERS ONLY

John Lewis Properties, Ltd.—Issue to share and debenture holders of £250,000 3 1/2 per cent. first debenture stock at 91.

Industry and Trade

Cotton Reorganisation.—At the invitation of the Board of Trade, the Joint Committee of Cotton Trade Organisations issued their proposals concerning the reorganisation of the cotton industry last October. The proposals were outlined and criticised in *The Economist* of October 23rd, page 155. Mr Oliver Stanley, President of the Board of Trade, has now conveyed the Government's and his own observations on the proposals to the Committee. He bluntly informed the Joint Committee of Cotton Trade Organisations that the Government is not prepared to initiate legislation on the basis of the proposals for an Enabling Bill. Mr Stanley pointed out that, while the main object of the proposals was stated to be the promotion of exports, the scheme submitted contained little indication of the methods by which this object was to be attained. Consequently, the Government rightly requested the formulation of more specific proposals. As a correspondent points out in a letter on page 21, the cotton industry, unlike coal-mining, will gain nothing from an increase in prices, for the bulk of its output is still sold abroad. Only if reorganisation ultimately brings about an increase in efficiency will it improve the industry's position. A good deal of misgiving has been aroused by the fact that many of the provisions foreshadowed for possible inclusion in the schemes for individual sections of the industry are intended initially to increase prices. The Government's demand for some assurance that the schemes will ultimately raise the efficiency of the industry is entirely justified, but the assurance cannot be given in the absence of fully worked out schemes, clearly destined to attain their objective.

Anglo-Polish Coal Pact Renewed.—After prolonged negotiations the Anglo-Polish Coal Agreement of December, 1934, which expired at the end of 1937, has been renewed. The agreement of 1934 provided for a fixed relationship between the coal exports of the two countries and for a termination of price competition. Owing to the disturbing German sales methods, however, the understanding did not bring the desired relief. The changed situation on coal export markets necessitated a partial revision of the agreement as from the beginning of 1937, under which the Polish export allowances were fixed independently of British exports. Since then the Polish exporters have continuously pressed for an increase of their allowances, and in view of the temporarily lessened export ability of British coalowners substantial increases in the quota were conceded to Poland for the current year. Nevertheless, the Polish exporters have been dissatisfied both with the provisions of the agreement itself and with its limited scope.

The tonnage of British, Polish and German coal exports, in recent years, is given below:—

	COAL EXPORTS (In million tons)	United Kingdom	Poland	Germany
1929	60.3	13.9	26.8	
1933	39.1	9.1	18.4	
1934	39.7	9.9	21.9	
1935	38.7	8.9	26.8	
1936	34.5	8.4	28.6	
1937—Jan.-Oct.	33.8	9.1	32.6	

The ratio of Polish to British exports was 25 per cent. in 1934, 23 per cent. in 1935 and 24 per cent. in 1936, but rose in 1937 to 27 per cent. The new agreement involves the granting of substantial tonnage concessions to Poland, but its conclusion has nevertheless been welcomed in the coal trade as a first step towards a comprehensive European coal understanding. Since the conclusion of the European

Coke Cartel a year ago the prospects for a more comprehensive agreement have improved. It is clear, however, that the prerequisite for a European coal agreement is the abandonment of Germany's dumping methods—and that is not yet in sight.

The Consumer Hesitates.—Despite the high level of pre-Christmas spending, evidence of a slackening in the demand for certain of the more durable consumers' goods has not been lacking recently; and the reason is not far to seek. The decline in stock exchange values during the past twelve months has reduced the resources of a not unimportant section of the population, while the gradual rise in the cost of living has had similar repercussions. The inevitable urge to "economise" has doubtless been powerfully reinforced by doubts concerning the future of business in general—and demand in the semi-luxury trades has consequently fallen off. The motor industry offers a case in point. Sales of private cars on the home market in September were over 5 per cent. below the previous year's corresponding figure, while sales in October (the latest month for which information is available) showed a drop of over 12 per cent. compared with 1936. The reduction in the case of goods vehicles was of a comparable order of magnitude. It is believed in the industry that the set-back will prove to have been due to temporary factors, such as the delay in the offer of new models and the fact that the commercial motor exhibition was not held until November. Whether or not these are the main explanations, time will show; but the registration figures will be closely watched in coming months.

The value of retail sales was well maintained in November, but the rate of increase over a year ago has perceptibly slowed down since last summer. The figures published in this week's *Board of Trade Journal* show that the November turnover was 7.1 per cent. higher in 1937 than in 1936. The gain was most marked in food and perishables (+ 9.0 per cent.), sales of other merchandise having risen by only 5 per cent. In November, following a slight decline in the previous month. The aggregate increase in November was thus greater than that for

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October, but was below the monthly average for 1937. It must be remembered, moreover, that the Ministry of Labour's index of retail prices is now almost 6 per cent. above the level of a year ago. It is therefore difficult to resist the conclusion that the expansion in the volume of retail sales has been arrested and that turnover is now little larger than it was twelve months ago.

* * *

Census of Production, 1935.—A summary of the preliminary results of the Fifth Census of Production, relating to 1935, was published with last week's issue of the *Board of Trade Journal*. For purposes of the Census, industry was divided into 123 separate divisions, of which 109 consisted of manufacturing or processing trades carried on by private enterprise (the factory trades) and 14 of other trades and services (non-factory trades). As in the case of the 1930 Census and in the Import Duties Act enquiries in 1933 and 1934, the output of the firms employing less than 10 persons on an average were excluded.

* * *

The results, which are summarised on page 52, are provisional, for complete returns had not been received from all concerns at the time of publication. The essential changes between the results of the censuses of 1930 and 1935, however, may be briefly summarised. The gross value of the output of the factory trades rose from £2,608 millions in 1930 to £2,773 millions in 1935, but that of the non-factory trades declined slightly from £694 millions to £691 millions. The net output of the factory trades, after deducting the cost of materials and the amount paid for work given out, was £1,151 millions in 1935, against £1,065 millions in 1930. The net output of the non-factory trades, like their gross output, showed a decline from £439 millions to £425 millions. The average number of persons employed in the factory trades rose from 4,876,000 in 1930 to 5,018,000 in 1935, but those employed in non-factory trades declined from 2,266,000 to 2,058,000. Both factory and non-factory trades registered an increase in the net output per person employed, an indication of the increase in the efficiency of industry. Thus, the net output per person employed in the factory trades rose from £218 in 1930 to £229 in 1935, while in the non-factory trades output per head advanced from £194 to £206.

* * *

Among individual trades, the increase in the value of the net output was most marked in the iron and steel, non-ferrous metals, chemicals, and building materials trades. The increase in the net output per person between 1930 and 1935 exceeded 10 per cent. in the case of iron and steel, non-ferrous metals, and chemicals. On the basis of the value of net output, coal mining remained the most important industry in 1935, but mechanical and constructional engineering displaced private building and contracting from second place in order of importance. The motor and cycle manufacturing and repairing industry again occupied fourth place, but whereas tailoring, dressmaking and millinery occupied fifth place in 1930, that position was occupied by electrical engineering in 1935. The preliminary summary contains the usual analysis of the geographical distribution of production, which reveals significant changes between 1930 and 1935. It includes, also, for the first time an analysis of iron and steel consumption by industries.

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The Year in Agriculture.—In many respects British agriculture failed to hold its own in 1937. Thus, the long-term decline in the arable area, temporarily interrupted in 1935, was continued; for 10,000 additional acres were turned over to grass and 91,000 went out of cultivation altogether. Production of the principal crops was smaller than in the previous year, yields per acre being below average in wheat, barley and oats. The output of turnips, swedes and mangolds was also lower, though home production of potatoes showed a modest increase. Cattle and sheep were more numerous than in 1936, but the pig population again declined. The number of horses on British farms, which has been steadily shrinking in the post-war period, was further reduced. During the last quarter of the year the livestock was afflicted by an epidemic of foot-and-mouth disease which has proved to be the most serious since 1923. In the sphere of Government policy, the replacement of Mr Elliot by Mr Morrison was followed by new departures. Arrangements were made for the grant of subsidies to reduce the cost of fertilisers and schemes were formulated for the encouragement of cereal production. The principles of the Wheat Act are, in fact, to be applied to barley and oats. On the other hand, the policy represented by the Agricultural Marketing Acts appeared last year to be waning in popularity. An application by the poultry industry for further restrictions on the importation of foreign eggs was rejected by the Government on the recommendation of the Import Duties Advisory Committee; while the Pigs and Bacon Marketing Schemes remained in a state of breakdown throughout the year. The interests concerned decided not to proceed with the proposed sugarbeet marketing scheme. Meanwhile, the Milk Board earned the gratitude of its electors by further raising the price of milk and the Potato Marketing Board had another successful year—at least from the producers' point of view.

* * *

Foot-and-Mouth Epidemic.—The outbreak of foot-and-mouth disease, which has wrought havoc in the livestock industry during the past three months, has not yet been brought under control. A further case was discovered near Windsor this week. The present epidemic—the worst since 1923—is causing serious loss to farmers and was responsible for dislocating the Christmas trade in a large number of country markets. Since March 31st last 155 outbreaks have been reported in 21 different counties. The official policy involves the slaughter of the infected beasts and of all animals that have been in contact with them. The number of animals destroyed in this way since the end of March includes 7,514 cattle, 14,497 sheep, 6,197 pigs and seven goats, while the amount of compensation paid to the farmers concerned amounts to £232,032. The Ministry's policy, however, is beginning to bear fruit and the epidemic now seems to be diminishing in intensity. Meanwhile, the experts are unable to reach final agreement on the question of causation. The theory that the virus is carried by migratory birds appears, however, to be gaining ground. At all events, there is general agreement that in the present state of veterinary knowledge the official policy is probably the best.

* * *

Another Tin Buffer Pool?—The wide fluctuations of tin prices in 1937 (the highest quotation of the past twelve months was £311 per ton and the lowest £175), and the sustained weakness of the metal, following the recent sharp cut in the quota, have led to a resuscitation of the plans for a buffer pool. The question is at present under the consideration of a sub-committee of the International Tin Committee. Unlike all previous agreements, the new international tin agreement, which came into operation on January 1, 1937, permits the accumulation of stocks up to 25 per cent. of the standard tonnages within the restricting countries. The accumulation of such a stock would certainly provide the safest possible buffer pool, since the tin held within the restricting countries hardly exists from the viewpoint of the market and would not seriously depress sentiment in times of declining trade.

INDUSTRIAL REPORTS

COAL OUTPUT AND EMPLOYMENT

District	Week ended December 11		Week ended December 18	
	Output	Wage-earners	Output	Wage-earners
Northumberland	302.1	45,400	304.1	45,500
Durham	717.3	116,900	716.9	116,900
Yorkshire	977.4	141,600	1,023.3	141,800
Lancs, Cheshire and N. Wales	374.6	68,900	385.4	69,000
Derby, Notts & Leicester	725.2	97,900	770.7	98,200
Staffs, Worcs., Salop & Warwick	417.5	67,400	452.1	67,500
South Wales and Monmouths	830.9	137,400	862.9	137,600
Other English districts*	128.6	22,500	130.5	22,500
Scotland	660.7	91,100	635.0	91,200
Total	5,134.3	789,100	5,280.9	790,200

* Including Cumberland, Westmorland, Gloucester, Somerset and Kent.

Iron and Steel

Sheffield.—The market is quietly firm, but business is on a small scale. Consumers of pig-iron are well contracted over the next three months, and in some cases for the full half year. Although odd parcels of forge and foundry are well taken up, there is no such scramble for casual lots as some time ago. An indication that users are more confident concerning the regularity of supplies. The outlook for hematite iron is not very clear. Makers of both East and West Coast material are offered more business than they are ready to book at present. There is no change in the market for finished iron. Steel billets continue in very heavy request, and the slight easing of the pressure for constructional steel is merely a holiday incident. The market in the iron and steel scrap has been quiet; but the undertone is firm. Supplies of heavy basic steel for melting are nearer to demand than has been the case for a long period. Prices are unchanged.

Middlesbrough.—Although the weekly iron market was not cancelled, there were very few people in attendance and business is more or less in abeyance until after the holidays. Prices of Cleveland foundry pig iron and East Coast hematite pig iron are maintained at the official figures, the latter being in good demand by home consumers. There is still only a limited quantity of Cleveland foundry pig iron available, but it is expected that production will be increased early in the New Year. Semi-finished steel is in rather better supply. Producers of finished steel have sufficient orders on their books to dispose of output for some time, and the problem at the moment is one of overtaking arrears. Imports of foreign ore continue at about the previous month's level.

Glasgow.—Scottish works close on Friday for the New Year Holidays, which at most establishments will last for only a few days. But, as is usual at this season, the holiday will be extended at plants where much repair work has to be carried out. The year 1937 has been a prosperous one and despite some slackening off in demand towards its close, the outlook is regarded as promising, and it is anticipated that employ-

ment will be plentiful and regular during the coming year. At the Clyde shipyards output has been greater than in 1936 and the shipbuilders will begin the year with well-filled order books, and in many cases yards fully employed. Structural engineers in Glasgow have had a particularly busy year and have provided employment for a much greater number of men than has been possible for the past few years. Metal window makers have experienced a greatly increased demand and have several important contracts on hand.

In the heavy steel trade demand has been in excess of capacity and it is estimated that steelmakers have orders on hand which will absorb output for some six months to come. Sheet makers have been fully employed, but have been handicapped by the shortage of sheet bars. Supplies, however, are increasing. The demand for high-grade, finely-finished sheets continues to increase. Sheet galvanisers have maintained a steady output, although in this branch there has been some falling off in the requirements of several overseas markets. At the tube works plant has been operating steadily, but at some of the Lanarkshire shops the shortage of materials at times has caused temporary curtailment. Tank makers in Glasgow have been working full time throughout the year. Sheet metal workers have much work on hand with which to commence the New Year's operations. Carriage and wagon builders, machinery makers and indeed all the manufacturing industries have had a busy year and have every prospect of continued activity.

Cardiff.—In the tinplate industry work was suspended during the Christmas holidays, but operations were resumed at most of the mills on Tuesday. During the week ended December 18th, production was equal to 76.27 per cent. of capacity, and the improvement in tone which took place just before the holidays is being maintained. Export quotations are ruling nominally at the scheduled minimum of 22s. 6d. per basis box. The heavy branches of the iron and steel industry in South Wales continue active, with production at its highest point of the year. Exports of tinplates from Swansea in the week ended December 23rd totalled 5,201 tons, compared with 6,728 tons the previous week and 5,897 tons in the corresponding week last year. Stocks in warehouses and vans stand at 8,253 tons, compared with 11,553 tons a year ago.

Workington.—Demand in the North-West Coast hematite pig-iron market is again larger than can be satisfied. Makers have sold the whole of the next six months' make, and in some cases have entered into commitments to the September quarter. But they are chary of further forward selling, as it is not at all certain that another advance of prices may be not requested in the autumn. There is some prospect of an expansion of output during January. The furnace at Workington which is ready for relining is not to be put out of commission until the month after. It is hoped that the two furnaces at Ulverston now on basic may change

The past year closed on a note of hesitancy in industry, but in spite of the decline in new orders noticeable in recent months, current activity remains at a high level. The heavy industries, in particular steel, have a substantial amount of work on hand, and the pressure for delivery of iron and steel remains strong. The coal trade remains brisk, output during the week ended December 18th amounting to 5,281,000 tons, against 5,158,000 tons during the corresponding period last year. There has been a marked improvement in the position of South Wales. Moreover, as our Cardiff correspondent points out, the position of the Welsh tinplate trade has undergone a change for the better. There has been a welcome increase in the demand for cotton goods, and the firmer trend of raw wool prices has brought out more orders for finished materials. Business in jute goods, on the other hand, remains at a low level. The next few weeks are not expected to bring any important change in industrial activity.

Coal

Cardiff.—The pressure on the loading appliances at the South Wales docks last week was exceptionally heavy, and the volume of shipments was one of the largest during the year. For five and a half working days it totalled 434,800 tons compared with 456,500 tons in the preceding full week, and 338,582 tons in the corresponding period last year. Precedence in despatch was given to the most urgent cases, and only a comparatively few vessels were detained in dock over the week-end. Collieries resumed work with the repairing shift on Tuesday night, and with a heavy prompt tonnage position it is anticipated that stocks will be enormously reduced, if not depleted, during the current week in view of the holiday curtailment in the output. Prices are firm but nominally unchanged, and for an important Portuguese contract German suppliers are reported to have tendered at 3s. per ton below the price quoted for Welsh coals. It is unlikely, however, that the Cardiff offer will be modified.

Newcastle-on-Tyne.—The export trade of the North East coal market continues quiet, but the general position is firm as most collieries are comfortably sold on contract. Northumberland steam collieries are short of trade for large coals, but other grades are fairly firm and clear without difficulty. The Durham section remains firm under a brisk home demand and there is every indication this position will last for several months as collieries are so well sold ahead. Patent oven coke is steady, values showing little change from those ruling during the past few months.

Workington.—The coal trade is exceedingly brisk. Land sale is buoyant. The entire production is absorbed as fast as it becomes available. Industrial fuel needs are substantial, and Welsh coal has to be imported for the coking plants, whose make is needed by the furnaces on hematite. There is very little surplus left for the Irish market. Prices are steady.

over to hematite in the course of a few days unless unexpected difficulties arise.

As the steelworks were idle a week at Christmas, a not inconsiderable reduction of the arrears of deliveries has taken place, and users in the Midlands, South Wales and Scotland are receiving all the iron that ordinarily is required for local consumption. Prices are firm. Bessemer mixed numbers are quoted at £6 13s. per ton at Glasgow, £6 18s. 6d. at Sheffield, £7 1s. at Manchester, and £7 6s. at Birmingham, and three brands of low-phosphorus iron at from 10s. to 25s. per ton higher. Malleable iron is at £8 delivered at Birmingham, and ferro-manganese at £18 15s. home. Steel-makers begin rolling again on Monday next. They hold orders which will keep them busy throughout the whole of next year. Native ore, at 24s. 6d. f.o.t., is in exceptionally strong request. Heavy imports of foreign ore at Workington continue.

Textiles

Cotton.—Manchester.—Although holiday influences have prevailed in the market during the past week, trading has not been at a standstill, and some producers have reported an improved demand, the sales in certain quarters being larger than recently. There have been indications of some customers being in more urgent need of supplies, and the opinion is held that a firmer trend of raw material rates would result in increased activity. American cotton prices have been steady, the article deriving support from the substantial amount of material which is going into the Government loan. Some surprise has been expressed at the strength of the Egyptian staple in view of the large crop.

Demand in the yarn market has broadened somewhat, the sales in American and Egyptian qualities being larger than in recent previous weeks. Some special contracts have been arranged in fine Egyptian counts. Quite a number of ring spinning mills have been closed all the week. Sales of importance in piece goods have been absent, but rather more small lots have been booked. The better demand for India has been maintained, quite a useful business being done in bleaching and printing styles, chiefly for Calcutta and Karachi. Fancies have been sold for Java and Singapore, and light whites for Egypt. A few dyed goods have moved off for South America. Heavy materials have attracted attention for South Africa and dress goods for Australia. Home trade purchases have been restricted. Many manufacturers have extended the usual holiday stoppage.

Jute.—Dundee.—The jute trade drags along, and there are few orders of note being placed for any commodity. The raw material has shown a tendency to decline owing to the apathy of buyers at all centres. The

lower prices should favour Dundee spinners, who this season so far have bought only about one-third of their requirements. The quantity arrived here to date is only 209,000 bales, compared with 361,000 bales last season, while 189,000 bales are now afloat between Calcutta and Dundee, against 266,000 bales at same date last season. The total quantity received last season was 1,077,041 bales. The Indian jute mills continue to produce jute cloth and bags in larger quantities. For the eleven months ending November 30th last, they manufactured 1,762,488,993 yards of hessian cloth and bags and 1,326,570,742 yards of sacking cloth and bags, an increase of 109,365,905 yards and 104,409,606 yards, respectively, over the same eleven months of last year. Business in Calcutta goods has fallen off greatly, and prices have been declining to an even lower level, touching the lowest points of the year. The outlook for the trade in the new year is therefore unsatisfactory, and no improvement can be looked for until the Indian mills can agree on the question of working hours. The outside mills and the associated mills have recently been having negotiations for an agreement whereby the outside mills would reduce their working hours to 54 per week, same as the Associated mills, and there are hopes that unanimity will be reached within the next few months. Calcutta is certainly more optimistic on the matter.

Jute yarns are dull and nominal at 2s. for common 8 lb. cops and 2s. 1d. for 8 lb. spools. Twist has been sold at 3½d. for 3 ply 8 lb., and sacking yarns rule from 2½d. for 24 lb. weft and 3½d. for 8 lb. chains. Rove is firm at £21 for 48 lb. and £18 for 200 lb., while the better yarns are nominally unchanged. Carpet descriptions have been sold at 3½d. for 14 lb. warp.

The cloth market is practically idle, but an order has been received from the L.N.E.R. for 410,000 yards of twilled sacking, which should prove to be beneficial to the heavy end of the trade. Prices are more or less nominal at 2½d. for 10 oz. 40 in. and 2½d. for 8 oz. Linoleum hessians are inactive.

Prices for Calcutta goods are 16s. 9d. for 10 oz. 40 in. and 13s. 4d. for 8 oz., December/January, 16s. 9d. and 13s. 5d. February/March, and 16s. 10d. and 13s. 7d. April/June. Further forward delivery commands a premium of 3d.

THE COMMODITY MARKETS

HOLIDAY influences have predominated on the principal commodity markets this week and business has been restricted. With buyers offering little support, the markets in general have shown a disposition to follow the fluctuations of Wall Street. The tendency has consequently been easier in most cases.

Rubber prices showed one of the largest declines, the spot quotation losing ½d. per lb., mainly in consequence of the decision of the General Motors Corporation to discharge 30,000 of their employees. Non-ferrous metals were also lower, largely owing to the weakness of Wall Street and the restricted nature of American demand. Tin was most affected, this metal losing £8 2s. 6d. per ton, to close on Wednesday only slightly above the year's lowest. American cotton was reduced in price and other textile raw materials were barely steady.

Wheat was a more active market on Tuesday, but the improvement was short-lived and prices show a fresh decline on the week. Harvesting is now virtually complete in Argentina and Australia, the weather having been favourable during the past week. Among other foodstuffs, price changes have been few and business has been on quiet lines generally. No tea auctions were held this week, but sales will be resumed on Monday next.

The improvement of prices in the United States was not maintained. Thus Moody's daily index of staple commodity prices eased from 149.1 on December 21st (December 31, 1931 = 100) to 148.3 on Wednesday of this week. The latter figure compares with 146.3 a month ago and 207.1 on the corresponding day last year.

Other Metals

Copper.—Owing to holiday influences and the weakness of the stock markets, copper was easier this week. The standard cash quotation closed on Wednesday showing a loss of £1 10s. per ton on the week. There was no selling pressure, but consumers were very reserved. Meanwhile, no improvement has occurred on the American market, although it is usual for quotations to show an improvement at this season of the year, owing to "window-dressing" operations. Production in Northern Rhodesia amounted to 16,810 long tons in November, or 4,000 tons below market expectations. It appears, therefore, that the Rhodesian producers refrained from increasing their output in the last month of unrestricted production—which suggests that they are concerned to maintain the stability of the market.

Tin.—Tin was again the weakest of the principal non-ferrous metals, the cash price falling by £8 2s. 6d. in the week ended Wednesday, to close at £181 per ton. The latter price is only 5s. above the year's lowest. This week's decline was again traceable to the absence of demand in the United States. The American tinplate industry is now operating at less than 50 per cent. of nominal capacity, against 58 per cent. in the week before Christmas and 100 per cent. at the close of 1936. Since tin-

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BRITISH WHOLESALE PRICES

	Dec. 21, 1937	Dec. 29, 1937		Dec. 21, 1937	Dec. 29, 1937		Dec. 21, 1937	Dec. 29, 1937
CEREALS AND MEAT								
GRAIN, Etc.—								
Wheat—								
No. 2, N. Man. 496 lb.	55 3	55 9						
Eng. Gaz. av., per cwt.	8 7	8 5						
Liv. March, per cental	7 4¼	7 2½						
Flour, per 280 lbs.—								
Straits, d/d London	36 0	36 0						
Manitoba, ex store	40 0	40 0						
Barley, Eng. Gaz. av.	13 3	13 5						
Oats, "	8 6	8 2						
Maize, La Plata, landed, 480 lb.	31 6	33 3						
Do. January	32 3	33 0						
Rice, No. 2 Burma, per cwt.	8 9	8 9						
MEAT—								
Beef, per 8 lbs.—								
English long sides	5 0	4 8						
Argentine chilled hinds	4 3	4 0						
Mutton, per 8 lbs.—								
English wethers	5 0	5 8						
N.Z. frozen wethers	2 8	2 8						
Lamb, per 8 lbs.—								
N.Z. frozen	5 0	5 0						
Pork, English, per 8 lbs.	6 8	6 8						
EACON (per cwt.)—								
English	97 0	100 0						
Danish	97 0	100 0						
Dutch	94 0	97 0						
Irish	93 0	100 0						
HAMS (per cwt.)—								
Canadian	86 0	86 0						
United States	80 0	86 0						
OTHER FOODS								
BUTTER (per cwt.)—								
Australian	113 0	112 0						
New Zealand	114 0	110 0						
Danish	155 0	148 0						
CHEESE (per cwt.)—								
Canadian	72 0	72 0						
New Zealand	74 0	74 0						
English Cheddars	64 0	64 0						
Dutch	64 0	63 0						
COCOA (per cwt.)—								
Accra, f.f.	26 0	26 0						
Trinidad	50 0	50 0						
Grenada	55 0	55 0						
COFFEE (per cwt.)—								
Santos supr. c. & f.	32 0	32 0						
Colombian, good	42 0	42 0						
Costa Rica, medium to good	52 0	52 0						
East Indian	45 0	45 0						
Kenya, medium	72 0	72 0						
EGGS (per 120)—								
English (15-15½ lb.)	58 0	58 0						
Danish (15½ lb.)	75 0	75 0						
FRUIT—								
Oranges, Jaffa	60 0	60 0						
" Brazilian	20 0	20 0						
Lemons, Malaga	20 0	20 0						
" Sicilian	18 0	18 0						
Apples, Amer. (var.)	12 0	13 6						
" (var.)	23 6	23 6						
Grapes, Almeria	8 0	8 0						
Grapefruit, Jaffa	10 0	10 0						
ONIONS—								
Valencia	6 6	6 6						
LARD (per cwt.)—								
Irish, finest bladders	18 0	18 0						
U.S.	25 0	25 0						
POTATOES (per cwt.)—								
King Edward	6 6	6 6						
SPICES—								
Pepper, per lb.—								
Black Lampung	0 2½	0 2½						
White Muntok	0 3¼	0 3¼						
Cinnamon, 1st sort	0 9¼	0 9¼						
Cloves, Zanzibar	0 8¼	0 8¼						
Ginger (per cwt.)—								
African	50 0	50 0						
Jamaica, ord. to good	55 0	55 0						
Mace	85 0	85 0						
Nutmegs, 65's	2 6	2 4						
SUGAR (per cwt.)—								
Centrifugal, 96's, prpt. shimp., c.i.f. U.K., Cont.	16 1½	16 1½						
B.W.I., crystallised	18 9	18 9						
Sugar, N.Y., Cuban Cent., 96 deg., spot	20 0	20 0						
SUGAR (per cwt.)—cont.								
REFINED—London—								
Yellow Crystals	19 6	19 6						
Cubes	23 9	23 9						
Crushed	24 3	24 3						
Granulated	19 10½	19 10½						
Home Grown	20 0	20 0						
TEA (Auction Average) (per lb.)—								
N. India	1 1 82	...						
S. India	1 2 07	...						
Ceylon	1 2 93	...						
Java	1 0 62	...						
Sumatra	1 1 59	...						
Africa	1 0 87	...						
Total	1 2 03	...						
TOBACCO (per lb.)—								
Virginia leaf, common to fine	0 8	0 8						
Rhodesian leaf	0 9	0 9						
Nyasaland leaf	0 7	0 7						
" strips	1 6	1 6						
East Indian leaf	0 7	0 7						
" strips	0 6	0 6						
TEXTILES								
COTTON (per lb.)—								
Raw, Mid-American	4 91	4 77						
" Sakellaridis, F.G.F.	8 17	8 11						
Giza, P.C.F.	7 34	7 28						
Yarns, 32's Twist	11 9	11 3						
" 60's Twist (Egyptian)	10 8	10 8						
Cloth, 32 in. Printers, 116 yds.	17 12	17 12						
" 36 in. Shirtings, 75 yds.	18 6	18 4						
" 38 in. ditto, 38 yds.	25 0	24 10						
" 39 in. ditto, 37½ yds.	10 7½	10 7						
" 16, 15, 8¼ lb.	9 7½	9 7						
FLAX (per ton)—								
Livonian ZK	66 0	66 0						
Pernau HD	67 0	67 0						
Slanetz Medium, 1st sort	66 0	66 0						
HEMP (per ton)—								
Italian PC	69 0	69 0						
Manilla, Dec.-Feb. "J2"	30 0	30 0						
SISAL, African	19 0	19 0						
JUTE (per ton)—								
Native 1st mks., c.i.f. H.A.R.B.	21 0	21 0						
Jan.-Feb.	19 5 0	18 17 6						
Dance 2 3 c.i.f. Dundee, Jan.	18 7 6	18 0 0						
SILK (per lb.)—								
Canton	7 9	7 9						
Japan	6 6	6 6						
Italian, raw, fr. Milan	7 3	7 3						
WOOL (per lb.)—								
English, Southdown, greasy	16	16½						
" Lincoln hog, washed	14	14½						
Queensland, scd. super combg.	24	24						
N.S.W. greasy, super combg.	14	14						
N.Z. greasy, half-bred 50-50	12½	12½						
Tops	11	11						
Merinos 70's average	31½	31½						
" 64's "	30	30						
Crossbred 48's	17½	17½						
" 46's "	16½	16½						
MINERALS								
COAL (per ton)—								
Welsh, best Admiralty	19 6	19 6						
Durham, best gas, f.o.b. Tyne	22 6	22 6						
Sheffield, best house, at pits	22 0	22 0						
IRON AND STEEL (per ton)—								
Pig, Cleveland No. 3, d. d.	106 0	106 0						
Bars, Middlesbrough	202 6	202 6						
Steel rails, heavy	22 6	22 6						
Tin plates	23 0	23 0						
NON-FERROUS METALS (per ton)—								
Copper, Electrolytic	£ s. d.	£ s. d.						
Standard cash	40 10 0	38 17 6						
Three months	40 15 0	39 1 3						
Tin	185 10 0	181 0 0						
Standard cash	188 15 0	181 10 0						

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plate stocks in the United States are substantial, the industry is likely to remain slack during the next few weeks. In the circumstances there appears to be little prospect of a revival of American demand for tin—unless the low level of prices stimulates consumers to enter into forward commitments. Meanwhile, the recent decline in the price of tin, despite the cut in the production quota, has caused a revival of interest in the proposal to form a new buffer pool. This question is discussed in a Topic of the Week in the preceding section.

Lead and Spelter.—In the week ended Wednesday lead lost 2s. 6d., and closed at £15 10s. per ton, while spelter fell by 10s. to £14 17s. 6d. There was no change in the basic position of the markets, the decline being due to lack of buying interest. Reports from the high-cost producing areas state that preparations are being made for the closing of certain mines owing to the decline in prices; but there is no news of any mines having actually ceased production during the past few days.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
December 16 ...	1,500	195	600	375
" 17 ...	800	315	550	775
" 20 ...	750	425	850	1,200
" 21 ...	1,250	375	950	850
" 22 ...	1,100	240	1,000	625
" 23 ...	1,050	175	1,800	1,300
" 24 ...	400	175	200	600
" 28 ...	1,150	200	450	425
" 29 ...	1,350	230	1,000	1,200

U.K. STOCKS

	Dec. 18	Dec. 24
Copper (Br. official w/houses):	Tons 10,030	Tons 10,063
Refined	20,785	21,677
Rough	2,039	2,187
Tin (London and Liverpool)...		

Grains

The wheat markets, having been dull before the holidays, opened this week on a firmer note in sympathy with the gradual advance in North America and Greek demand for Australian wheat. The improvement was not fully held, however, and prices show a net loss on the week, Manitoba grades remaining at a premium. Harvesting in Argentina is being assisted by very favourable weather. In Australia, harvesting has been completed under satisfactory weather conditions, and the returns suggest that the official estimate of the outturn—162 million bushels—will be about realised.

Meanwhile, business in maize has been on quiet lines, as is usual at this season. The tone, nevertheless, remains fairly firm in sympathy with Argentina and Chicago. It is estimated by the *Corn Trade News* that the surplus remaining in Argentina has now shrunk to small dimensions. Demand for American, therefore, seems likely to improve in coming months. Very little business has been transacted in barley during the past week, but prices show little alteration. English malting barley continues to command high prices; medium grades are now scarce. Quotations for grains will be found in the table of British Wholesale Prices.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From—	Week ending	
	Dec. 18	Dec. 25
'000 Qrs.	'000 Qrs.	'000 Qrs.
N. America	516	602
Argentina and Uruguay	134	239
Australia	258	274
Russia	141	40
Danube and district	65	76
India	15	45
Other countries	2	1
Total	1,129	1,277

Source: The Corn Trade News.

MOVEMENTS OF RICE IN LONDON

	Week ending	
	Dec. 18	Dec. 25
Landed	1	20
Delivered	30	19
Stocks	938	939

SALES OF BRITISH CEREALS

	Week ending	
	Dec. 18	Dec. 25
Wheat	216,303	136,145
Barley	318,751	161,744
Oats	43,469	21,950

Other Foods

Provisions and Meat.—On the London Provision Exchange during the past few days, business has been restricted. The official quotations for bacon were advanced last week-end and the market has been firm at the higher level. Butter, on the other hand, was quiet and rather easier, while cheese was quiet at about late rates. The market in eggs was also of a holiday character and prices are now showing a seasonal decline. Following the holidays, business in meat at Smithfield Market was quiet for beef and fair for mutton and lamb. In mid-week the tone became dull in all sections.

Colonial Produce.—The London spot market in raw sugar has been quiet, but steady. Coffee, on the spot, was also a quiet market this week, while Accra cocoas were quietly steady. No tea sales have been held at Plantation House since Christmas, but the usual auctions will be resumed on Monday next.

Fruit.—Business at Covent Garden last week was moderate, but trade has been slack since the holidays, says *The Fruitgrower*. Apples were in demand at steady rates. Pears came in for a consistent inquiry, with quotations unchanged. Hothouse grapes sold fairly well but demand was by no means exceptional and prices were about steady. South African deciduous fruit met with a good reception but prices eased owing to the heavy arrivals.

Vegetables.—At Covent Garden during the past week asparagus encountered only a moderate inquiry, states *The Fruitgrower*. Meanwhile,

supplies of potatoes were fairly plentiful and in some instances prices were easier. At the Borough Market on Tuesday, however, best siltland and light soil King Edward were again quoted at 6s. 6d. to 7s. per cwt. ex market.

OTHER FOODS: STATISTICS

	Week ending	
	Dec. 18	Dec. 25
BACON:		
Arrivals in London (bales):		
Danish	16,266	...
Canadian	8,033	...
Dutch	1,834	...
Lithuanian	1,746	...
Polish	2,474	...
COCOA:		
Movements in Lond. (bags):		
Landed	3,242	7,945
D d for home consumption	5,243	4,270
Exports	43	50
Stocks	131,869	135,494
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	103	87
" D d for home consn.	36	24
" Exports	2,093	2,156
Central and S. American:		
Landed	1,168	1,142
D d for home consumption	2,512	2,310
Exports	565	1,446
Stocks	62,790	60,156
Other kinds—Landed	279	7,007
" D d for home consn.	3,516	3,911
" Exports	524	817
" Stocks	55,399	57,678
MEAT:		
Supplies at Smithfield (tons):		
Total	11,230	10,256
Beef and veal	5,053	4,962
Mutton and lamb	2,961	1,834
Pork and bacon	1,072	1,416
Poultry, etc.	2,144	2,044
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	...	...
" Delivered	1,972	1,972
Stocks	54	16
White—Landed	25	27
" Delivered	11,198	11,187
" Stocks		
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	12,741	39,155
Deliveries	15,994	11,602
Stocks	222,172	249,725
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	47,719	...
S. India	8,480	...
Ceylon	19,787	...
Java	2,520	...
Sumatra	945	...
Africa	1,567	...
Total	81,027	...

Miscellaneous Commodities

Rubber.—The market has been dull and prices show a net loss of about 8d. per lb. on the week. Idle conditions prevailed before Christmas and on Tuesday of this week. On Wednesday there was a sharp break in prices on receipt of the news that the General Motors Corporation of America had decided to discharge 30,000 men. There was little support from buying interests and prices closed at the day's lowest level. In view of the present weakness of the market and of the possibility of a further decline in American consumption in the near future, interest centres on the next meeting of the International Rubber Regulation Committee, to be held on January 25th. It seems improbable, however, that any further cut in the quotas will be made. Rubber prices will be found in the table of British Wholesale Prices.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ending	
	Dec. 18	Dec. 25
Landed	1,793	1,010
Delivered	1,372	660
Stocks	55,665	56,015

COMPANY MEETINGS

BOWATER'S PAPER MILLS, LIMITED

HIGHER RAW MATERIAL PRICES

The annual general meeting of Bowater's Paper Mills, Limited, was held, on the 30th ultimo, at Southern House, Cannon Street, London.

Mr Eric V. Bowater (chairman of the company) who presided, said that shareholders naturally would be desirous of hearing from him an account of the circumstances that led up to and resulted in their expectations in respect of the year under review not being fully realised, and it was his intention to be as frank with them as circumstances and the welfare of their business permitted. It had been, in his belief, rightly stated that they were overtaken by market factors which were all but unforeseeable, such as at times affected all those engaged in "commodity industries."

Prices for their principal raw materials, groundwood pulp and sulphite pulp, had risen by approximately 100 per cent. and 130 per cent. respectively, whilst pulpwood, of which they were also large users, rose by over 100 per cent., and sea freights in some cases by as much as 200 per cent.

Since then, however, as a result no doubt of nervousness occasioned by the unsettled international situation, there had been noticeable in some countries what had been termed a "recession" in business followed by a not inconsiderable reduction in the prices of most commodities.

RECORD VOLUME OF ORDERS

As they would see from the profit and loss account, the profits of the company amounted to £263,897, an increase of £61,734; but for the rise in prices of raw materials to which he had already referred that increase in profits would have been materially greater.

He could say with complete confidence that at no time had the standard of efficiency of their mills been at a higher level than at present. The volume of orders on hand was the greatest so far attained, and, most important of all perhaps, their relations with their many newspaper customers were never closer than was now the case. It would thus be plain to them that the foundations of their business rested upon solid and secure ground, and he would like to make it abundantly clear that the effect upon their earnings that arose out of the unprecedented increase in the cost of raw materials was of a temporary nature only, in that it was confined to the years 1937 and 1938.

CURRENT YEAR'S PROSPECTS

Subject to no unforeseen circumstances arising, the increased revenue that would accrue to their company and its associates from the revision in the price of newsprint and the higher prices prevailing for other grades of paper, together with the provisions made in the accounts under review towards meeting increased costs, should result in the available profits for the current financial year being sufficient, after making all the usual provisions for fixed charges, depreciations, etc., to cover, with a reasonable margin, the dividends on all classes of preferred capital of the company and its associated and subsidiary companies, including the Edward Lloyd Investment Company, Limited. Further than that he could not and they would not expect him to go at that stage.

That brought him to the point where he would deal briefly with their plans for safeguarding their vital interests in respect of adequate future sources of supply of raw materials. It was essential that they should be protected against the possibility of a continuance of anything approaching the present level of prices of a recurrence of the recent threat to supplies. The board had secured an important but limited supply of groundwood pulp by acquiring an interest in one of the principal Swedish groundwood pulp mills and were in negotiation with the Government of Newfoundland and other interested parties for the acquisition of extensive timber limits in both Newfoundland and in Labrador. In the event of agreement on terms which the directors considered to be satisfactory to your company being reached, they contemplated the erection in Newfoundland of a sulphite pulp mill capable of providing an important part of their requirements of that material; the properties could also provide wo 1 in sufficient quantities to take care of the present requirements of the Kemsley Mill, and also of the Mersey Mill in the event of their deciding to equip that mill with the plant necessary to enable it to manufacture its own requirements of groundwood pulp. Generally their business was well established and he could see no reason why in 1939 and subsequent years it should not resume again its former prosperity.

The report and accounts were unanimously adopted.

BUTLIN'S LIMITED

POPULAR HOLIDAY CAMPS

The first annual general meeting of Butlin's Limited was held, on the 30th ultimo, in London.

Colonel Sir Thomas A. Polson, K.B.E. (the chairman), said that once again the company's amusement parks had shown an increase in profits. The holiday camp at Skegness, which was not entirely finished during the 1936 season, showed a substantial increase in profits in the past year. There was no doubt that they would be able to open the camp at Clacton-on-Sea in time for the 1938 season. At Skegness, with increased accommodation, they had been able to accommodate nearly 2,000 guests weekly throughout the busy season last summer. The policy of the company in giving the greatest possible all-in holiday value at the lowest reasonable price had proved exceedingly successful, and, in order to allow ample room for extensions, further land had been acquired at Skegness, giving them the entire island site of approximately 92 acres.

The directors were confident that both camps would be filled to capacity in the 1938 season. Their charges, low as they were, included not only all meals, but all the amenities—sports and games, with skilled instructors, music at every meal from their resident orchestras, dancing every night, and weekly concerts at which well-known variety artists regularly appeared. They had just appointed that famous chef, M. Herbodeau, who had retired from his position at the Carlton Hotel, London, to be chef-advisor to both camps for the next three years.

The company had been successful in obtaining the sole concession to provide the amusement park in the forthcoming Empire Exhibition at Glasgow, and the directors were confident that that concession would result in a substantial profit to the company.

It was obvious that the activities for 1938 would necessitate additional capital, and it was proposed to increase the capital of the company by the creation of 100,000 6 per cent. cumulative preference shares of £1 each, and 180,000 ordinary shares of 5s. each. It was proposed to issue that additional capital at the price of 20s. for the preference and 7s. 6d. for the ordinary shares and special consideration would be given to applications from existing shareholders and debenture stock holders.

The report was unanimously adopted, a dividend of 15 per cent. on the ordinary shares declared and the increase of capital approved.

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED
BEST YEAR SINCE 1928

The annual general meeting of Booker Brothers, McConnell and Company, Limited, was held, on the 30th ultimo, in London.

Sir Alfred P. Sherlock (chairman and managing director) said that the profits amounted to £90,980, or nearly £14,000 better than last year, which was very satisfactory. In fact, it was the best year they had had since 1928, when the profits amounted to slightly over £93,000, of which £63,800 represented dividend from their main subsidiary, whereas in the present accounts they had only received £35,000 from their sugar company, while the general business had yielded nearly £56,000.

The sugar crop of the colony had been well maintained and, although prices were very low during 1936, their main subsidiary had been able to pay a 5 per cent. dividend and add to its reserves. The reserves of Bookers Demerara Sugar Estates, Limited, now amounted to approximately £110,000.

There had been no great change to report in the statistical position of sugar and the outstanding event during the year had been the signing of the International Sugar Agreement by which the output of sugar had been restricted. In British Guiana they would suffer more than in most colonies as their output had been reduced by approximately 12 per cent. instead of 7 per cent., as in the case of others. The one big advantage they derived from the agreement was that they now knew where they were as regarded preference for five years.

The balance sheet showed that the company was in a strong position. Resolutions would be submitted authorising £165,000 out of the company's reserves being issued as a bonus to the ordinary shareholders in the proportion of three new shares for every five now held.

With regard to future prospects, he saw no reason to think that the profits would be less next year. He was convinced that shareholders wanted a regular dividend, and the board would do their utmost to maintain 10 per cent. as the standard rate in future.

The report was unanimously adopted, the payments of the final dividend of 5 per cent. and bonus of 5 per cent., making 15 per cent. for the year, were confirmed, and the share bonus was approved.

YOUANMI GOLD MINES, LIMITED

PROGRESS OF DEVELOPMENT

RECENT GOOD DISCOVERIES

The third annual general meeting of Youanmi Gold Mines, Limited, was held, on the 30th ultimo, at the Institute of Chartered Accountants, London.

The Rt. Hon. Viscount Lee of Fareham, P.C., G.C.B. (the chairman) said that the options granted to the original shareholders to subscribe for a further million ordinary shares at par had all been exercised with the exception of £800 worth. The original estimate to re-open and equip the mines was £200,000. The actual expenditure incurred up to June 30, 1937, was £262,337. Whilst many circumstances had contributed to this excess, the main cause had been the time factor. The delay in completing the equipment for the unwatering of the Pollard shaft workings had seriously affected the whole programme, as it had prevented access to the old workings and the commencement of re-conditioning and re-equipment underground as well as the undertaking of vital new developments.

At the last meeting shareholders were informed that the oxidised unit of the mill had been completed. During the period under review 35,864 tons had been crushed for a yield of 6,211 ounces of fine gold, which realised £43,595 sterling. The proceeds had largely helped to defray standing charges and some of the costs of development. To carry on development and at the same time to maintain output had been no light task.

EXPECTATIONS EXCEEDED

Underground developments in the Pollard shaft section continued to be satisfactory, whilst the results obtained in the main shaft section had exceeded the most sanguine expectations. Their consulting engineer, Mr Nicholls, who had recently completed a re-examination of the mine, cabled he was greatly impressed with the developments of the main shaft workings since his previous visit. The extension of old levels north of the shaft had struck a new ore body carrying high-grade sulphide between No. 3 level and No. 7 level. Developments now being carried out fully confirmed the values obtained by the old company. Estimates of proved and probable ore reserves totalled 144,069 short tons of an average value of 10 dwts. 18 grains, after deducting 22,622 tons crushed since the end of the financial year. Since the mill started head values had shown a progressive increase, but the value of the high-grade sulphide ore developed could not be reflected in the returns until the sulphide unit came into operation, when a substantial increase in head values would be expected. To sum up, in a little over two years since actual work started, not only had two mines, abandoned for eleven years, been unwatered and thoroughly reconditioned, but the property had also been fully supplied with both underground and surface equipment. That was a remarkable record.

POLITICAL CONDITIONS

The chairman added that there had been additional and extraneous obstacles to surmount in the general loss of confidence and depression of morale that had hung over industry of all kinds throughout the world like a poisonous miasma. The chief disturbing factor had been the perpetual and increasing "threats and rumours of war." But over and above that there had been political disturbances of the peace—some domestic and some international—in which the gold industry was in no way directly implicated, but which could not but affect it deeply. The "gold scare" crisis of last Spring had had one redeeming feature in revealing the extraordinary stability of gold as a commodity, but even gold could not be immune to the general malaise that had overtaken business confidence and was so largely attributable to causes which were basically political.

The "Civil War" that had for so long been smouldering in America between "New Dealers" and "Wall Street" was free of actual bloodshed, but was having far more disastrous effects on the markets of the world than the civil war in Spain. The Western Australian Goldfield had its own troubles but the gold was there and all that the industry needed was to be protected against too much "high financing" and too much paternal legislation. With regard to this latter, however, he felt confident that the Western Australian Government was too enlightened and too much alive to its responsibilities to allow burdens upon the industry to be further increased to a point which might paralyse its progress and consequently impair the revenue of the State.

After a number of shareholders had congratulated the board on the progress achieved during the year under review, and after the Chairman had replied to some questions, the report and accounts were unanimously adopted, the retiring directors and auditors were re-elected, and a hearty vote of thanks was passed to the Chairman, directors and staff.

MOUNT MAGNET GOLD MINES, LIMITED

EXTENSION OF PLANT

LORD LEE'S ADDRESS

The fourth annual general meeting of Mount Magnet Gold Mines, Limited, was held, on the 30th ultimo, at the Institute of Chartered Accountants, London.

The Rt. Hon. Viscount Lee of Fareham, P.C., G.C.B. (the chairman), said that during the year under review 56,739 tons of mine ore had been treated and 1,651 tons of old slimes re-treated, making the total tonnage handled 58,390 for a recovery of 9,701½ ozs. of gold. The gold recovered had realised £67,939, equal to 23s. 4d. per ton. Mine working costs had amounted to 15s. 2d. per ton, as compared with 15s. 9d. during the previous financial year, and the net profit was £14,734, as against £13,575. Dividends amounting to £7,328 had been paid, leaving an unappropriated balance of £11,571, since reduced to £10,258 by the payment of the fixed preference dividend up to June 30, 1937.

At June 30, 1937, the company had entered into commitments amounting to £10,907 in respect of the purchase of additional plant. At the last annual general meeting the duplication of the existing milling plant had been foreshadowed and it had been intended to finance that out of funds to be provided by the issue to existing shareholders of a proportion of the unissued ordinary share capital. Early in the year the consulting engineer had reported from Australia that developments and prospects warranted the necessary steps being taken to provide the additional equipment without further delay. Consultation with power plant manufacturers in England indicated that the earliest deliveries which could be promised were from 5 to 6 months, and that the position was becoming more acute daily. The board had therefore decided to place orders at once for the additional engines required to double the milling plant and to arrange subsequently for the issue of further share capital.

DIFFICULT CONDITIONS

Shortly afterwards there had supervened the world financial crisis and the directors had been forced to the conclusion that it would be undesirable to invite subscriptions for further share capital. Those conditions still prevailed and the directors had been obliged to divert the existing cash resources of the company to meeting the obligations which had been incurred by reason of the purchase of that additional power plant. For that reason they regretted that, while profits had been earned which ordinarily would have enabled the payment of a further dividend on both classes of shares, the liquid cash capital was not at present available to permit that.

The abnormally low capitalisation, for which at an earlier stage they had been inclined to take too much credit, was now proving a serious handicap to the progress of the mine. That was a problem which was engaging the anxious consideration of the board, and, as soon as circumstances permitted, it was hoped to make arrangements to remedy the position.

SATISFACTORY OUTLOOK

Apart from those financial considerations, there was undoubted cause for disappointment in the—he hoped temporary—falling off of the grade of ore sent to the mill from the "Hill 60" workings. During the first six months, the average grade had been maintained at well over 4 dwts., but that had been reduced during the second half of the year, bringing the average grade for the whole year down to 3 dwts. 20 grs. To set against that, he was able to report that their acquisition of the contiguous "George" and "Western Lease" properties held out strong hopes of a more encouraging future for the Mount Magnet Mine as a whole. The company now owned three properties each containing lodes of exceptional width. Their geologist expressed the confident view that when unwatered and properly equipped, the "George" Mine would prove to be of even greater value than "Hill 60." Mr Nicholls (the consulting engineer) was of the opinion that no difficulty should be encountered in supplying a mill of double the capacity of the present one, i.e. a total capacity of 10,000 tons monthly. In a recent cable, Mr Nicholls stated that the present total ore reserves amounted to 302,585 tons of an average value of 4 dwts. 3 grs. He considered the future outlook satisfactory except for the fact that progress had been seriously hindered by the shortage of capital to carry out developments on a scale which the prospects of both old and new mines fully justified.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

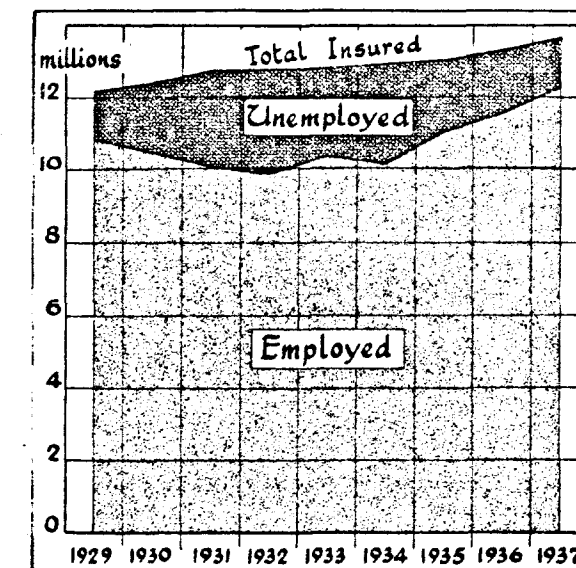
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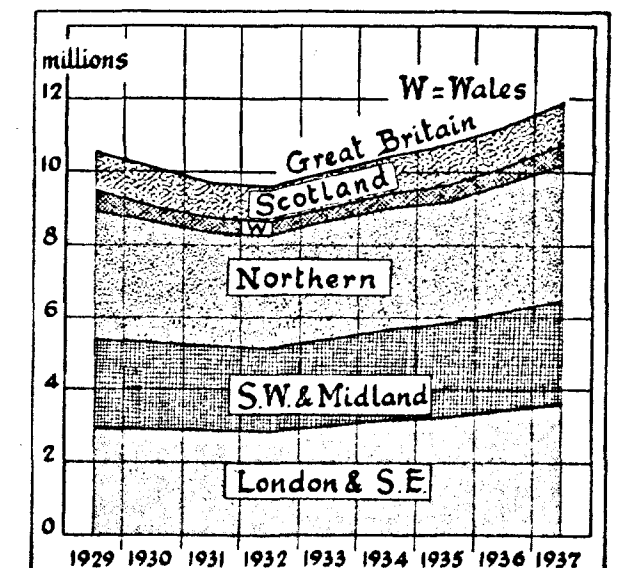
TRENDS IN EMPLOYMENT, 1929-1937

NOTES: These charts should be read in conjunction with the leading article on page 24. All the charts relate to persons aged 16-64 insured against unemployment. Charts I, III and IV refer to the United Kingdom, but Northern Ireland is excluded from Chart II.

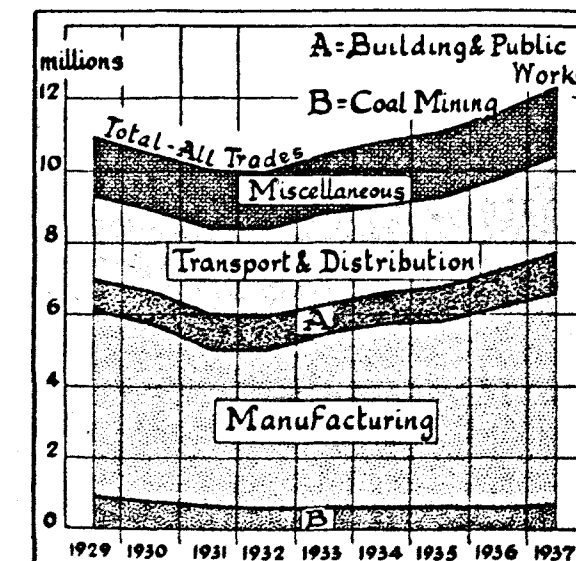
I.—NUMBERS EMPLOYED AND UNEMPLOYED



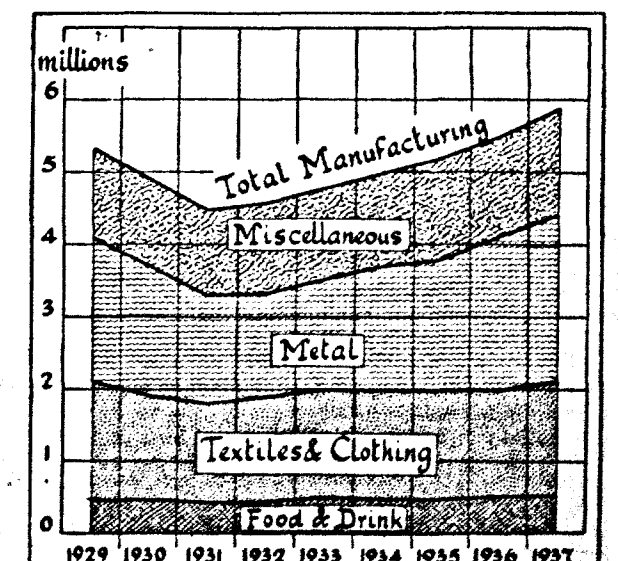
II.—NUMBERS EMPLOYED IN DIFFERENT AREAS



III.—NUMBERS EMPLOYED IN ALL INDUSTRIES AND SERVICES



IV.—NUMBERS EMPLOYED IN MANUFACTURING TRADES



Finance

GOVERNMENT FINANCE

For the week ended December 26, 1937, the total ordinary revenue was £7,958,000, against ordinary expenditure of £10,021,000. The deficit accrued since April 1st last is thus £167,549,000, against a deficit of £136,039,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (000's omitted)				
	Est. for 1937-38	Apr. 1, 1936, to Dec. 26, 1937	Apr. 1, 1937, to Dec. 26, 1937	Week ended Dec. 26, 1937	Week ended Dec. 25, 1937
ORDINARY REVENUE					
Inc. Tax	288,150	73,662	85,211	1,133	1,452
Sur-tax	58,000	8,750	10,040	520	570
Stamp duties	89,000	61,930	67,170	1,310	2,130
Stamps	29,000	18,360	15,810	650	2,130
N.D.C.	2,000	...	40	...	70
Other In.	1,500	150	490	10	40
Total I. Rev.	467,650	162,852	179,761	3,623	4,479
Customs	219,850	156,541	165,280	3,395	4,138
Excise	113,150	83,721	87,849	821	1,049
Total Cust. and Excise	333,000	240,262	253,129	4,216	5,187
Motor Duties	34,000	11,232	11,360	4	...
P.O. (Net Receipt)	11,800	9,900	10,160	25	...
P.O. Fund	1,350	1,050	990	30	...
Crown Lds.	4,300	3,614	4,287	...	...
Rec. from Sun. Loans	11,000	14,669	10,101	86	192
Misc. Rec.	...	...	...	...	...
Total Ordinary Revenue	863,100	443,579	469,813	5,955	7,958
SELF-BALG. REVENUE					
Post Office and Broadcasting	75,198	50,400	53,190	3,000	3,250
Total	...	493,979	523,003	8,955	11,208

Expenditure	Issues out of the Exchequer to meet payments (000's omitted)				
	Est. for 1937-38	Apr. 1, 1936, to Dec. 26, 1937	Apr. 1, 1937, to Dec. 26, 1937	Week ended Dec. 26, 1937	Week ended Dec. 25, 1937
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	224,000	177,526	181,812	403	560
Payments to N. Ireland	8,000	4,751	5,260	327	369
Other Cons.	3,200	1,851	2,045	373	54
Fund Serv.	300	421	...	...	...
P.O. Fund	...	...	...	...	...
Total	235,500	184,549	189,117	1,103	983
Supply Serv.	162,718	395,069	448,245	6,001	9,018
Total Ord. Expend.	862,948	579,618	637,362	7,104	10,021
SELF-BALG. EXPEND.					
P.O. and Broadcasting	75,198	50,400	53,190	3,000	3,250
Total	...	630,018	690,552	10,104	13,271

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After reducing Exchequer balances by £323,802 to £2,309,759, the other operations for the week (as shown below) increased the gross National Debt by £1,739,000 to about £8,283 millions.

(000's omitted)		NET INCR. IN DEBT		NET REPAYMENTS, ETC.	
Treasury Bills	2,679	Public Dept. Advances	490	Nat. Savings Certs.	150
		P.O. and Telg. (Money) Act	300		
			940		
			546,406,625		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to December 25, 1937, are shown below:—

(000's omitted)		Ord. Rev.	
Ordinary Exp.	637,362	Ord. Rev.	469,813
Issue to Exch. Eq.	...	Decrease in bices.	390
Fund (July, '37)	200,000	Gross borng.	373,594
		New S.F.	6,426
		Old S.F.	9
		Net borrowing	367,159

FLOATING DEBT (£ millions)		Treasury Bills		Ways and Means Advances		Total Floating Debt	
Date	Tender	Tap	Public Dept.	Bank of England	...	...	...
1936							
Dec. 26	614.0	225.9	11.4	...	851.3	237.3	...
Mar. 31	500.0	174.6	23.5	...	698.1	198.1	...
Nov. 27	612.0	287.4	36.3	...	935.7	323.7	...
Dec. 4	617.0	301.8	42.6	...	961.4	344.4	...
" 11	622.0	305.3	45.3	...	972.6	350.6	...
" 18	622.0	317.3	41.6	...	980.9	358.9	...
" 25	622.0	319.9	41.1	...	983.0	361.0	...

TREASURY BILLS (£ millions)		Amount		Per Cent. Allotted at minimum Rate	
Date of Tender	Offered	Applied for	Allotted	...	...
1936					
Dec. 24	45.0	61.1	45.0	12.11	77.65
Nov. 19	45.0	75.0	45.0	10.2	12.65
" 26	50.0	62.3	50.0	15.0	12.79
Dec. 3	50.0	64.4	50.0	18.2	12.25
" 10	50.0	91.5	50.0	15.8	9.61
" 17	50.0	76.8	50.0	13.9	9.75
" 24	50.0	68.4	50.0	12.0	9.64

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills. There are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills.
On December 24th, applications at £99 17s. 0d. per cent. for bills to be paid for on Tuesday to Saturday of the following week inclusive were accepted as to about 74 per cent. of the amount applied for. Applications at higher prices were accepted in full. £39.0 millions of Treasury bills are being offered on December 31st.

NATIONAL SAVINGS CERTIFICATES		Sales in		Number		Purchase Price	
49 wks. to: Dec. 12, 1936	32,588,854	24,441,640					
Dec. 11, 1937	30,178,645	22,631,984					
Week to: Dec. 12, 1936	531,482	308,611					
Dec. 4, 1937	618,567	463,925					
Dec. 11, 1937	572,955	429,716					

Net Exchequer receipts, week to Dec. 11, 1937: Dr. £130,000.
† Includes adjustments up to June 19, when grand total issued was £1,296,663,144 cts. According to latest information, amount (including accrued interest) to credit of investors is £514,400,000.

CENTRAL BANK RETURNS
BANK OF ENGLAND

ISSUE DEPARTMENT		Govt. Debt		Other Govt. Securities		Total	
Date	Notes in Circ.	Govt. Debt	Other Govt. Securities	...	...	...	...
Dec. 30, '36	12.4	150.6	39.2	189.8	47.0		
Dec. 8, '37	11.7	106.3	36.6	143.0	50.6		
" 15	11.4	103.4	36.2	145.5	50.0		
" 22	10.8	98.2	36.3	145.5	50.0		
" 29	11.4	120.6	36.6	168.6	48.6		

BANKING DEPARTMENT		Govt. Secs.		Other Secs.		Total	
Date	Notes in Circ.	Govt. Secs.	Other Govt. Securities	...	...	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537			
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537			
" 15	14,553,000	96,458,165	7,485,633	21,590,537			
" 22	14,553,000	96,458,165	7,485,633	21,590,537			
" 29	14,553,000	96,458,165	7,485,633	21,590,537			

ISSUE DEPARTMENT		Govt. Debt		Other Govt. Securities		Total	
Date	Notes in Circ.	Govt. Debt	Other Govt. Securities	...	...	...	...
Dec. 30, '36	505,317,131	11,015,100	208,687,662	286,818	10,420		
Dec. 8, '37	505,317,131	11,015,100	208,687,662	286,818	10,420		
" 15	505,317,131	11,015,100	208,687,662	286,818	10,420		
" 22	505,317,131	11,015,100	208,687,662	286,818	10,420		
" 29	505,317,131	11,015,100	208,687,662	286,818	10,420		

BANKING DEPARTMENT		Govt. Secs.		Other Secs.		Total	
Date	Notes in Circ.	Govt. Secs.	Other Govt. Securities	...	...	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537			
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537			
" 15	14,553,000	96,458,165	7,485,633	21,590,537			
" 22	14,553,000	96,458,165	7,485,633	21,590,537			
" 29	14,553,000	96,458,165	7,485,633	21,590,537			

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

THE WEEK'S CHANGES		Both Departments		Compared with	
Date	Notes in Circ.	Both Departments	Compared with	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537	
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537	
" 15	14,553,000	96,458,165	7,485,633	21,590,537	
" 22	14,553,000	96,458,165	7,485,633	21,590,537	
" 29	14,553,000	96,458,165	7,485,633	21,590,537	

COMPARATIVE ANALYSIS (In 000,000's)		Issue Department		Both Depts.	
Date	Notes in Circ.	Issue Department	Both Depts.	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537	
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537	
" 15	14,553,000	96,458,165	7,485,633	21,590,537	
" 22	14,553,000	96,458,165	7,485,633	21,590,537	
" 29	14,553,000	96,458,165	7,485,633	21,590,537	

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s		Assets		Liabilities	
Date	Notes in Circ.	Assets	Liabilities	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537	
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537	
" 15	14,553,000	96,458,165	7,485,633	21,590,537	
" 22	14,553,000	96,458,165	7,485,633	21,590,537	
" 29	14,553,000	96,458,165	7,485,633	21,590,537	

* On December 29, 1937: Government debt was £11,015,000; silver coin in issue department, £10,420; capital and rest, £17,994,563.

AUSTRIAN NATIONAL BANK		Assets		Liabilities	
Date	Notes in Circ.	Assets	Liabilities	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537	
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537	
" 15	14,553,000	96,458,165	7,485,633	21,590,537	
" 22	14,553,000	96,458,165	7,485,633	21,590,537	
" 29	14,553,000	96,458,165	7,485,633	21,590,537	

† Gold stock to deposits and notes in circulation

BANK OF FRANCE.—Million francs		Assets		Liabilities	
Date	Notes in Circ.	Assets	Liabilities	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537	
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537	
" 15	14,553,000	96,458,165	7,485,633	21,590,537	
" 22	14,553,000	96,458,165	7,485,633	21,590,537	
" 29	14,553,000	96,458,165	7,485,633	21,590,537	

OVERSEAS BANKS		Assets		Liabilities	
Date	Notes in Circ.	Assets	Liabilities	...	...
Dec. 30, '36	14,553,000	96,458,165	7,485,633	21,590,537	
Dec. 8, '37	14,553,000	96,458,165	7,485,633	21,590,537	
" 15	14,553,000	96,458,165	7,485,633	21,590,537	
" 22	14,553,000	96,458,165	7,485,633	21,590,537	
" 29	14,553,000	96,458,165	7,485,633	21,590,537	

U. S. FEDERAL RESERVE BANKS				
	Million \$'s			
	Dec. 24, 1936	Nov. 26, 1937	Dec. 16, 1937	Dec. 23, 1937
12 U. S. F. R. BANKS				
RESOURCES				
Gold certifs. on hand				
and due from Treas.	8,852	9,122	9,122	9,126
Total reserves	9,064	9,452	9,444	9,414
Total cash and sec's.	200	319	313	287
Total bills discounted	9	16	16	16
Bills bought in open market	3	3	3	3
Total bills on hand	25	19	18	15
Industrial advances	12	19	18	18
Total U. S. S. F. R. sec's.	2,430	2,564	2,564	2,564
Total bills and sec's.	2,467	2,601	2,601	2,601
Total resources	12,391	12,756	12,924	12,801

BANK CLEARINGS

LONDON
(000's omitted)

	Month of November			Week ended Wednesday		Aggregate from January 1 to	
	1936	1937	Change	Dec. 30, 1936	Dec. 29, 1937	Dec. 30, 1936	Dec. 29, 1937
Number of wks. days:	25	26	%	4	4	307	304
Town (a).....	3,052,042	2,979,818	- 6.1	562,300	455,375	34,856,688	34,406,075
Metro. (b).....	171,928	177,102	+ 0.7	30,629	31,599	2,032,393	2,148,093
Country (c).....	300,601	323,994	+ 2.9	44,540	41,993	3,524,342	3,778,841
Total.....	3,524,571	3,480,914	- 5.1	637,379	528,967	40,413,423	40,332,969

Attention is drawn to the number of days covered in the various periods shown. In earlier issues aggregates for 1936 were adjusted to include the same number of days as in 1937; on the old basis, 1936 aggregates would be less than those in the table by (a) £437,401,000; (b) £23,637,000; and (c) £25,525,000. Clearings for the week to December 22, 1937 were (a) £673,847,000; (b) £41,101,000; and (c) £71,833,000. † Based on average working day.

PROVINCIAL
(000's omitted)

	Month of November			Week ended Saturday		Aggregate from January 1 to	
	1936	1937	Change	Dec. 26, 1936	Dec. 25, 1937	Dec. 26, 1936	Dec. 25, 1937
No. of working days:	25	26	%	4	5	304	302
BIRMINGHAM	13,757	10,871	- 24.1	1,766	1,918	137,559	133,231
BRADFORD	4,646	3,622	- 21.5	862	739	50,244	50,855
BRISTOL	5,736	5,850	+ 0.2	893	1,137	65,719	66,168
HULL	3,500	3,881	+ 6.4	684	760	42,338	46,453
LEEDS	3,970	3,745	- 5.4	824	721	47,505	50,803
LEICESTER	3,322	3,118	- 6.1	547	603	37,469	38,438
LIVERPOOL	30,857	27,318	- 11.5	5,217	5,668	322,695	319,812
MANCHESTER	47,418	46,294	- 2.4	7,984	5,211	557,941	557,941
NEWCASTLE	6,126	6,603	+ 7.7	944	1,227	67,845	76,191
NOTTINGHAM	2,198	2,121	- 3.5	379	379	26,014	26,201
SHEFFIELD	4,362	4,709	+ 7.7	640	725	51,410	55,782
Total: 11 Towns	125,912	118,132	- 6.2	20,187	21,861	1,373,113	1,451,875
DUBLIN	...	...	...	3,614	4,643	289,092	295,686

† Based on average working day.

MONEY RATES
LONDON

	Dec. 22, 1937	Dec. 23, 1937	Dec. 24, 1937	Dec. 25, 1937	Dec. 28, 1937	Dec. 29, 1937	Dec. 30, 1937
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bank's drafts	11½-3½	11½-3½	11½	11½	11½-3½	11½-3½	11½-3½
3 months' do.	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
4 months' do.	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
6 months' do.	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
Discount Treasury Bills							
2 months' do.	11½-3½	11½-3½	11½	11½	11½-3½	11½-3½	11½-3½
3 months' do.	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
Loans—Day-to-day	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
Short	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
Deposit advances: Hk.	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
Discount houses at call	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½
At notice	11½	11½	11½	11½	11½-3½	11½-3½	11½-3½

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1937						
Dec. 2	11½-3½	11½-3½	11½	11½-3½	11½-3½	11½-3½
Dec. 9	11½-3½	11½-3½	11½	11½-3½	11½-3½	11½-3½
Dec. 16	11½-3½	11½-3½	11½	11½-3½	11½-3½	11½-3½
Dec. 23	11½-3½	11½-3½	11½	11½-3½	11½-3½	11½-3½
Dec. 30	11½-3½	11½-3½	11½	11½-3½	11½-3½	11½-3½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—							
	Dec. 30, 1936	Dec. 22, 1937	Dec. 23, 1937	Dec. 24, 1937	Dec. 28, 1937	Dec. 29, 1937	Dec. 30, 1937
Call money	1½	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½	1½
Bank acceptances	1½	1½	1½	1½	1½	1½	1½
Members—eligible 90 days	1½	1½	1½	1½	1½	1½	1½
Non-mem.—eligible 90 days	1½	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days	1½	1½	1½	1½	1½	1½	1½

EXCHANGE RATES
LONDON—SPOT(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	Dec. 23, 1937	Dec. 24, 1937	Dec. 25, 1937	Dec. 28, 1937	Dec. 29, 1937	Dec. 30, 1937
New York, \$...	4.862	4.993½-4.995½	4.995½-5.000	4.995½-5.000	4.995½-5.000	4.995½-5.000	4.995½-5.000
Montreal, \$...	4.862	5.001½-5.003½	5.003½-5.008	5.003½-5.008	5.003½-5.008	5.003½-5.008	5.003½-5.008
Paris, Fr. ...	124.21	147½-148	147½-148	147½-148	147½-148	147½-148	147½-148
Brussels, Bel. ...	35.60a	29.44-29.45	29.44-29.45	29.44-29.45	29.44-29.45	29.44-29.45	29.44-29.45
Milan, L.	92.46	947½-948	947½-948	947½-948	947½-948	947½-948	947½-948
Zurich, Fr. ...	25.22½	95.00½-95.00½	95.00½-95.00½	95.00½-95.00½	95.00½-95.00½	95.00½-95.00½	95.00½-95.00½
Athens, Dr. ...	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl. ...	12.107	8.98½-8.98½	8.98½-8.98½	8.98½-8.98½	8.98½-8.98½	8.98½-8.98½	8.98½-8.98½
Berlin, Mk. ...	20.43	12.39-12.39	12.39-12.39	12.39-12.39	12.39-12.39	12.39-12.39	12.39-12.39
Registered Marks	(c)	44-49	44½-49½	44½-49½	44½-49½	44½-49½	44½-49½
Rr. India Rup.	† 18d.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Hong Kong, \$	† 100	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Shanghai, \$	† 100	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Rio, Mil.	† 589d.	21½-21½	21½-21½	21½-21½	21½-21½	21½-21½	21½-21½
B. Aires, \$...	11.45	16.96-16.98	16.98-17.03	16.98-17.03	16.98-17.03	16.98-17.03	16.98-17.03
Valparaiso, \$.	40	16.12½-16.12½	16.12½-16.12½	16.12½-16.12½	16.12½-16.12½	16.12½-16.12½	16.12½-16.12½
M'video, \$...	† 51d.	25-26	25-26	25-26	25-26	25-26	25-26
Lima, Sol.	17.38	20-21½	20-21½	20-21½	20-21½	20-21½	20-21½
Mexico, Pes. ...	9.76	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Manila, Pes. ...	† 24.66d.	23½-23½	23½-23½	23½-23½	23½-23½	23½-23½	23½-23½
Moscow, Rbls. ...	...	26.49½-26.49½	26.49½-26.49½	26.49½-26.49½	26.49½-26.49½	26.49½-26.49½	26.49½-26.49½

Usage: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). † Pence per unit of local currency. ‡ Par 8 23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal.

(b) Other Exchanges

London on	Par of Exch. per £	Dec. 23, 1937	Dec. 29, 1937	Dec. 30, 1937
Helsingfors, M.	193.23	225½-61½	225½-61½	225½-61½
Madrid, Pt.	25.22½	60-100(1)	60-100(1)	60-100(1)
Lisbon, Esc.	110	110-38	110-38	110-38
Vienna, Sch.	34.58½	25½-71½	25½-71½	25½-71½
Budapest, Pen.	27.82	24½-53½	24½-53½	24½-53½
Prague, Kr.	516½-5	142-12	142-12	142-12
Danzig, Gul.	25.00	26½-58	26½-58	26½-58
Warsaw, Zlot.	48.38	26½-58	26½-58	26½-58
Riga, Lat.	25.22½	24½-53½	24½-53½	24½-53½
Bucharest, Lei.	813.8	665-90	665-90	665-90
Constantinople, Pst. ...	110	619*	619*	619*
Belgrade, Din.	276.32	211-21	211-21	211-21
Kovno, Lit.	48.66	29-30	29-30	29-30
Sofia, Lev.	673.66	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	† 24.58d.	13½-43½	13½-43½	13½-43½
Singapore, \$...	† 28d.	28½-14	28½-14	28½-14
Batavia, F.	12.11	8.95½-8½	8.95½-8½	8.95½-8½
Bangkok, Baht.	† 21.82d.	22-22½	22-22½	22-22½

Usage: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par, 197.10½ since peruna devaluation on February 17, 1934. Rate for payments to the Bank of England:—(j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

FORWARD
(Closing quotations)

London on	Dec. 23, 1937	Dec. 24, 1937	Dec. 25, 1937	Dec. 28, 1937	Dec. 29, 1937	Dec. 30, 1937
New York, cent.	(p)	(p)	(p)	(p)	(p)	(p)
2 " "	7½-8	7½-8	7½-8	7½-8	7½-8	7½-8
3 " "	11½-8	11½-8	11½-8	11½-8	11½-8	11½-8
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	1-11½	1-11½	1-11½	1-11½	1-11½	1-11½
2 " "	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½
3 " "	4-4½	4½-4½	4½-4½	4½-4½	4½-4½	4½-4½
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	8½-12	8½-12	8½-12	8½-12	8½-12	8½-12
2 " "	11½-14	11½-14	11½-14	11½-14	11½-14	11½-14
3 " "	2-11½	2-11½	2-11½	2-11½	2-11½	2-11½
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	1½-2½	1½-2½	1½-2½	1½-2½	1½-2½	1½-2½
2 " "	4-6	4-6	4-6	4-6	4-6	4-6
3 " "	6½-8½	6½-8½	6½-8½	6½-8½	6½-8½	6½-8½
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	2-1	2-1	2-1	2-1	2-1	2-1
2 " "	3½-2½	3½-2½	3½-2½	3½-2½	3½-2½	3½-2½
3 " "	5-4	5-4	5-4	5-4	5-4	5-4

(p) Premium.

(d) Discount.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended December 23, 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 South Africa Territory	1,130,628	...	Straits Settlements	...	2,700
Tanganyika Territory	8,474	...	Hong Kong	...	4,000
Kenya	5,254	...	Netherlands	202,555	11,700
Uganda Protectorate	3,605	...	Belgium	594,092	...
British India	194,199	...	France	2,025	146,000
Australia	111,444	...	Switzerland	279,420	1,983
Other islands in the Pacific (British)	...	4,935	Austria	12	...
Canada	6,940	118,257	Yugoslavia	300,761	...
British Guiana	3,149	...	Other countries	900	...
Germany	30,766	47,000			
Belgium	18,150	33,850			
France	...	25,000			
United States of America	...	222,718			
Uruguay	...	150,000			
Other countries	3,647	635			
Total	1,516,256	222,000	Total	1,379,765	154,683
		380,395			346,491

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INVESTMENT

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Dec. 26, 1937 (£'000)					Aggregate Gross Receipts, 51 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Freight	Total	Passenger	Merchandise	Coal & Coke	Freight	Total
L. M. & S.—										
1937	631	341	227	578	1,777	25,425	25,514	1,450	36,964	62,399
1936	635	429	299	728	2,101	26,198	25,998	13,340	38,738	65,206
L. & N. E. (a)—										
1937	417	264	191	456	1,328	16,015	16,855	11,958	28,823	45,438
1936	453	292	211	536	1,492	17,370	17,499	12,851	30,350	47,720
Great Western—										
1937	247	151	83	219	700	10,834	9,853	5,188	15,041	25,875
1936	321	167	115	282	885	11,129	10,313	5,791	16,104	27,233
Southern—										
1937	383	42	28	70	523	15,776	3,225	1,577	4,402	20,558
1936	413	53	38	91	595	16,525	3,201	1,570	4,771	21,296
Total—										
1937	1,733	777	546	1,223	3,056	68,640	65,447	20,183	85,630	154,270
1936	1,877	941	696	1,637	3,514	71,492	56,111	33,552	89,963	161,455

(a) Week ended December 24.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.	Great Western	Southern
Cumulative Figures				
Gross increase, second half 1936, over second half 1935	+ 1,575	+ 751	+ 491	+ 378
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,478	+ 1,095	+ 688	+ 379
Weekly Figures				
Av. weekly increase, 2nd half 1937	+ 59.12	+ 43.80	+ 27.52	+ 15.16
Latest week compared with 1936	+ 204	+ 116	+ 87	+ 51
Latest week compared with average 1927-30	- 46	- 43	- 56	- 104

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended December 26, 1937 (£'000)			Aggregate Gross Receipts, 51 weeks		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.9	0.5	2.4	129.0	27.6	156.6
1936	2.0	0.4	2.4	128.2	24.6	152.8
Great Northern—						
1937	14.6	7.1	21.7	549.7	495.9	1,045.6
1936	15.0	8.9	23.9	564.2	481.1	1,045.3
Great Southern—						
1937	49.2	39.3	88.5	1,844.3	2,272.6	4,116.9
1936	51.2	45.0	96.2	1,864.9	2,231.3	4,096.2

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending December 25, 1937, before pooling	£54,300	+ £18,500
Total, 26 weeks to date	14,622,100	+ 15,900
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,478	+ 522,675
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation			Corresponding Period Last Year	
					Prefce. Amount	Ordinary		Net Profit	Dividend
						Amount	Rate		
Breweries									
Cobbold and Co.	Sept. 30	£7,299	£4,126	£1,425	£14,000	£6,453	13½	£23,541	12½
Financial Land, etc.									
Lon. & Westcliff Props.	Sept. 30	11,517	21,907	33,424	9,050	8,100	6	12,774	6
Malayan and General Trust	Sept. 30	5,546	513	6,059	...	...	...	5,059	Nil
Oil									
British Burmah Petroleum	July 31	12,486	29,487	41,973	...	...	...	40,400	Nil
Rubber									
Langen (Java)	Aug. 31	12,106	17,353	29,459	...	15,000	12	2,250	6
Majedie (Johore)	Sept. 30	2,089	3,496	5,585	...	2,742	5	500	3½
Namoc Tongan	Aug. 31	8,001	42,358	50,359	...	27,000	8	7,343	(a)
Padang Senang	Sept. 30	...	22,515	22,515	...	16,500	10	3,500	(a)
United Serdang	Aug. 31	82,753	268,662	351,415	...	213,491	15	45,000	10

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Gross Aggregate Receipts	
			1937	+ or -	1937	+ or -
INDIAN						
			Rs.	Rs.	Rs.	Rs.
Bengal & N. Western	10	Dec. 10	49,75,692	- 1,05,979	68,58,679	- 1,67,116
Bengal-Nagpur	36	10	24,51,000	- 2,20,864	6,31,86,662	+ 71,28,710
Bombay, Bar. & C.I.	50	20	33,74,000	- 3,37,000	8,34,69,000	+ 39,47,000
Madras & S. Mah.	34	Nov. 30	19,92,000	- 1,01,938	4,81,81,647	+ 7,27,739
S. Indian	34	30	13,83,865	+ 59,418	3,70,52,454	+ 14,37,143

± 10 days.

CANADIAN

Canadian National	50	Dec. 21	\$ 3,657,690	- 96,986	\$ 193,177,315	+ 126,744,500
Canadian Pacific	50	21	2,820,000	- 123,000	141,227,000	+ 6,436,000

SOUTH & CENTRAL AMERICAN

Anglo-Arg. Trans.	51	1937 Dec. 23	\$696,985	+ 27,804	\$2,858,387	+ 154,738
Antofagasta	50	19	222,220	+ 4,200	855,560	+ 137,510
Argentine N.E.	25	25	142,000	+ 24,000	4,028,600	+ 39,900
B.A. and Pacific	25	25	8,809	+ 1,489	249,916	+ 9,901
B.A. Central	23	4	1,432,000	- 183,000	33,072,000	- 1,130,000
B.A. Gt. Southern	25	25	88,834	- 11,352	2,051,615	+ 30,977
B.A. Western	25	25	101,100	- 58,900	3,056,700	- 194,900
Central Argentine	25	25	2,402,000	- 23,000	52,371,000	+ 1,350,000
Central Uruguay	24	18	149,007	+ 1,426	3,248,821	+ 234,162
Cordoba Central	25	25	713,000	- 212,000	19,052,000	+ 314,000
Leopoldina	51	25	44,355	- 13,151	1,181,887	+ 74,488
Mexican Railway	25	25	2,129,700	- 379,600	53,139,450	- 8,385,790
Nitrate	50	15	132,115	- 23,549	3,296,492	+ 336,910
United of Havana	25	25	165,542	+ 3,871	3,572,793	+ 254,730
			19,292	+ 493	411,266	+ 439
			377,000	- 81,000	12,852,000	- 1,387,000
			23,900	+ 5,020	797,300	+ 42,700
			1,137,000	- 681,000	93,528,000	+ 4,919,000
			15,095	- 9,168	1,184,326	+ 153,264
			828,200	+ 35,900	7,254,000	+ 593,900
			15,249	+ 2,387	144,762	+ 32,456
			17,240	- 2,257	424,574	+ 12,849

* Converted at average official rate 16-12 pesos to £. † Receipts in Argentine pesos. ‡ Fortnight. § Converted at official rate. d Receipts in Uruguayan currency. e Converted at "controlled free rate."

SUEZ CANAL RECEIPTS

Transit Receipts	50	1937 Dec. 20	£263,500	- 59,800	10,492,300	- 452,800
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± 10 days.

MONTHLY TRANSPORT & POWER RETURNS

Company	Month	Ending	Receipts for Month		Aggregate Receipts	
			1937	+ or -	1937	+ or -
Brazilian Trac-	11	Nov. 30	Gross \$3,085,881	+ 248,868	35,478,921	+ 6,196,653
Can. National	11	Nov. 30	Net \$1,659,834	+ 73,874	19,568,351	+ 3,488,195
Can. Pacific	11	Nov. 30	Gross \$16,775,527	+ 621,853	182,177,183	+ 12,790,919
			Net \$1,919,227	+ 461,044	15,878,905	+ 3,651,414
			Gross \$12,942,000	+ 875,000	132,823,000	+ 6,513,000
			Net \$3,464,000	- 75,000	20,817,000	+ 1,048,000

THE WEEK'S COMPANY RESULTS—continued

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Prefce. Amount	Dividend		Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
						Amount	Rate				
Trusts		£	£	£	£	£	%	£	£	£	%
Rio Claro Investment.....	Nov. 30	64,865	106,248	171,113	45,106	48,114	8	...	77,893	90,613	6½
Scottish Consolidated	Nov. 30	16,348	33,849	50,197	17,062	9,100	4	5,000	19,035	27,246	2½
Scottish Stockholders Invest- ment	Nov. 30	13,605	33,667	47,272	34,815	...	...	3,000	9,457	23,313	Nil
Other Companies											
Associated Talking Pictures	June 30	Dr125,705	Dr97,679	Dr223,384	...	...	...	...	Dr223,384	Dr13,547	Nil
British Northrop Loom	Oct. 30	7,979	29,847	37,826	...	15,938	7½	10,000	11,888	19,811	7
Butlin's, Ltd.	Oct. 2	...	(c) 52,011	52,011	...	24,750	15	21,000	6,261	(a)	(a)
Dartmoor China Clay	Dec. 31	12,984	241	13,225	...	...	...	...	13,225	2,096	Nil
Dussek Brothers	Oct. 31	11,089	14,249	25,338	2,975	8,008	8	2,351	12,004	(a)	(a)
Roneo, Ltd.	Sept. 30	15,355	(b) 73,751	89,106	76,349	...	...	...	12,757	59,683	Nil
Tarran Industries	Sept. 30	6,674	40,576	47,250	...	...	...	8,207	39,043	26,824	8

(a) No comparable figure. (b) 15 months. (c) January 30, 1937, to October 2, 1937.

(d) Includes £65,416 profit on sale of shares.

DIVIDEND ANNOUNCEMENTS

Company	*Int. or †Final	Total	Payable	Prev. Year
TEA & RUBBER				
Badolipar Tea	21½*	...	Jan. 12	21½*
Kandierock Rubber	5*	...	...	8
New Columbia Rubber	5*	...	Jan. 8	...
Padang Senang Rub.	...	...	...	...
Tanah Estate	6†	10	Jan. 19	Nil
INDUSTRIALS				
Apex (Trinidad) Oil	32½†	45	Jan. 21	35
Associated Hotels	5†	...	...	5
Chosen Corporation	5†	84	...	10
Clifford Motor	5*	...	Jan. 31	5*
Dundee, etc., Shipping	5*	...	...	4*
Dussek Brothers	5*	8	...	...
English Clays, etc.	3†	4½	...	3
Great Northern Invest.	...	6½	...	5
Gr. Nthn. Telegraph	21½*	...	Jan. 3	21½*
Montreal Light, etc.	38cts.*	...	Jan. 31	38cts.*
Second Scot. East Inv.	...	4½	...	3½
Sheepbridge Coal, etc.	15*	...	Feb. 1	12½*
Smith's Dock	7*	...	Jan. 31	4
Struddard (A. F.)	21½*	...	...	21½*
Van Den Berghs, etc.	4*	...	...	7
Wells (Matthew)	10*	...	...	...

† Tax free.

Saker Bartle (South Africa).—No interim dividend on ordinary shares at present. An interim dividend of 5 per cent. was paid a year ago.

Buell Combustion.—It is stated that it is unlikely that a profit will be shown for 1937. As the cumulative preference dividend is only payable out of profits, the payment falling due at the end of this month will have to be deferred.

Smith's Dock.—Ordinary dividend, 7 per cent. for year against 3 per cent.

English Clays, Lovering Pochin and Co.—Final ordinary dividend, 3 per cent. against 2 per cent., making for year to September 30, 1937, 4½ against 3 per cent.

Chosen Corporation.—Final ordinary dividend, 5 per cent., making 84 per cent. for the year to June 30, 1937, against 10 per cent.

Apex (Trinidad) Oilfields.—Final dividend of 32½ per

OTHER STATISTICS

CENSUS OF PRODUCTION, 1935

(For Comment on these figures, see page 38)

I.—GENERAL SUMMARY

Particulars	Factory trades		Non-Factory trades		All trades	
	1930	1935	1930	1935	1930	1935
Value of goods made and work done (Gross output)	£'000	£'000	£'000	£'000	£'000	£'000
	1,697,615	2,772,893	693,963	691,407	3,373,578	3,464,300
Cost of materials, fuel and electricity used:—						
Coal	61,891	19,107	32,436	748	97,377	19,855
Heavy fuel oil	4,398	1,039	36,365	5,437	40,763	6,476
Purchased electricity	1,415,933	195,711	1,611,644	1,611,644	1,611,644	1,611,644
All materials and other fuel	1,415,933	195,711	1,611,644	1,611,644	1,611,644	1,611,644
Total	1,517,905	1,534,668	254,816	266,349	1,772,621	1,801,017
Amount paid for work given out	19,311	22,958	16	24	19,327	22,982
Net output:	1,064,909	1,511,030	439,131	415,934	1,504,040	1,576,044
Average number of persons employed (excluding outworkers)	No.	No.	No.	No.	No.	No.
	4,876,324	5,018,152	2,266,177	2,058,441	7,142,501	7,076,593
Net output per person employed (excluding outworkers)	£ 218	£ 229	£ 194	£ 206	£ 211	£ 223

* Not recorded separately. † Including a small amount of unclassified fuel.
‡ Excluding estimated Excise duty, but including subsidy on home-grown sugar.

II.—SUMMARY OF RESULTS FOR 1930 AND 1935

Trade group	Gross output (selling value of goods made and value of work done)	Cost of materials, fuel and electricity used	Amount paid for work given out	Net output (excess of col. (2) over col. (3) and (4))	Average number of persons employed (except outworkers)	Net output per person employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Factory trades—	£'000	£'000	£'000	£'000	No.	£
Iron and Steel	1930 237,906 1935 278,067	144,785 161,516	1,229 1,715	91,892 114,836	494,295 533,538	196
Engineering, Shipbuilding, and Vehicles	1930 460,653 1935 473,639	226,717 229,646	4,409 3,443	229,527 240,550	1,074,142 1,061,671	214
Non-Ferrous Metals	1930 76,016 1935 104,767	51,657 74,842	485 579	23,904 29,346	109,833 119,257	218
Textiles	1930 413,095 1935 413,056	276,444 274,260	7,359 10,943	147,682 156,862	1,061,699 1,050,320	139
Leather	1930 36,017 1935 33,288	25,597 22,068	240 333	10,180 10,297	46,146 49,394	221
Clothing	1930 180,680 1935 171,997	93,789 91,698	2,709 2,376	78,191 77,423	492,957 515,700	159
Food, Drink & Tobacco	1930 661,947 1935 652,563	403,030 396,529	292 222	187,975 196,532	473,483 505,621	397
Chemicals, etc.	1930 191,523 1935 191,792	105,561 101,517	37 77	72,765 87,352	177,362 191,080	410
Paper, Printing and Stationery	1930 177,373 1935 181,060	71,937 69,007	2,047 2,379	103,309 109,710	380,001 400,736	272
Timber	1930 68,708 1935 68,722	36,965 36,175	273 192	31,465 32,355	167,812 167,350	133
Clay and Building Materials	1930 71,800 1935 81,522	26,490 29,795	209 194	45,101 53,533	224,516 243,792	291
Miscellaneous	1930 91,868 1935 89,314	48,343 47,015	107 105	42,918 42,694	174,076 178,893	247
Total—Factory trades	1930 2,679,615 1935 2,772,893	1,517,805 1,534,668	19,311 22,958	1,064,909 1,511,030	4,876,324 5,018,152	218
Non-Factory trades—	£'000	£'000	£'000	£'000	No.	£
Building & Contracting	1930 194,244 1935 187,561	100,223 101,078	...	94,065 86,483	453,807 434,374	297
Mines and Quarries	1930 187,144 1935 165,624	32,140 29,423	...	155,204 136,201	1,018,844 840,635	152
Public Utility Services and Government Departments	1930 312,311 1935 338,222	122,453 135,948	16 24	189,862 202,350	793,526 783,432	239
Total—Non-Factory trades	1930 693,963 1935 691,407	254,816 266,349	16 24	439,131 415,934	2,266,177 2,058,441	194
Total—All trades	1930 3,373,578 1935 3,464,300	1,772,621 1,801,017	22,982	1,504,040 1,576,044	7,142,501 7,076,593	211

SECURITY PRICES IN 1937

(See Leading Article on page 25)

Description	Prices in 1937		Price Dec. 31, 1936	Price Dec. 29, 1937	Rise or Fall in Year	Yield (%)	
	High	Low				Dec. 31, 1936	Dec. 29, 1937
British Govt. Stocks							
2½% Consols	84½	73½	84½	74½	-10½	2.95	3.37
5% Conversion, 44-64	117½	111½	117½	114½	-3½	2.75	2.80
3% Funding, 50-59	101½	92½	101½	97½	-4½	2.92	3.12
4% Funding, 60-90	116½	108½	116½	112½	-4½	3.06	3.20
2½% Conversion, 44-49	101½	94½	101½	98½	-3½	2.40	2.73
3½% War Loan	105½	99½	105½	101½	-4½	3.06	3.41
3% Local Loans	96½	84½	96½	87½	-9½	3.10	3.43
India and Dominion							
Canada 3½%, 50-55	103	98½	103	100	-3	3.00	3.27
India 3½%, 45-75	98½	87½	98½	93½	-5½	3.55	3.76
Australia 5%, 45-75	110	105	110	107	-3	3.67	3.96
New Zealand 3½%, 49-54	101½	95½	101½	99½	-2½	3.35	3.60
Foreign Governments							
Argentina 4½%, Ster.	103	97	99	98	-1	4.58	4.59
Do. 4½%, "Roca"	102	90	102	95	-7	3.95	4.21
Austrian 4½%, 34-59	91½	84½	87	86½	-1½	5.56	5.60
Brazil Funding 5%, 1914	89	38	83	39	-44	6.00	12.81
China 5%, 1913	101½	60½	95	65	-30	5.37	7.69
French 4½%, Rentes	65	53	57	57	0	5.41	5.10
German 7½%	94½	57½	88½	64	-24½	7.27	9.52
Japanese 6½%, 24	120½	111	120	113	-7	3.30	3.80
Other Fixed Interest							
Cent. Elec. 5½%, 50-70	121	113½	121	116	-5	3.11	3.45
Pt. of Lond. 5½%, 50-70	99½	86	99	90	-9	3.03	3.30
Met. Water Bd. 5½%, B.	35½	29½	35	33½	-1½	4.00	4.18
Imp. Chem. 7½%, Pref.	86½	75	84½	79½	-5	3.55	3.77
Gas Light, etc. 3½%, Deb.	34½	29½	34	34	0	4.10	4.10
Shell 7½%, 2nd Pref.	108	99½	107½	104½	-3½	3.72	3.85
British Railways							
L.M.S. 4½%, Deb.	133½	116½	133	126	-7	3.81	3.96
Gr. Westn. 5½%, Guar.	82½	65½	81½	70	-11½	4.90	5.70
L.M.S. 4½%, Pref., 1923	31½	21	29	26	-3	Nil	1.92
L.N. & S. Ord., 2nd Pref.	67½	55½	65	59½	-6	Nil	4.23
Gr. Western Ord.	12½	6½	12	12	0	4.61	5.13
L. & N.E.R. Pref. Ord.	99½	74	98	80	-18	4.08	5.31
London Transport C.	98½	82½	96	87	-9	5.20	5.75
Overseas Railways							
Canad. Pacific (25)	18	7½	15	7½	0	Nil	Nil
B.N. & S. Ord.	35½	13½	31½	18	-13½	Nil	Nil
B.A. West. Ord.	31½	11½	30½	17	-13½	Nil	Nil
C. Arg. 4½%, Nn-Cm. Pf.	75½	45	71½	52	-19½	4.90	8.66
Do. 6½%, Cum. Pref.	101½	64½	91	67½	-23½	Nil	8.85
Banks							
Barclays "B" (£1)	80½	71½	79½	76½	-3½	3.52	3.65
Lloyds £5, £1 pd.	69	58½	65	61	-4	3.68	3.98
Midland £1, £1 pd.	94½	81½	94½	86½	-8	3.37	3.70
Nat. Prov. £20, £4 pd.	164½	149½	164½	148½	-16	3.77	4.05
Westmstr. £1, £1 pd.	101½	88½	99½	91½	-8	3.60	4.00
Constructional Industries							
Assoc. Cement (£1)	110½	72½	108½	87½	-21½	4.05	5.10
British Oxygen (£1)	138½	76½	120	82½	-38	3.62	3.62
Gen. Electric (£1)	94½	70½	94½	77½	-17½	3.12	4.45
Guest, Keen (£1)	37½	27½	35½	30	-5½	2.85	4.33
London Brick (£1)	10	3½	9½	57½	47½	6.30	7.80
Murex (£1)	43½	32½	43½	36½	-7	2.60	4.45
Stewarts & Lloyds (£1)	17½	9	16½	10½	-6	2.30	4.12
Thomas (R.) (6/8)	112½	73½	112	83½	-29	3.12	4.96
Turner and Newall (£1)	34½	25½	31½	27	-4½	4.70	6.30
United Steel (£1)	39½	20½	34½	25½	-9	2.35	3.87
General Trading							
Brit. Amer. Tob. (£1)	137½	100½	133½	108½	-25	3.05	3.90
Distillers (£1)	124½	96½	124	105	-19	3.25	4.25
Guinness "A" (£1)	143	115	142	120	-22	4.00	4.90
Harrods (£1)	91½	75	85	75	-10	3.87	5.00
Imperial Tob. (£1)	183½	139½	181½	146½	-35	2.67	3.45
Marks & Spencer (A) (5/-)	90½	53½	87½	59½	-28	2.37	3.37
Leather and Lyle (£1)	91½	72½	88½	82½	-6	4.05	4.40
Lever (£1)	46½	33½	44½	35½	-9	3.00	4.55
Textiles							
Bradford Dyers (£1)	12½	4½	10½	8½	-2	Nil	Nil
British Celanese (10/-)	11½	4	9	5	-4	Nil	Nil
Coats (J. & P.) (£1)	55	40	53	40½	-12½	3.75	4.90
Courtaulds (£1)	58½	42	57½	46½	-11	2.60	4.60
Motors, etc.							
Austin 5	50½	30	47	31½	-15½	5.50	8.00
Dunlop Rubber (£1)	38½	30½	35	32½	-2½	4.50	5.53
Leyland (£1)	126½	70	122½	82½	-40	2.80	4.85
Rolls Royce (£1)	181½	86½	180	90	-90	2.85	5.00
General Industrials							
Cables & Wires, 5½%, Pref.	107	98	101	102½	+1½	5.45	5.40
Crampson Parkinson (5/-)	78	43½	75	43½	-34½	0.82	1.42
Imperial Chem. (£1)	41½	31	42	34½	-7½	3.80	4.95
Internal Nickel	375½	353½	365½	343½	-22	2.45	5.23
P. & O. Def. (£1)	37½	19½	30	22½	-8	2.66	3.75
United Molasses (6/8)	34½	20½	25	23½	-1½	3.70	5.60
Plantations							
Rubber Trust (£1)	48½	25½	43½	27½	-15½	2.27	5.45
Anglo-Dutch (£1)	53½	25½	43½	28½	-14½	1.80	4.87
Cons. Tea (£1)	25½	19	19½	19½	0	5.12	5.12
Oil							
Anglo-Iranian (£1)	136½	69½	98½	75½	-61	3.03	4.20
Burmah (£1)	130½	101½	107	115	+8	4.10	4.77
Shell (£1)	147½	82½	128½	98½	-49	2.70	4.20
Mining							
Ashanti Gold	81½	55	82½	64½	-18½	4.7	5.80
Crown Mns (10/-)	163½	112	163	158	-5	6.1	6.10
"Johnnies" (£1)	96½	57½	88	78	-10	4.55	6
Sub Nigel (10/-)	14½	8½	13½	10½	-3	6.80	7.20
Union Corp. (12 6/8) f.p.	225	137	200	160	-40	4.00	5.30
West Wits. (£1)	19½	5½	18½	7½	-11	Nil	Nil
Wiluna Gold (£1)	35½	6	36½	6	0	5.50	Nil
Riochana (£1)	19	8½	13	10½	-2½	1.33	5.98
Malayan Tin (5/-)	50½	28½	48½	35½	-13	8.30	13.10

† Free of income tax. (a) Comparison affected by bonus share distribution. (b) Price before the 200 per cent. capital bonus. (c) Yield affected by the 200 per cent. capital bonus. (d) Allowing for rate of exchange. (e) ex dividend.

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months. By its very nature, however, it cannot provide a permanent solution of their difficulties. Nor is its influence likely to be at all uniform throughout the Areas. Naval building affects South Wales, for example, only indirectly; and armament construction generally means little to derelict coal districts in South-West Durham. If revival in the basic industries of the Areas were to falter, or to suffer a slight setback, re-armament might take up some, or all, of the slack. But the future of the Areas ultimately turns on the peace-time prospects of Britain's heavy industries. So far as exports are concerned, much will depend, in 1938, on the course of world prices. The response of world trade to the sharp rise in the price of many commodities, during the latter part of 1936 and the first few months of last year, was speedy and striking. So far, the subsequent recessionary movement in prices has caused no sharp setback in our export trade, and if prices maintain even their present level the underlying conditions may be favourable to a higher total volume of exports this year than last. If prices fall further, however, the outlook will be much less promising.

And what of home demand? The industries whose well-being means most to the Special Areas may conceivably maintain, but are unlikely significantly to increase, their activity in the coming year. The coal industry has improved its organisation, particularly on the selling side, and no sudden decline in demand seems probable for some time. Steel, even more than coal, is dependent—apart from its share in re-armament—on the maintenance, at least, of something like the present degree of prosperity in industry as a whole. The Survey of Britain's immediate economic prospects which we published with last week's issue of *The Economist* suggests that, while industrial activity as a whole may not be decisively checked this year, the odds are against the maintenance of the pace of last year's advance. And the latest figures of unemployment are not encouraging in this respect. As the steel trades would be among the first to feel the effect of any marked recession in industry generally, the indices of national activity will be closely scanned, in coming months, by those who have special responsibility for the welfare of the Areas. On the Clyde and on Tyneside,

where mercantile shipbuilding has lately been more active than at any time since the depression began, solicitude is being felt over the present course of shipping freights, which for the last few months have been trending downwards after a phenomenally rapid rise in the earlier part of last year. On the other hand, the Areas are less directly interested in the maintenance of the house and factory building boom than some other districts.

Altogether, the evidence suggests that the immediate prospects of maintaining the current level of activity and employment in the Special Areas may be, if anything, slightly better than in Great Britain as a whole. But, failing a resumption of the strong upward movement of world trade and prices, which was interrupted last year, it may be too much to expect that the increasing tempo of armament production will in itself ensure the maintenance of revival at last year's pace, if non-armament demand ceases to increase or recedes from its peak level. At best, therefore, unemployment in all the Areas may not fall this year much below its present level of about 250,000—compared with over 350,000 three years ago. Much has been heard of various devices artificially to stimulate the settlement of new industries in the Special Areas. But all such efforts, praiseworthy though they be, obviously cannot make any considerable contribution to the net total of employment for some years to come. And the transference of workers to other districts cannot overcome the central problem of redundant and aged labour which has little chance of finding re-employment in any revival that can now be foreseen.

The case, therefore, for special measures by the Commissioners, the Nuffield Trust and other bodies, to alleviate difficulties which cannot wholly be cured is as strong to-day as ever. Plans for subsistence production, employment in minor crafts, group holdings, cottage homesteads, forestry and the cultivation of allotments are the very least the community can do for the distressed victims of its earlier prosperity. And even now the time is ripe to ask what the Government's policy would be if the eventual completion of their re-armament programme were to coincide in the Special Areas with a recession in trade activity as a whole.

New Deal and Business

THE message to Congress which the PRESIDENT OF THE UNITED STATES is constitutionally enjoined to deliver, "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," has rarely been more eagerly anticipated than this year. For some weeks there has been a genuine sense of uncertainty about the policies that PRESIDENT ROOSEVELT intends to pursue, both at home and abroad. The recent diplomatic action of the United States in the Far East has hardly reflected the full anti-aggressive vigour of the Chicago speech in October, and opinion in three continents had begun to wonder whether the policy there laid down had been modified, or whether it was merely being circumspectly applied. At home the PRESIDENT has seemed to show a considerable willingness to co-operate with the business world in measures to reverse the sudden onset of trade recession. But in the last few weeks close associates of his have been using words about alleged monopolistic practices of Big Business fully as scathing as any that were heard in the honeymoon days of the New Deal, and the not unnatural conclusion had been drawn that the PRESIDENT himself, disappointed with the results of a policy of kind-

ness towards business, had decided to return once more to the attack.

The message delivered on Monday did not entirely succeed in clearing up these uncertainties. MR ROOSEVELT made it clear that he has not modified in the least his conviction that democracy alone can ensure the peace of the world, and that the world's largest democracy must play its part in defending the system under which it has chosen to live. But the message failed to foreshadow any immediate action to be taken by the United States Government in pursuance of this policy, except by way of increasing its own armaments.

There is some evidence that the PRESIDENT intended the domestic portion of his speech to be taken as offering a firm front to the attacks of his business opponents. He went out of his way to emphasise the importance of capital in a sound economy, and to praise the attitude of the overwhelping majority of business men and bankers. But, in spite of these kind generalities, business men were promised very little indeed of what they asked for, unless the rather vague reference to tax reforms can be taken to mean the repeal of the much-anathematised Undistributed Profits Tax. The PRESIDENT also used stern words about the small

minority of business men who engaged in "practices which are dishonest or definitely harmful to society," or "who fail to note the trend of the times and continue the use of a machinery of economics and practices of finances as outworn as the spindle of 1870"; and this condemnation was driven home by a forecast, perhaps ominously vague, of legislation to limit some of the abuses of capital. Nevertheless, in spite of these indications that the PRESIDENT, though polite to Small Business, is still imbued with hostility to Big Business, the contrast between his more moderate language and the recent diatribes of MR ICKES and MR JACKSON was so welcome to the financial community that the speech can be said to have had a favourable reception in Wall Street. This is surprising; for the business community has fully persuaded itself that it will be unable to earn profits until it has a President after its own heart in the White House, and it is quite clear from Monday's message that Business is not going to have its desire until January, 1941, at the earliest. The slight recent improvement in the industrial news may, of course, have helped business men to look on the New Deal with somewhat less jaundiced eyes. But whatever the cause, it is gratifying to find that it is possible for the President to make a speech without Wall Street having a paroxysm in which tempers and security values suffer equally.

From the cooling distance of three thousand miles it seems clear that it would have been poor statesmanship on the PRESIDENT's part to have yielded to every demand made upon him by the representatives of industry and finance; for though some of their requests are reasonable and proper, others are illogical and harmful. For example, when industry clamours at one and the same time for a remission of taxes and a balanced Budget, it can only mean that it wants a very large reduction indeed in the expenditures of the Federal Government. But any paring of relief at this time would not only be against the wishes of probably a majority of the electorate, but would also, beyond any question, tend to deepen the existing recession. The PRESIDENT is entirely in the right in refusing to balance the Budget solely by making cruel reductions in expenditure. A refusal to accept the full Business programme can thus be justified, but the wisdom of deliberately defying the managers of industry, as some of the PRESIDENT's closest advisers advocate, is very much more questionable. The PRESIDENT may well be right in thinking that his duty to the nation is to pursue his own economic policy, but he will be wrong if he does not attempt to enlist the co-operation of every section of the community behind it. *Fortiter in re* is the right policy for him; but so is *suaviter in modo*.

Unfortunately, the obvious defects of the conservatives' policy do not automatically make the PRESIDENT's own programme ideally suited to rescue the country from the recession. He set before himself on Monday the task of increasing the national income from its 1937 level of \$68,000 millions to an amount of \$90,000 millions, or even \$100,000 millions. He proposes to achieve this admirable aim by the deceptively simple method of increasing the incomes of the farmers and the industrial workers, the two great productive classes of the nation. The instrument in the one case is to be higher prices for farm products; in the other it is to be higher wages for labour.

For agriculture, the prescription is the familiar one of the control of excessive crops in order to raise prices to their "parity level" and maintain them there. Now if control of this sort is applied with efficiency and moderation, it is an acceptable method of preventing the bankruptcy of the farming industry that might follow excessively heavy production and excessively low prices. But a country which itself consumes the greater part of its agricultural production is no richer because crops are smaller, and agricultural prices higher, than they would otherwise be. A gain to the farmers by this method can be achieved only at the expense of other sections of the community. The

cost may be worth paying to avoid the social consequences of agrarian ruin; but the substantial point at this juncture is that crop control, even though it increases the money income of farmers, in no way increases the real income of the nation as a whole.

The methods which the PRESIDENT proposes to follow in industry have a strong family resemblance to those prescribed for agriculture. The centre of his programme is occupied by the Wages and Hours Bill, which is intended, in his words, to "put a floor below which industrial wages shall not fall, and a ceiling beyond which the hours of industrial labour shall not rise." Here again, the social purpose of ameliorating the deplorable conditions in which some sections of American labour work is a wholly admirable one. The PRESIDENT, however, made it clear that the Wages and Hours Bill is not merely intended as a piece of social reform, but also as "an essential part of economic recovery." The theory is that by raising wage rates the individual worker will have a higher income, and that by shortening hours a larger number of workers will be employed, so that on both counts the "buying power" of the industrial population will be enhanced. In another part of his speech and another context the PRESIDENT recommended organised labour to think more in terms of the worker's total pay for a year than in terms of his remuneration per hour and per day. He might well have applied his own recommendation to the Wages and Hours Bill, for if labour costs are increased in a period when business is already sickly, the total amount of money paid out in wages is as likely to fall as to rise. This, at least, was the effect of the similar attempt made under N.R.A. in 1933-34, when the *elan* of recovery was much greater than it is to-day. Moreover, even if the increase of wage rates and the reduction of standard hours did succeed in its purpose of increasing the money incomes of wage-earning labour, this result would only be achieved, in default of an increase of production, at the expense of other sections of the community. There is nothing in the Wages and Hours Bill itself that will tend to raise the real national income.

This analysis of the remedies proposed in the PRESIDENT's message prompts the query whether he has yet realised the essential point that there is only one way of increasing the national income, and that is by instigating a larger production of goods and services. The measures he proposes, whether in regard to industrial wages or to agricultural prices or to the control of financial power, are excellent and praiseworthy accompaniments to a rising production of real wealth, but taken in themselves, at a time when the production of real wealth is tending to decline, their effect is as likely to be deflationary as stimulating, harmful as beneficent. MR ROOSEVELT, in short, is facing the familiar dilemma of social reformers. The aim of his political philosophy is to limit the dominance which profits and the profit-owners now exercise over the economic machine. But in so doing he must be very careful to maintain the volume of profits; for in an economy of which they are still the mainspring a reduction in profits means an increase in unemployment, and a rising total of unemployment is political death to the social reformer. This dilemma is not, of course, a pleasant or fortunate one, but nothing whatever is to be gained by attempting to deny its existence. In one country after another, in recent years, great schemes of social reform have found themselves in this difficulty. MR ROOSEVELT himself was saved in 1935 by the natural resilience of the American national economy. M. BLUM in 1937 had no such good fortune, and his *expérience* came to an untimely end because he neglected the volume of profits in attempting to control the use made of them. MR ROOSEVELT is now once more face to face with the same problem. The course of economic activity in the United States this year will very largely depend upon the degree of moderation he shows in carrying through his reform policies at a time when recovery is the first need.

The Consumer's Choice

IN an earlier article we described the recent growth of the gas and electricity industries and discussed the increasing competition between them. It is the purpose of this article, however, to show that there is, in fact, a strong case for a large measure of co-operation, in the joint interests of both industries and of the consumer.

Even to the ordinary domestic user, the choice between gas and electricity is more than a matter of mere convenience. Domestic fuel is needed for a variety of purposes, including lighting, space-heating, cooking and water-heating; and the type of fuel technically most suitable for one operation is not necessarily so for another. Both gas and electricity represent "fuel on tap"; but, whereas gas affords a supply of heat to the consumer, electricity is a form of mechanical energy which requires conversion to heat on the consumer's premises. Now there are many domestic appliances, such as vacuum cleaners, washing machines and hair-driers, for which electricity alone is used. In general, however, the total current consumed by these various appliances is limited, and under the existing system of tariffs (as we explained last week) it may be cheaper for the consumer to rely mainly on gas or mainly on electricity—even if this means using one or the other for purposes for which it is not technically the more suitable—in order to secure a reduction in price by increasing his total consumption. His choice, in fact, is not a free choice; for the aim of the rival claimants for his custom is to induce him to plump for one or the other, whereas he ought to be free to vote for both.

When we come to consider the purposes, however, for which each type of fuel is best suited, we must study not merely the consumer's convenience, but also the larger interests of the community. We must inquire into efficiency on the production as well as the consumption side. Which fuel, for instance, makes the more economical use of the country's coal resources? The actual consumption of coal in recent years by gas works and electricity undertakings is shown in the following table:—

	COAL CONSUMPTION (in millions of tons)	
	Gas Works	Electricity Undertakings
1920	17.57	7.36
1929	17.89	9.84
1930	17.67	9.68
1931	17.43	9.61
1932	17.00	9.81
1933	16.71	10.33
1934	17.14	11.17
1935	17.29	12.24
1936	18.33	13.60

The coal consumed in gas works in 1936 was 1.35 times greater than that consumed by electricity undertakings. The output of gas, expressed in British thermal units, was as much as 2.1 times greater than the output of electricity, similarly computed. Moreover, many valuable by-products are obtained in the manufacture of gas. Thus it would appear at first sight that a much more economical use of the country's coal resources could be made by conversion to gas rather than by generation of electricity.

This conclusion does not, however, include the slightly greater efficiency of gas distribution or take into account the greater efficiency of electricity-consuming appliances. Efficiency in this connection has, broadly, three meanings. In the first place, it can mean efficiency in production, measured by the thermal units obtained from the treatment of a given quantity of coal. On this interpretation, we have already seen that gas is produced more efficiently than

electricity. If complete efficiency be taken as 100 per cent., then, on the above figures (without reckoning the valuable factor of by-products), the efficiency of gas production is about 30 per cent., compared with the 20 per cent. efficiency of electricity generation. Secondly, efficiency may mean efficiency in distribution, measured inversely by the loss of energy involved in making available to the consumer a given quantity of light or power. Taking optimum efficiency as 100 per cent., while the efficiency of gas distribution may be taken as 95 per cent., that of electricity distribution is no more than 90 per cent. Thirdly, efficiency may mean the efficiency of particular appliances, measured inversely by the loss in use of heat or energy; in other words, the suitability of the appliances for the purpose they perform. Here the balance is rectified by the superior efficiency of electric fires, electric water-heaters, electric lighting and electrical power appliances. In the case of space-heating, for instance, the efficiency of an electric fire may be put at 100 per cent., against the 65 per cent. of the gas fire.

To measure the final or over-all efficiency of any gas or electric fitting, we must use all three meanings of the term—efficiency in production, in distribution and in use for a particular purpose. Thus, although electricity may lose 10 per cent. in efficiency in production as compared with gas and 5 per cent. in distribution, the over-all efficiencies of the two fuels for the specific task of space-heating are very similar, the figures being 18.5 per cent. in the case of gas and 18 per cent. for electricity. Again, if we compare a gas water heater with an efficiency in use of 70 per cent. with an electric immersion heater with an efficiency in use of, say, 88 per cent., the over-all efficiency of gas for heating water works out at 20 per cent., against 17.6 per cent. for electricity—when the efficiencies of the two fuels in production and distribution have been taken into account. For hotplate cooking the corresponding figures have been calculated as 12 per cent. for gas and 10 per cent. for electricity. In these and similar cases, therefore, the superior efficiency of gas in production and distribution is almost counterbalanced by the superior efficiency in use of electrical appliances. From the purely technical point of view, the consumer is better served by electrical equipment for these purposes; but from the general economic standpoint, which concerns the community as well as the consumer, there is very little to choose between the two fuels, though the balance may incline slightly on the side of gas. On the other hand, electricity is nearly four times as efficient as gas for lighting, while electricity is more than twice as efficient for power uses.

No hard and fast conclusions can thus be laid down about the superiority of gas to electricity or *vice versa*. We have merely attempted in this article to show that technical efficiency may be as important as comparative prices in suggesting the respective uses to which the two fuels might be put in a properly co-ordinated scheme. The situation is complicated, not only by indiscriminate competition, but also by the fact that the older protagonist, the gas industry, is hampered by statutory and historical circumstances. To arrive at the true cost of gas or electricity for any operation, it would be necessary to allow also for processing costs and capital charges. Broadly, however, the considerations to be taken into account in determining the optimum uses of gas and electricity are those which we have discussed. On all counts it would appear that co-operation between the two industries is desirable, and legislative action may have to be taken to bring it about.

The Budget Deficit

IN British Budgets, as in a mile race, it is the last lap that matters. Three-quarters of the financial year have now elapsed; but income tax, surtax and motor vehicle duties, which together provide more than two-fifths of the whole revenue, are largely collected after January 1st. The last quarter of the financial year always begins with a sizeable deficit, which is gradually reduced as the taxes come in. In keeping with the national character, the Government's finances are arranged in such a way as to become almost a sporting event, with all the excitement of a close finish on March 31st.

The current year, however, differs from all other post-war years in that a deficit of no less than £80 millions was foreseen from the start. Actually, the deficiency of revenue on January 1st this year is only £33.7 millions more than last year, and the moderate dimensions of the increase might lead one to suppose that the expected deficit will not be fully achieved, especially since there is £12.6 millions of the estimated increase in revenue still to come.

Any such expectation, however, would be reckoning without the re-armament programme, which is now getting into its full stride. The figures of defence expenditure in the last eleven quarters are given in the following table:—

	(£ millions)		
	1935-36	1936-37	1937-38
First Quarter	27.50	37.45	46.30
Second Quarter	30.30	41.20	58.30
Third Quarter	37.25	48.05	68.30
Fourth Quarter	41.90	59.37	...

It will be noticed that not only does expenditure tend to be heaviest in the last quarter of the year, but there has also been a tendency for the margin of increase of any quarter over the same period twelve months earlier to widen. If both tendencies hold good, the last quarter's expenditure this year may be well over £80 millions. Even this would not bring defence expenditure within £20 millions of the year's estimate. But it will be sufficient more than to outweigh the balance of the estimated increase in revenue that is still to come. At present the balance of the Budget is £33.7 millions further off than it was at this time last year, and the revenue will have to come in exceedingly well if this margin is not to be widened.

The details of revenue and expenditure can be seen in the tables at the foot of the page. Among the expenditure items other than the defence forces, it will be noticed that the service of the National Debt is costing appreciably

more than last year. On the other hand, the civil services show some savings. The expenditure under this head was expected to be £20.5 millions higher in the year, but with nine months gone it is only £8.5 millions higher.

The revenue items, with one, or possibly two, exceptions, are very satisfactory and clearly reflect the fact that 1937, in most branches of activity, was a highly prosperous year. The one certain exception is Stamps, the yield from which has fallen £2.5 millions behind last year; in the present state of the security markets it is unlikely that Stamps will be able to make up any of their leeway by April 1st. The doubtful item is the National Defence Contribution, from which £2 millions was expected in the year. So far only £59,000 has been collected, and though nobody outside the Treasury is qualified to express an opinion on the prospects of more sizeable collection in the current quarter, there does not seem to be any precipitate hurry among companies and partnerships to pay this new impost.

The income tax figure is quite satisfactory. The amount collected in the first three quarters is hardly more than a sample of what is to come, but the increase compared with last year is nearly 17 per cent., which is almost half as large again as the estimated proportion of increase for the whole year. Surtax, with only a sixth of the total amount collected, already shows a third of the estimated increase. Customs and Excise have each already exceeded their estimated increases, with three more months still to go. The death duties are perhaps the brightest spot in the list. In recent years these duties, with almost monotonous regularity, have brought in more than was expected, and this year, in spite of the weak tendency of security prices, is apparently no exception, for the yield is already more than £5 millions in excess of last year. If the tax revenue be taken as a whole, the estimates foresaw an increase of 6.6 per cent., whereas the actual collection to date has been 7.3 per cent. higher than last year. A margin of 0.7 per cent. sounds very small; but, applied to the total of the British Budget, it is nearly £6 millions, which is not to be despised even in these days of re-armament.

The fiscal outlook is, of course, dominated by the cost of the defence programme. But the other figures of the returns provide some source for mournful pride. If there were not this enormous burden of providing the means of slaughter, how happy would be our fiscal lot! But as it is, not even onerous rates of taxation, applied in a year of prosperity, can save us from a badly unbalanced Budget.

REVENUE (£ million)						
	Year's Receipts			Nine Months' Receipts		
	Actual 1936-37	Esti- mated 1937-38	Esti- mated Inc. (+) or Dec. (-)	To Dec. 31, 1936	To Dec. 31, 1937	Inc. (+) or Dec. (-)
Income Tax	257.2	288.2	+ 31.0	77.0	90.0	+ 13.1
Surtax	53.5	58.0	+ 4.5	9.4	10.8	+ 1.4
Estate, etc., Duties	88.0	89.0	+ 1.0	63.1	68.2	+ 5.1
Stamps	29.1	29.0	- 0.1	18.7	16.2	- 2.5
National Defence Contri- bution	...	2.0	+ 2.0	...	0.06	+ 0.06
Customs	211.3	219.9	+ 8.6	158.9	168.0	+ 9.1
Excise	110.0	113.2	+ 3.2	84.3	88.4	+ 4.1
Motor Duties	32.7*	34.0	+ 1.3	11.3	11.6	+ 0.3
Other Duties	1.7	1.5	- 0.2	0.2	0.5	+ 0.4
Total Tax Revenue	783.1	834.7	+ 51.6	422.8	453.8	+ 31.0
Non-tax Revenue	41.6	28.5	- 13.2	30.0	24.8	- 5.2
Total Revenue	824.7	863.1	+ 38.4	452.8	478.6	+ 25.8
* Including revenue allocated to Road Fund.						
SELF-BALANCING REVENUE AND EXPENDITURE						
Post Office & Broadcstg.	75.2	71.9†	...	52.2	55.5	+ 3.3
† Post Office, only						

† Post Office only.

	EXPENDITURE (£ million)					
	Year's Issue			Nine Months' Issue		
	Actual 1936-37	Esti- mated 1937-38	Esti- mated Inc. (+) or Dec. (-)	To Dec. 31, 1936	To Dec. 31, 1937	Inc. (+) or Dec. (-)
Interest and Management of the National Debt	210.9	224.0	+ 13.1	178.8	183.3	+ 4.5
Payments to N. Ireland	8.0	8.0	...	4.8	5.3	+ 0.5
Exchequer	3.2	3.2	...	1.9	2.2	+ 0.3
Other Cons. Fd. Services	0.4	0.3	- 0.1	0.4	...	- 0.4
Post Office Fund	...	...	...	...	...	...
Supply Services—Army, Navy and Air Votes	186.1	198.3*	+ 12.2*	126.7	172.9	+ 46.2
Civil and Revenue Votes (exc. Post Office)	408.6†	429.1	+ 20.5	279.0	287.5	+ 8.5
Total Ord. Expenditure	789.8	862.8	+ 73.0	591.7	651.2	+ 59.5
New Sinking Fund	13.1	...	- 13.1	...	...	...
Total Expenditure	802.9	862.8	+ 59.9	591.7	651.2	+ 59.5

* Excluding amounts, estimated at £80 millions, to be met from borrowed moneys under the Defence Loans Act, 1937.

† Including for purposes of comparison, Motor Vehicle Duties previously apportioned to Road Fund.

Topics of the Week

New Year Honours.—The makers of the New Year Honours List have followed the precedent of recent years in confining awards largely to public servants, political or permanent. Outside the group of civil servants and sound party men, whose recognition can be, and is, taken for granted, the List is diffident and scanty. In different ways, the further elevation of Lord Nuffield in the peerage and the bestowal upon Mrs. Grace Selinger (Miss Gracie Fields) of the Order of Commander of the British Empire will win approval more widespread than usual among a public which cares little for Honours Lists. For the rest, there are but few notable tributes to the non-political aspects of our public life. The regrettable disappearance of *The Morning Post*, and the personal distinction of its Editor, are appropriately marked by the award of the Companionship of Honour to Mr H. A. Gwynne. The honours conferred upon members of the educational world are at least representative: the secretary of the National Union of Teachers, the Vice-Chancellor of Reading University, the secretary of the Association of Local Government Authorities and the Provost of Oriel College, Oxford, are variously recognised, while Field Marshal Sir William Birdwood, Master of Peterhouse, Cambridge, is among the new peers. The only by-election will be caused in a safe Government constituency at Ipswich by the elevation of Sir Francis John Childs Ganzoni to the peerage. Several women and a former captain of Australia at cricket are also honoured.

Another Bad Month for Unemployment.—For the fourth time in succession the monthly unemployment returns make unpleasant reading. Indeed, if regard is paid solely to the amount by which unemployment has increased during the month, the December figures are the worst of the series. The count was taken on December 13th, when the total number of unemployed persons was 1,665,407. This was 166,204 more than the number on the register on November 15, 1937. It is also an increase, on a comparable basis, of about 92,000 as compared with December, 1936—the first time for many years that the unemployment figure for any month has been higher than in the same month of the preceding year. These total figures, however, somewhat exaggerate the deterioration in the employment position in December. The day of the count was one of exceptionally bad weather which caused a large increase in the numbers of workers temporarily suspended from work. For example, more than half of the increased unemployment in the building, public works, contracting, stone quarrying, and ship-building and repairing industries was of this character. The bad weather also affected the comparison with December, 1936, and the number of wholly unemployed persons is still 51,000 less than a year ago. These temporary factors tending to swell the total of unemployment should be duly noted, but it would be self-deception to imagine that they are more than a partial explanation of the rise. Many industries which are unaffected by bad weather have shown increases in unemployment, and the only industries which were substantially better off in December, 1937, than in December, 1936, were coal mining, the distributive trades and road transport. The biggest increase in unemployment, both on the month and on the year, was in building. The next largest increases as compared with 1936 were in the woollen and

worsted and cotton industries. The figures of employment naturally make a more favourable impression than those of unemployment, owing to the great increase in the past year in the total number of insured persons, and even in this bad month there were approximately 200,000 more insured persons at work than in December, 1936. There are thus a number of points in the returns from which consolation can be drawn. But December is normally a good month for employment; on the average of the four years 1933–36, for example, unemployment diminished between November and December by about 33,000. The increase this year, though it may be partly due to all too seasonable weather, is thus contrary to seasonal expectation. It cannot fail to reinforce the growing impression that the check to British recovery since the beginning of the autumn is of a more serious character than the Government have yet been willing to admit.

A Technical Commission for Palestine.—There have been suggestions in recent months that the British Government were contemplating the modification of the Royal Commission's plan for the partition of Palestine, or at least some delay in implementing it. Doubts about the Government's intentions should, however, be dispelled by the publication of a dispatch sent by the Colonial Secretary to the High Commissioner in Palestine just before Christmas. The Government, as is repeated in the dispatch, have accepted the principle of partition, but they are not committed to the details of the Royal Commission's plan and, in particular, they have not accepted the Commission's proposal for the compulsory transfer of Arabs from the Jewish to the Arab area. The dispatch adds that the Government are prepared to give further consideration to the suggestion made by the Permanent Mandates Commission at Geneva that the Arab and Jewish areas should be administered temporarily under a system of "cantonisation," or under separate mandates, rather than that they should be created independent states. But whatever British plan is eventually carried out, it is clear that there will need to be a delimitation of territory between the Arab area, the Jewish area and the enclave which is to remain under British control. The dispatch announces that a Technical Commission is shortly to be appointed to delimit these frontiers. It will be instructed to do so in such a way as to provide adequate security for self-supporting Arab and Jewish States, including the fewest possible Arabs and Arab interests in the Jewish area, and *vice versa*. The Technical Commission will also be given the task of making recommendations on the financial aspects of partition, including the allocation of public assets and public debt, the administration of railways and posts, etc., currency arrangements, customs administration and similar matters.

The dispatch has not had a very warm reception in Palestine. The Arabs see in it evidence of the British Government's determination to persevere with the policy of partition; on the other hand, the instruction to the Commission to include the fewest possible Arabs in the Jewish State has led the Jews to believe that the boundaries of their State are to be more narrowly drawn than in the Royal Commission's proposals. The problem of Palestine is of infinite difficulty and complication, but the one attitude of the British Government which would be sure to do harm would be to hesitate to work out in detail a policy that they have approved in principle. The new Commission will be largely confined to the ascertaining of facts, and it is possible that in the course of its labours means will be found for accommodating the interests of both Jew and Arab within a scheme of partition to a greater extent than either is at present prepared to believe.

The Political Conflict in Egypt.—The event has unhappily borne out the fears expressed in *The Economist* that the rising wind of political conflict in Egypt might blow up into a gale. The storm broke on the 30th of last month, when the King dismissed Nahas Pasha and invited Mahmud Pasha to form a Ministry in his stead. The new Prime Minister has banned all coloured-shirt private armies and has prorogued Parliament without having, so far, provoked any violent demonstrations of opposition. This does not mean, however, that all is necessarily quiet below the surface, or that Egypt has a smooth passage ahead. It is true that what King Farouk has done now was done by his father, King Fuad, on several occasions, and that Mahmud Pasha has played before the part that he is once again playing to-day. But these precedents may be delusive in a situation in which more than one important factor has changed. To begin with, there has been a change on the throne which has replaced an old, astute and experienced sovereign by a young man whose experience is still to be acquired and whose abilities are untested. It is natural enough that King Farouk should wish to emulate King Fuad's assertion of the royal power, and that he should chafe even more impatiently than his father at the semi-dictatorial party-tyranny of the Wafd. Yet, even if Nahas Pasha had deserved all the strictures that are made upon his administration in King Farouk's letter of dismissal, it was perhaps imprudent, and certainly unnecessary, to denounce in public a statesman and a movement that possess so powerful a hold upon the allegiance of so large a part of the nation. There has, it is true, been a split in the Wafd and a few leaders, including the President of the Chamber, have either resigned or been expelled and have formed a new party which, under the name of the Saadist Wafd, claims to be the true inheritor of the tradition. But these dissidents appear to have little support and the ranks of the Wafd are, in the main, unbroken. It is a bad lookout, both for Egypt herself and for her British ally, if there is to be a long and serious political struggle. What Egypt needs above all things is a united national front in the matter of foreign policy. It was just such a national union that was instrumental in securing the present treaty, which is as satisfactory to Egypt as it is to the British contracting party. It would be profoundly unfortunate if a political split in Egypt on an Egyptian domestic issue were to be reflected in a divergence of policy on the question of Egypt's foreign relations, or in an attempt by either party to open the door to European powers who might be much less solicitous of Egyptian independence than Great Britain.

Japanese Peace Terms.—The chief interest in the Far Eastern War during the past week has shifted from the military to the diplomatic field. This does not mean that there have been no military operations; on the con-

trary, the Japanese forces have made rapid progress along the Tientsin-Pukow railway, advancing both south from Tsinan and north from Pukow, so that their two armies are now only 250 miles apart. On the extreme left wing of the Yangtze army, on the other hand, there have been Chinese counter-attacks, and the Japanese hold on the city of Hangchow is apparently not yet fully established. But these operations have been overshadowed by the first definite peace overture made by Japan to the Chinese National Government. The Japanese terms, which were presented to General Chiang Kai-shek through the German Ambassador to China, were immediately rejected by the Chinese. They included the substitution of an anti-Russian for the anti-Japanese policy of China; economic co-operation; an indemnity; recognition of Manchukuo; the creation of a demilitarised zone around Shanghai and possibly at other places; and the acceptance by China of Japanese advisers and Japanese troops of occupation. It is hardly surprising that terms as severe as these were rejected without consideration, but it is perhaps significant that Japan, in spite of her protestations to the contrary, is apparently prepared to negotiate with the Chinese National Government. General Chiang Kai-shek has this week resigned the Premiership, but he has been succeeded by Mr H. H. Kung, the Minister of Finance, and the change does not signify any weakening in the resolute policy hitherto pursued by the Government. The Japanese have also been pressing their advantage in Shanghai. Under the pretext that the efforts made by the Municipal Council of the International Settlement to check anti-Japanese incidents were inadequate and lacking in earnestness, the Japanese authorities made a request, which in the circumstances virtually amounts to a command, for an increase in the number of Japanese in the police force and in the highest administrative appointments in the Settlement. Almost every day brings fresh news of further Japanese encroachments in Shanghai, and it cannot be long now before the whole Settlement is completely under their control.

A Chief Diplomatic Adviser.—It was announced on December 31st that Sir Robert Vansittart, who has held the Permanent Under-Secretaryship of State for Foreign Affairs for the last eight years, had been appointed to the newly-created post of Chief Diplomatic Adviser to the Government, and that he was to be succeeded by the present Deputy Under-Secretary, Sir Alexander Cadogan. In countries unfriendly to Britain, this announcement has promptly produced a crop of speculations which agree only in assuming that the grounds for the change have been personal. An explanation in such terms is quite uncalled for, seeing that the change explains itself on grounds of convenience and efficiency that are not very abstruse. There was, perhaps, a time in the nineteenth century when the Permanent Under-Secretary at the Foreign Office was almost as free from day-to-day

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administrative preoccupations as the Government now hope to make their Chief Diplomatic Adviser. There are still legends of an age in which the flow of *paperasses* through the Foreign Office was so steady a trickle that the clerks used to keep what papers they needed for reference in red boxes which lay about on the floors of their rooms between the coal-scuttle and the waste-paper basket. But if that age of innocence ever really existed, it was brought to an end by the energy of Sir Eyre Crowe, who equipped the Foreign Office with a registry and the other circulatory, digestive and respiratory organs which are vital to a great department of State in the world as it now is. When the outbreak of the war produced a sudden vast increase in the volume of foreign affairs, the Foreign Office was thus already organised for dealing with the emergency. It is easy to guess that, in these last few years of chronic crisis, the flow of business has doubled or trebled again. The efficient administrator may succeed in keeping afloat on the rising flood, but it becomes difficult for him to crane up his neck and look about him, and almost impossible for him to lift an arm out of the swirling current in order to signal what he has seen to his colleagues on shore. The division of labour which has now been carried out is no doubt as conducive to the efficiency of the public service as it is complimentary to both the eminent men concerned.

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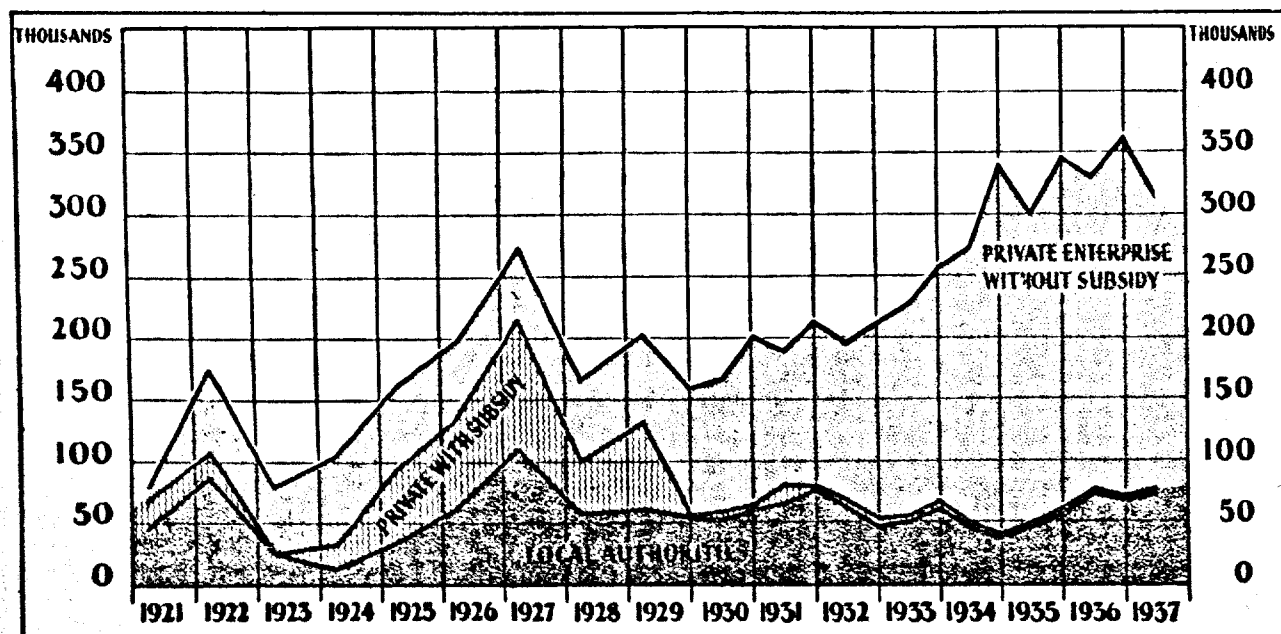
Unemployment in America.—An attempt was made in November to fill the most obvious gap in the otherwise remarkably complete range of American economic and industrial statistics. This gap was the absence of any reliable figure of unemployment. Hitherto there have only been estimates made by the American Federation of Labour and by the Department of Labour, based in each case on a totally inadequate sample. Between November 16th and 23rd a special count of the unemployed was taken by the census method of leaving forms to be filled in at every house. The number of people who recorded themselves as being unemployed in this purely voluntary census was 7,882,912. The census was supplemented by a house-to-house canvass in selected areas, which suggested that the true figure should be 10,870,000. Either of these figures is sufficiently enormous, and it is obvious that no very precise definition of unemployment underlies them. Even the smaller figure includes just less than 2,000,000 women and just more than 2,000,000 workers on emergency relief, and it is questionable how far these people can strictly be regarded as unemployed in the usual sense of the word. The plain but unfortunate fact is that the total of unemployment in the United States is hardly more precisely known after the census than before. The population of the United States is less than three times that of the

United Kingdom, and there is a considerably larger proportion of agricultural workers, who are not nearly so subject to total unemployment, so that an equal proportionate incidence of unemployment in the two countries could be expected to give an American total figure less than three times that of the United Kingdom. As it is, the smaller figure resulting from the census is more than five times, and the higher figure more than seven times, the British total. It is impossible to believe that the disparity between British and American experience is so very wide.

* * *

The U.S. Budget.—President Roosevelt's annual message to Congress on the state of the Union, which is discussed in a Leading Article on page 54, was followed on Wednesday by his Budget message. The American fiscal year runs from July 1st to June 30th, so that one financial year is only halfway through and the beginning of the next is still nearly six months away. For this reason, the figures given in the Budget message are necessarily approximate. Last year at this time the President foresaw for 1937-38 a revenue of \$7,294 millions and an expenditure (exclusive of debt retirement) of \$7,293 millions. These figures have now had to be revised in an unfavourable sense, and the revised estimates for the current year are now \$6,320,500,000 in revenue and \$7,408,600,000 in expenditure, giving a net deficit of \$1,088,100,000. The hope of a balanced Budget has thus been abandoned, though the deficit is the smallest for several years. The estimation of revenue for 1938-39 depends upon a forecast of economic conditions. "The Treasury, leaning to the conservative side," said the President, "predicts some improvement over the present level but does not assume in its figures that business in the calendar year 1938 will reach as high a level as in the year 1937." The revenue is accordingly put at \$5,919,400,000. The estimate of expenditure, at \$6,869,000,000, is \$539,000,000 less than the estimate for the current year. Reductions have been made in war pensions, in public works and in unemployment relief. But the President added a warning that events may compel him to spend more both for relief and for armaments. The deficit of \$949,600,000 is thus a very provisional figure. But the task of the Treasury is in any case comparatively simple, since there will be a net sum of about \$1.163 millions available for investment in Government obligations out of the income of various funds, of which the social security funds are the largest. From the economic point of view, the Budget is consequently balanced, since the income of the Government as a whole will be equal to its outgo. This is a considerable administrative achievement. Unfortunately, it looks like being accomplished just at the time when the onset of industrial recession makes Budget balancing a policy of questionable value.

DWELLING HOUSES BUILT IN ENGLAND AND WALES, 1921-37



Battle for Teruel.—The fight for Teruel still continues. Earlier in the week it looked as if the initial success of the Spanish Government in capturing the town would be converted by the furious insurgent counter-attack into at least a moral setback. General Franco had sent to the rescue of the remnants of the garrison a considerable body of troops, well equipped with artillery, aviation and mechanical transport, and with orders to press the attack by every possible means. Their onslaught converted the Government army from attackers to defenders. Fortunately for the Government, the bitterest winter weather descended, and though the rebel attack continued for several days in very low temperatures, it seems now to have been brought to a standstill in the snow. The communiqués of the two sides contradict each other with monotonous regularity, and it is consequently difficult to ascertain the exact position, but it seems to be clear that the repeated insurgent claims to have retaken the town are untrue, and that the Government forces still hold a large part of the ground they gained last month, including the town of Teruel itself. It is not yet possible to assess the final result of the battle, and it is always possible that the insurgent counter-attack may be resumed, but the Republicans have at least succeeded in disrupting General Franco's strategical plans, and he is hardly now in a position to begin a great offensive at a time and on ground chosen by himself. This in itself, apart from territory gained or lost, may prove to be a substantial advantage to the Barcelona Government.

* * *

Polish-Roumanian Rapprochement?—M. Goga has exchanged so many effusive telegraphic greetings with older members of the happy family of heads of States that, if one took all these effusions *au pied de la lettre*, it might be difficult to forecast a demi-Fascist Roumania's future political affiliation. Even the Soviet Union has come in for a friendly message from the new master of the adjoining Roumanian house; but, on the whole, it looks as though M. Goga were inclined to join forces with Colonel Beck in an attempt to form an East European front that shall be anti-Russian without being pro-German. On the face of it there is no very pressing reason to form any front at all against a Power which has not shown itself militarily aggressive at any time since the earliest years of the Soviet regime. An assault by Russia upon her European neighbours is about the most unlikely contingency of any that could well be imagined in the present constellation of international affairs. We may infer that "the Red menace" against which MM. Goga and Beck are putting their heads together is an internal one, and that what they really fear is an uprising, within their own frontiers, of submerged classes and suppressed nationalities. Whether they will really be assisting one another to keep in the saddle by adopting a common attitude of unfriendliness towards their great Eastern neighbour is a question which Western observers may be inclined to answer in the negative. And it seems still more unlikely that the buffer States can assume an anti-Russian orientation without finding themselves drawn into the orbit of Germany. It has long been a dream of Polish statesmanship to establish, in conjunction with the Roumanians, a zone of insulation between the Nazi and the Communist Great Powers; and there is now some talk of enlisting Yugoslavia, too, in the same cause. But, in plain language, this would mean the abandonment of Czechoslovakia by the two other members of the Little Entente; and that would open the way for Germany to make herself mistress of Czechoslovakia and Austria, and to convert Hungary too, willy-nilly, into a pawn in the Nazi game. In such circumstances, the ability of the remaining East European successor States to pursue an independent policy would become even smaller than it is to-day.

* * *

Housing Progress.—It is not an easy matter to record precisely the activity of the building industry. The figures of building plans approved by the local authorities

are seriously incomplete, since they omit many parts of the country and all Government work. So far as concerns the building of dwelling houses alone, however, the Ministry of Health publishes comprehensive returns, though only at six-month intervals and after some delay. The diagram on the preceding page, which shows the number of houses built in England and Wales since shortly after the Armistice, has been based upon these returns. The diagram brings out very clearly the fact that the building boom of the last five years has been almost entirely a matter of increased private enterprise building without any subsidy from the State. Subsidised building by private enterprise, which was quite important between 1923 and 1930, has now virtually disappeared. On the other hand, building by local authorities has been comparatively steady during the past decade.

* * *

The latest return, issued on New Year's Day, relating to the half-year ended September 30th last, will be closely examined for evidence of the probable trend of house-building in the immediate future. The total number of houses built in the year ended September 30th was only very slightly lower than in the previous year, which was the highest ever recorded. But there was a considerable difference between the first and second halves of the year. In the six months up to the end of March, the total number of houses built was over 181,000, which was considerably in excess of the highest previous half-year. In the second half-year, however, the total had fallen to less than 156,000 and was noticeably below recent periods. Moreover, close inspection of the figures shows that private enterprise building has been declining for the past two, if not three years, and the total figures have only been kept up by a distinct spurt in building by local authorities. This, of course, is connected with the slum clearance programme, which is now going ahead very rapidly.

* * *

The trends of the two varieties of house building, private and public, thus seem to be fairly clearly established: there is good reason to believe that the slow decline in private enterprise building will continue—if, indeed, the rate of decline does not accelerate; on the other hand, local authority building can be expected to continue at a high rate until the current slum clearance programme is completed. Unfortunately, the number of houses built by local authorities is so small relatively to those built by private enterprise that a proportionately small decline in the latter may be sufficient to wipe out a proportionately large increase in the former. It thus seems highly probable that the peak in total house building reached in the half-year ended March 31, 1937, will prove to be the highest of the present boom.

TRADING ABROAD

The existence of restrictions in a given country may temporarily prohibit dealings in forward exchange, but up-to-date information on this and on all points bearing on Forward Exchange generally may be obtained through any branch of the Westminster Bank. For any who may be unfamiliar with the facility, a very brief outline entitled *Forward Exchange* is always available at its counters

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Overseas Correspondence

From Our Special Correspondents

United States

Precipitous Decline in Steel

NEW YORK, December 24.—In the current week, steel operations are estimated at 23.5 per cent. of capacity; in late August the figure was above 80, and each subsequent week has shown a decline. In 1929, August operations were 95 per cent. of capacity and December 56 per cent. The current level of operations is barely above that of February, 1933. The extent and rapidity of the curtailment are without precedent.

Because this index is familiar and available weekly, it is watched with rapt attention. Actually, it gives an exaggerated impression. If the index were representative it would indicate that business was running some 75 per cent. below the summer level, and that practically the whole recovery of five years had been erased in four months.

The latest official index of industrial production is that of November, which at 90 was 13 points down from October and 35 down from August. The decline, as usual, was concentrated in the heavy or capital goods industries. Speculation about the amount of unemployment is uncertain, since many employers are working their entire force on part time, rather than a part on whole time.

So precipitous and deep a decline must have had a considerable but varied effect on corporate earnings. In some cases earnings will be well sustained; while in others they will not merely vanish in the fourth quarter, but the losses of the fourth quarter may also eat up a substantial fraction of the earnings of the three previous quarters. It would not be surprising if total corporate earnings in the fourth quarter were only half those of the first quarter of 1937. While the decline in steel operations gives an exaggerated impression of the decline in general activity, the slump is of major proportions, whether measured by production, employment or earnings.

A Campaign of Fear?

Sabotage has been given a leading place in the list of causes for the decline. To quote from the *Journal of Commerce* reporting the weekly Press conference on December 21st: "President Roosevelt to-day charged a majority of the newspapers and a minority of industry with instigating and fostering a campaign of fear." One often hears this charge in a more extreme form, from both high and low quarters—that the depression is the consequence of a great conspiracy to discredit the Administration, to disrupt labour organisation, and to reduce wages.

Another thesis presented by a number of persons of the highest official position argues that the depression has been caused by a stiff increase in the price of manufactured products at a time when primary commodities were falling. One of the commonest non-official explanations, on the other hand, ascribes the collapse to the deflationary policy of the Reserve System in increasing reserve requirements and sterilising gold imports.

The facts are that in the autumn the stock market collapsed, and almost simultaneously the heavy industries collapsed. Even if recovery comes promptly and rapidly, this winter finds the country in depression. The collapse was not preceded by any of the text-book phenomena supposed to be the antecedents of depression. The boomlet of last winter was a minor three-month affair; and there had been no perceptible

over-speculation in shares or building. Indeed, the recovery was then rated as being far from complete. About inventories, on which so much stress is now laid, apprehensions were expressed as late as the end of August that inventories were so low that autumn might see a scramble for goods, and another sellers' market. Yet, in September, Wall Street found itself in a stock market panic which it could not explain, and by October industry was in a panic which it in turn could not explain—except in terms of the stock market.

The Rôle of Panic

Since the end of the summer fear has been an increasing factor in the course of events. This is quite different from the emotion designated by the hackneyed phrase "lack of confidence." Nor does fear require any very tangible origin. A whiff of smoke has started many a theatre panic.

No one can understand the phenomena of the American economy this autumn unless he is willing to recognise the part thus played by panic. Fear is not confined to speculators in Wall Street, or to magnates in industry. It runs through the whole of the population—or at least through that fraction of the population represented by Your Correspondent's contact. The worker is afraid of his employer, and the employer is afraid of his workmen. The capitalist is afraid, not only of the value of his investments, but also of individual persecution. The newspapers are afraid of censorship. It is characteristic of panic that the cause need not be valid to be effective; and one may describe this state of mind as a psychosis, or as positively psychopathic. Even so, this description does not throw any light whatever on its duration.

Disequilibrium in Prices

The argument that our price structure is in disequilibrium is familiar to readers of *The Economist*. It is not easy to demonstrate from the available composite indexes, which show only a comparatively small change from a year ago. Specific instances can always be disputed as unrepresentative, local or exceptional. This was true, for example, of certain building data, by which over-all costs were alleged to have risen as much as 40 per cent. between the autumn of 1935 and the spring of 1937.

The *Railway Age* has published an article on the increase in costs of a long list of typical articles bought by a railroad—the list ranging from electric light bulbs to steel billets, track bolts and coal. Mostly they were manufactured or semi-manufactured articles. The average increase was estimated at 17 per cent. from September, 1936, to September, 1937, roughly representing an increase in annual costs to all railways of something like \$150 millions. This was approximately equal to the estimated cost to the railways of the increases in wages granted to their own employees in the summer of 1937.

These figures are cited as illustrative of disequilibrium, since in the same period railway rates were reduced, and while there was an increase of traffic it was not a compensating increase. Officially the reason for these increased prices is now given as "monopoly practices," and action is indicated under the Anti-Trust Acts. Outside of official circles, two other reasons are given; the higher cost of primary commodities last winter—a factor which has now changed—and a steep increase in unit labour costs, arising from higher hourly wages, a short working week and, in some cases, reduced efficiency.

Since early September this Correspondence has emphasised fear as a significant element in the American economy. Economic factors of moderate force, which under other conditions would account for some sort of moderate recession, take on a deeper significance against a background of panic. No two persons seem to be afraid of exactly the same thing; but to ignore fear because it cannot be defined, or to ignore mass fear as an economic factor because it sounds fantastic, like the opening chapters of Mr H. G. Wells' "Croquet Player," is to overlook a force that this autumn has been decisive in the thinking of numberless American individuals in all walks of life.

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STATE AND MUNICIPAL SECURITIES	81,129,409.14
OTHER BONDS AND SECURITIES	162,019,139.60
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	728,522,484.20
BANKING HOUSES	36,520,660.45
OTHER REAL ESTATE	6,141,828.32
MORTGAGES	11,726,121.33
CUSTOMERS' ACCEPTANCE LIABILITY	23,646,601.27
OTHER ASSETS	14,271,287.35
	<u>\$2,375,379,411.05</u>

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CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	31,120,741.37
	<u>\$231,660,741.37</u>
RESERVE FOR CONTINGENCIES	16,969,701.49
RESERVE FOR TAXES, INTEREST, ETC.	1,551,746.20
DEPOSITS	2,069,989,515.12
ACCEPTANCES OUTSTANDING	25,707,614.28
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	23,637,678.41
OTHER LIABILITIES	5,862,414.18
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Germany

New Year Optimism

BERLIN, January 4.—Official and Press statements about the domestic outlook for the New Year are consistently optimistic. About the international outlook they are complacent, though here more stress is laid on the Reich's new military power than on prospects of conciliation in the outside world. The international position is considered to have improved compared with a year ago, in ways more advantageous to German policy than to the policies of Great Britain and other democratic countries.

Of the three issues that seemed to threaten world peace—Abyssinia, Spain, and the Far East—the first is dead. In Spain the alleged failure of the Valencia Government is regarded as making for peace, since it seems to bring nearer the end of the civil war. The peace alleged to be in sight is regarded as a success for German and Italian policy and a defeat for British and French.

In the Far Eastern conflict, Germany, after a certain show of neutrality or indifference, has been steadily drawn to favour Japan. So long as China was resisting with comparative success there were strong reasons, mainly commercial, for not alienating her by open pro-Japanese manifestations. But if Japan, as it seems the case, is destined to control Chinese commerce, these reasons no longer apply.

Hence the Press is increasingly pro-Japanese. Japan is sometimes painted as one of the unlucky Have-Nots who bravely exercise their right to look after themselves; sometimes as the unselfish defender of China—and even of the world—against Communism. The past year, it is realised with satisfaction, brought about an unavowed but genuine alliance between Germany, Italy and Japan.

In its relations with London, Berlin sees that it attained an initial success when, after the Chautemps-Delbos visit, the existence of a Colonial question, which might on conditions be negotiated, was admitted. Towards the United States, German utterances are hostile and contemptuous, offence being taken at President Roosevelt's now habitual division of the world into peaceful and aggressive nations.

Trade Cycle Gleichgeschaltet

The business year opened with a strong and relatively active Bourse, which reflected a general belief that 1938 would witness further industrial and trade expansion. The signs of trade decline in some European countries and the serious setback in the United States have not had any influence on German business sentiment. It is proclaimed that, in contrast to democratic countries where the State does not "lead" or control industry, the Reich is proof against cyclical fluctuations. The same theory is held about Italy and (though this is not publicly mentioned) Russia.

The only German fear is that exports, which increased considerably in 1937, may suffer from decreased purchasing power in raw material producing countries, because of the fall in commodity prices, and the reduced consumption of industry in the United States. The recent movement of German bourses is sometimes given as a reason for concluding that approximate stability has been reached in national business.

In the years preceding the Nazi Revolution, German shares fluctuated violently in times when the currency was stable on a gold basis. Since 1933 share prices have risen, but at a slower rate, and there has been no material recession. In 1936, the index of share values rose from 89.32 to 105.40, and in 1937 to 111 (provisional).

It is significant that leading steel shares moved down, against the general movement. Bonds in 1937 rose in every month with only one exception. The index of bonds rose by about 3½ per cent. to nearly 100.

Back to Gold?

Since his retirement from the Ministry of Economy Dr Schacht has been expressing his political and economic opinions in print. This month he writes at length on international currency questions. Dr Schacht predicts that any international currency reform must re-establish the pre-war gold standard, and condemns the gold-exchange system recommended by the Genoa Conference in 1923. He rejects altogether index currencies, silver currencies and bimetalism.

Herr Wagner, Commissar of Prices, has announced the exceptions that have had to be made to the price-fixing decree of late 1936. He states that where exceptions for certain goods have been made, he has attempted to enforce equivalent reductions in the prices of other goods. Summaris-

ing the industrial situation, the Institute for Trade Research remarks that since 1934, the various branches of industry have developed unevenly and some are not yet working to full capacity.

The Labour Minister, Herr Seldte, has published an appreciation of Government wages policy. He emphasises that, though wage-rates have been compulsorily stabilised, average earnings have substantially increased owing to higher productivity in piece-work (and to the lengthening of working hours). Policy in future will be to keep wage-rates stable but to let earnings rise *pari passu* with productivity.

Increased Investment

Investment in industry, communications, building, etc., in 1937 is officially estimated at Rm. 15,000-16,000 millions, against Rm. 13,800 millions in 1936, Rm. 3,500 millions in 1932, and Rm. 13,800 millions in 1929. The pre-depression figure has thus been exceeded. Of the 1937 total, Rm. 9,000 to 9,500 millions were spent on new undertakings or expansion, and the remainder on renovations.

The total number of hours worked in all industries in November was 16.9 per cent. higher than in November, 1936. The machine-manufacturing branch shows a rise of 21.8 per cent., and metal and associated goods one of 28.0 per cent. The veto on the expansion of capacity in several industries has been extended for another year or two, but in the case of the iron industry it has been relaxed on condition that production capacity is not increased by more than 15 per cent.

Ingot steel production in November was 1,791,000 tons, and in eleven months of 1937 was 18,083,000 tons against 17,733,500 tons in the same period of 1936. Steel output for the whole year will be about 19,800,000 tons compared with 18,500,000 tons in 1929, the best post-war year, when 2,200,000 tons were obtained from the Saar district.

Subscriptions to the New Reich Rm. 1,000 million loan opened on January 3. The banks provided themselves liberally with cash for taking up the loan which they will later market among their customers. The tax revenue returns continue to be satisfactory. Receipts in November were Rm. 1,023 millions, against Rm. 875 millions in November, 1936; and in the first eight months of the financial year they were Rm. 8,956 millions, against Rm. 7,369 millions in the same months of 1936. Of the increase all except Rm. 320 millions came from direct taxes and taxes on business. The yield for the whole financial year will probably reach the Rm. 14,000 millions officially forecast, against Rm. 11,492 millions in 1936-37, and a recent lowest of Rm. 6,647 millions in 1932-33.

The Reichsbank Return

The new credits and investments of the Reichsbank in the last week of 1937 reached the very large sum of Rm. 896 millions, which is Rm. 140 millions more than in the corresponding week of 1936; but deposits also increased by more than last year. In the twelve months the Reichsbank's position has changed as follows:—

(Millions of Marks)		
	December 31, 1936	1937
Gold	66	71
Foreign Exchange	6	6
Reich Treasury Bills	62	119
Other bills	5,448	6,013
Note circulation	4,980	5,493
Deposits	1,012	1,058

The circulation of all currencies at the end of 1937 was Rm. 7,478 millions, against Rm. 6,972 millions at the end of 1936. The money market opened in the New Year with the usual abundance of cash, derived from December repayments of credits. The credit banks' returns for November showed an increase in liquidity.

France

The Budget Approved

PARIS, January 6.—Parliament has gone into recess, January 11th, after voting the Budget. Estimated revenue in 1938 is 54,776 million francs, and estimated expenditure 54,739 millions. The surplus anticipated is thus 37 millions. The Senate rejected the proposal to reopen the Paris Exhibition this year. They also decided to rescind the Laval decree reducing rents by 10 per cent., and authorised their increase.

This decision, and the increase of minor taxes, will not make this Budget very popular. It will encourage the rise in prices, and thus lead to new claims for increased wages and fresh social conflicts—as recently witnessed in the case of the Paris municipal employees. The advantages obtained from the Paris strike by the concessions of the Socialist Ministers in face of the resistance of the Prime Minister are not very good omens for the future.

The issue of 3, 6 and 9 years 5 per cent. Treasury Bonds, which was closed on Wednesday, realised 4,200 million francs, a further proof of confidence in financial recovery. This yield entails only 270 million francs of bonds, the rest having been subscribed in cash. The Press is now able to lay stress upon the favourable results of the courageous efforts of M. Bonnet who, aided by the turn of events in America, has effected in six months an undoubted recovery in the public finances.

The Stock Exchange in 1937

The following table shows that, after two devaluations of the franc, the parity of which (against the pound) is now 145 against 75 two years ago, the level of stocks is generally lower than in 1935, though the distributed dividends have in some cases been increased by 25 per cent. This increase of distributed dividends is mainly due to the new tax on reserves:—

	1913 = 100	End of 1935	End of 1936	End of 1937
Shares:—				
300 French values	180	213	204	
20 Foreign values	197	369	402	
Rentes and debentures (36 French values)	79.1	78.4	75.6	
3% perpetual	73.2	75	69.6	
4%, 1918	75.8	73.9	67.2	
4%, 1925	81.6	92.9	104.5	
4%, 1932	83	79.1	75.2	
Banks	129	133	121	
Insurance	456	386	349	
Coal mines of the North	165	131	129	
Iron and steel	61	71	78	
Chemical industries	176	229	253	
Textiles	134	226	210	
Electric light and power	292	259	244	
Foodstuffs	439	450	364	
Big stores	89	91	75	
Colonial	175	301	281	

Turnover on the Stock Exchange is negligible. This inactivity is put down to many causes: excessive taxation, the fear of Socialist measures, the slump in Wall Street, international disquiet, and the rising needs of the Treasury.

Unemployment last week registered a further increase of 6,727 to 357,856, against 351,129 in the preceding week. The figures of the latest seasonal increase in unemployment compare with those in the same periods of preceding years as follows:—

	1935	1936	1937
September 25th ...	371,865	407,733	305,341
December 24th	439,782	410,785	357,856
	67,917	2,952	52,515

The stability of the 1936 figures was explained by the exceptional recovery of business which followed the monetary depreciation of September, 1936.

Production Problems

Economic activity remains stable, though orders show a slight falling off. The prices of domestic products, and notably of meat, are firm, and the cost of living, after being steadied by the decline in wholesale prices, will now rise again with the increase in wages and transport charges. The gap between distributed expenditure and realised revenue is unchanged, and this somewhat lessens the satisfaction derived from recent events. The revision of the 40-hour week, which has been decided for a few key industries, probably comes too late to have any considerable effect on production. The problem of the future will probably be to organise work to the maximum effect during the full 40 hours every week.

Coal production in November was 4,165,452 tons for 22.8 working days, against 4,142,100 tons in October for 23.16 working days and 3,536,912 tons in November, 1936. The average daily production was thus 182,394 tons in November, compared with 178,561 tons in October. The number of men employed was 243,468 at the end of November, against 241,621 at the end of October and 228,792 at the end of November, 1936. The production of coke in the coke plants of the mines was 372,390 tons, compared with 375,181 tons in October and 304,120 tons in November, 1936.

Norway

Easy Money

OSLO, December 28.—Conditions in the money market have not materially changed in the course of the last month or so. The only thing that can be said is that the previous easy tendency has been further stressed by the almost unprecedented rapidity with which new issues have been absorbed by the public. A striking instance was the City of Oslo new 4½ per cent. loan of 20 million kroner at 98 per cent., which was over-subscribed in about half an hour.

Apart from the seasonal increase in the note circulation and the reduction of deposits at call due to Christmas trade requirements, the returns of the Norges Bank continue to show great liquidity. Although, for various reasons, it does not seem likely that an immediate reduction of the official rate of discount is imminent, such a step would find adequate support in the present market situation.

Negotiations with a consortium of Norwegian banks have been concluded by the Government for the conversion of the 4½ per cent. internal Government loan of 1931 into a new 4 per cent. loan amounting to 115 million kroner. The rate of subscription has not yet been published, but will probably be in the neighbourhood of 99 per cent., judging by market indications.

The index of industrial production for October (which is the latest available) indicates slightly decreased industrial activity compared with September, the figures being 121.9 and 122.7 respectively (1935=100). The index is still somewhat higher than in October last year.

Increased Foreign Trade

According to the figures of the Central Bureau of Statistics the value of imports during November amounted to 132.2 million kroner against 93.4 million in October and 95 million in November last year. The value of exports amounted to 52 million compared with 23 million kroner in October and 25.8 million kroner in November last year. Imports during the eleven first months of the year were valued at 1,186 million kroner, and exports at 737 million kroner compared with 832.1 million kroner and 610.7 million kroner respectively in the same period last year. In spite of an increase in exports during the period of 126 million kroner, there is a surplus of imports of 449 million kroner against 221 million kroner last year.

Christmas trade this year has been considerably better than last year, in spite of increased prices, and mail and railway traffic figures have even surpassed the record peaks of last year. Share values on the Oslo bourse during recent weeks have in general been running parallel to those in foreign centres. This is especially true of shipping shares, while industrials and bonds have shown less fluctuation.

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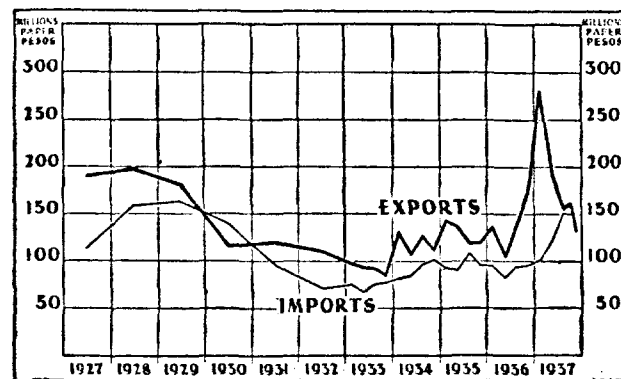
Argentina

Fall in Exports

BUENOS AIRES, December 22.—On November 25th Dr Ortiz and Dr Castillo were proclaimed President and Vice-President of the Republic respectively by both Chambers of Congress. The Opposition adopted a policy of obstruction as a protest against the conduct of the recent Presidential election and refused to attend the session, thus preventing the attendance of the three-quarters of the members declared by some authorities to be the minimum required by the Constitution. It was decided, however, that a simple majority was sufficient.

Exports in November showed a sharp fall both in volume and value. This was fully expected, since the quantity of cereals available for export was very small, owing to the exceptionally large shipments made earlier in the year. The volume of exports amounted to only 992,766 tons and the value to 132,769,829 pesos, against 1,528,651 tons and 159,425,816 pesos in November last year. The same downward tendency is likely to continue until the new crops have been harvested. Exports for the first eleven months of 1937 are nevertheless comparable with those of the boom years 1928 and 1929. The following chart of imports and exports shows the remarkable rise in the value of Argentine exports during the recent recovery period and the subsequent decline:

VALUE OF FOREIGN TRADE
(Monthly Averages: Annual figures prior to 1933)



The value of mining exports has risen by 80 per cent. compared with the first eleven months of 1936, and of agricultural products by 68.1 per cent. The latter would have shown an even bigger increase in 1937 had there not been a sharp fall in shipments of cotton owing to last year's drought in the Northern provinces.

Rise in Imports

Imports into Argentina in October were valued at 149,998,461 pesos, against 96,902,297 pesos in the same month of 1936. In consequence of the rise in imports and the falling off in exports (shown in the chart above) the export surplus for the year is scarcely higher than it was at the end of the first half-year. The value of foreign trade during the first ten months of this year and last year has been as follows:—

(In pesos)			
	Imports	Exports	Export Surplus
1936	921,360,073	1,288,671,047	367,310,974
1937	1,270,109,176	2,032,166,913	762,057,737

Domestic trade in Argentina during the past few weeks has been very slack, especially in textiles. The wave of prosperity which began a year ago found traders short of stocks. Some difficulty is now being experienced in disposing of supplies ordered under the influence of the sudden recovery. Falling exports, reports of damage to crops by frost and the downward tendency of world commodity markets have had a somewhat depressing effect. This may be only a temporary phenomenon, and confidence may return when the new crops begin moving.

Labour trouble on the railways has disappeared. On November 15th the Government ordered the men on the Entre Rios and Argentine North-Eastern Railways to resume work, and announced concessions for the workers. The cuts in wages for July and August will not be put into effect, and in the remaining ten months of the financial year ending June 30, 1938, cuts will be only 6 per cent. It is stated that the economic state of these two railways is even more critical than in 1931, when reductions in wages were first made.

The weather has recently been favourable for the coming crops. Rain has fallen over a great part of the country, including the drought-laden zones in the North. The damage done by the frosts of October and November will only be known when the wheat and linseed have been actually harvested.

Australia

Australia and Ottawa

MELBOURNE, December 18.—The Australian position with respect to the proposed tariff agreements with Great Britain and the United States to replace the existing Ottawa arrangements has been under discussion. Protectionist interests have been active. Criticism of the Ottawa Agreement has been going on for some years; and now the object is to maintain the Australian tariff at a high level under whatever fresh arrangements may be made. Exception has been taken to the idea of placing the leader of the Commonwealth Country Party, Dr Earle Page, at the head of the Australian delegation. He is not regarded as sufficiently protectionist to represent the vested interests.

In a statement in the Commonwealth House of Representatives on December 7th the Attorney-General, Mr Menzies, said that it was impossible to believe that Great Britain could go on indefinitely absorbing more and more surplus production from Australia. As a young country, on the threshold of development, Australia must look to the whole world for markets. He disclaimed, however, any desire to abandon the principle of Imperial Preference, but added that preferences must not be so rigid as to constitute an unnecessary challenge to the rest of the world.

Tariff Changes

On the same day the Minister of Customs, Mr White, announced that the Government intended to abandon its trade diversion policy. Import licences would be replaced by duties. This cannot be done until after the Parliamentary recess, and in appropriate cases reference will be made to the Tariff Board. Meanwhile the licensing system will be administered on the following lines. In the case of goods not competitive with Australian industry licences will be granted for importation irrespective of the country of origin. In the case of goods competitive with Australian industry, the licensing restrictions at present in force will operate until duties "adequate to protect" the industries concerned have been determined and applied. In the case of motor chassis, importation will continue as at present. That is, imports will be equal to the number imported in the twelve months ended April 30, 1936.

In general, the tariff schedule introduced into the House of Representatives will raise the duties on 39 items and lower them on 36. Some categories of the Canadian tariff have been amended, and an Excise duty of 6d. per cwt. has been placed on Australian tobacco to finance the Federal Tobacco Advisory Committee. The new Customs proposals operated from December 9th, and the Excise provisions will take effect from January 1, 1938.

The whole question of the tariff was introduced and debated in the light of the Anglo-American trade treaty which is now being negotiated. Government spokesmen laid stress upon the fact that, all over the English-speaking world, there was a feeling that the present opportunities for co-operation if allowed to slip now might not recur for many years. Revision of the Ottawa Agreement could not be long delayed.

India

Improved Central Receipts

BOMBAY, December 22.—People are already speculating about Budget prospects. There is a suggestion that the Finance Department may receive Rs. 3 crores (a crore equals £750,000) more than was estimated for the current financial year and that Rs. 3 or 4 crores will be made available by the improvement in railway earnings. There has been a steady improvement in Customs and Excise receipts, and income tax is expected to yield more than was estimated. Against this will have to be set the cost of the North-West Frontier operations, which may amount to Rs. 2 crores.

The new Provincial Governments have now been in power long enough to bring forward certain economic proposals.

Their prohibition proposals mean a considerable loss of revenue, since in some of the Provinces at least a third of Government's income comes from excise duties on liquor. All the Congress Governments are concerned with the possibilities of reducing rural debt, with Madras in the forefront.

Debts in Madras

The Madras Agriculturists' Relief Bill deals in the main with the interest on accumulated debts. All arrears of interest outstanding on October 1st are cancelled; debts bearing interest over 9 per cent. are adjudged discharged if twice the principal has been paid; and from October 1st debts of agriculturists are to bear no more than 6 per cent. interest. Agricultural rents in arrears for more than two years will be wiped out on the tenant's paying two years' dues. As a concession to Hindu sentiment, there is no attempt to touch the principal of the debts. Agriculturists unable to meet their liabilities, even with the scaled down interest, will derive no relief from the new Bill.

The Bill is silent about facilities to enable the ryot to pay the reduced debt. Nor has it any answer to the valid criticism that such restrictive legislation is bound to affect short-term accommodation facilities, which are essential to the cultivator. Proceeding on the assumption that "conciliation and other voluntary methods have failed and the adoption of the principle of compulsion has become necessary," the Government propose to deal with agricultural debts without reference to the peculiarities of individual cases. Debtors who can but will not pay have been placed on a level with those who cannot even if they wish. Similarly, considerate creditors who have allowed interest to accumulate are penalised, while the exacting variety are in a comparatively comfortable position. By looking at all debts from the narrow angle of interest, the Madras Bill not only does injustice to the honest debtor and the generous creditor, but shuts its eyes to other avenues of solving the problem in a satisfactory manner. The problem of rural indebtedness, important though it may be, is really a side issue. Merely to reduce the ryot's liabilities may even encourage him to engage in fresh commitments.

Employers' Fears

In the industrial sphere, as Sir H. P. Mody pointed out at the annual meeting of the Employers' Federation of India at Calcutta this week, the inspiration for labour legislation has practically passed to the Provincial Governments.

"In the provinces governed by Congress Ministries ambitious programmes have been outlined, and are already being implemented. In the province to which I belong (Bombay)—usually singled out for the doubtful honour of becoming a pioneer in progress—legislation seems to be contemplated, particularly on the question of holidays with pay and sickness insurance. A Committee of Inquiry has also been set up dealing with wages and conditions of work in the textile industry. Employers in this country... cannot possibly look on what is happening without a feeling of considerable apprehension. We must insist on certain well-defined limitations in our capacity to pay. While conceding to Labour its rights, we cannot be expected to abrogate our own."

Sir H. P. Mody also drew attention to the fact that the pace of legislation was likely to vary from Province to Province. This would accentuate the inequality of conditions already prevailing. He therefore appealed for co-ordinating machinery to deal with labour legislation in the different provinces and noted that when Federation is inaugurated the problem of labour conditions in the Indian States will also have to be dealt with.

Canada

Western Provinces' Demands

OTTAWA, December 18.—Presenting the case for Saskatchewan before the Royal Commission on Dominion Relations with the Provinces, Mr Davis, the Provincial Attorney-General, told an even more doleful tale than Manitoba's spokesman had done. It was a story of mounting debts; taxation rising to intolerable heights; thousands of families living on meagre relief allowances; constant financial embarrassments; and recurring threats of default, only averted by substantial loans from the Federal Treasury.

The woes and troubles of Saskatchewan were partly due to the ravages of the drought and partly to the collapse of agricultural prices; but Mr Davis supported the contention that the Western Provinces were being unfairly penalised by a protectionist fiscal policy, framed and maintained primarily in the interests of the two Central Provinces of

Ontario and Quebec. If Confederation was to survive, he declared, there must be some drastic readjustment of burdens and responsibilities and some reduction of the debts of the Western Provinces.

Many of the citizens of Ontario and Quebec believe that they have already paid heavily for the Western Provinces' extravagant mismanagement of their affairs. The Prime Ministers of Ontario and Quebec hastily organised a conference at Montreal on December 13th. They committed themselves to fight to the last ditch against any extreme demands on the part of the West, and to resist any proposals for the surrender of existing provincial jurisdiction or taxation powers to the Federal Government. Acute sectional differences have been stirred.

New Power Bargains

The war between the Government of Ontario and the power companies of Quebec, whose contracts with the Hydro-Electric Commission of Ontario were arbitrarily cancelled three years ago, has been terminated. New agreements have now been concluded with three of the power companies, the Beauharnois Corporation, the Gatineau Power Company and the MacLaren-Quebec Company. The price paid per horse-power is now reduced; the total cost of the power contracted for is reduced from 326½ to 247½ million dollars; and there will be a saving of 79 million dollars to the power consumers of Ontario.

Another feature of the agreement is that the costly litigation in which the Commission has been involved with the power companies, and which is now the subject of an appeal to the Privy Council, is to be carried no further. Mr Hepburn claims that a very good bargain has been made with the power companies, but the *Ottawa Citizen*, an independent paper, doubts whether he would have won the recent provincial election if he had disclosed to the voters that he was contemplating a new deal with the private power companies of Quebec.

The new bargain has been endorsed by the Ontario Cabinet, but when it is submitted for ratification to the provincial legislature severe criticism is expected. The Hydro Commission will for the time being have a surplus on its hands, but the Federal Government has refused to accede to Mr Hepburn's request for permission to export this surplus to the United States. Mr Hepburn has now announced that he proposes to challenge in the courts the validity of the legislation which imposes the ban, and Mr Duplessis, Prime Minister of Quebec, has undertaken to support him.

Active Business

Business activity is more satisfactory than was expected a month ago in view of the industrial slump in the United States. The general economic index of the Bureau of Statistics has continued to fluctuate week by week:—

Week ending	Car-loadings	Wholesale Prices	Bank Clearings	General Index
Dec. 12, 1936 ...	71.0	77.9	95.7	112.9
Nov. 27, 1937 ...	71.1	82.6	87.0	103.6
Dec. 4, 1937 ...	72.8	82.5	100.6	106.1
Dec. 11, 1937 ...	72.4	82.7	84.6	104.2

A business survey, made by the Bureau of Statistics and covering the first ten months of 1937, shows that in this period industrial operations showed a gain of 11.8 per cent. compared with the same period of 1936. The total physical volume of business was up by 10.5 per cent.

Cold weather and a widespread heavy snowfall have given a fillip to the sales of seasonal goods, such as warm clothing and footwear and equipment for winter sports. Retail merchants believe that the volume of Christmas trade will be as large as a year ago, when it was the best since 1930. Both manufacturers and distributors, however, are having to face a downward readjustment of prices; and this process is accelerated by an inflow of various goods from the United States.

Canadian importers, owing to the slump in demand south of the border, have been able to make purchases at bargain prices. Pressure is being brought to bear on the Federal Government to check these imports by special measures.

BRITANNIC ASSURANCE COMPANY LIMITED

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All classes of Life, Fire, Accident,
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Letters to the Editor

Cotton Reorganisation

TO THE EDITOR OF THE ECONOMIST

SIR,—According to the Note on "Cotton Reorganisation" in your issue of January 1st, the President of the Board of Trade "bluntly informed the Joint Committee of Cotton Trade Organisations that the Government is not prepared to initiate legislation on the basis of the proposals for an Enabling Bill." That is not my interpretation of the following passages in Mr Stanley's letter:—

My colleagues and I have been glad to observe that certain features of the sectional schemes previously submitted, to which the Government felt obliged to take exception, have been excluded from the present scheme. At the same time they are conscious that certain major questions of policy still remain unsettled. I know that you are fully alive to the importance of these questions, and are already considering them. If I recapitulate them here it is only to ask that you and your Committee will continue to give them their earliest and most urgent attention. . . .

In conclusion, I should like to assure you that the Government have given to these proposals most sympathetic consideration and recognise in them a genuine endeavour to meet the criticisms and suggestions that have been made in the past. The Government hope that the Committee will continue with all possible speed the consultations with the various sections of the industry on the important questions of policy to which I have referred, in order that (provided the questions are settled to the satisfaction of the Government) they may be able to proceed with the drafting of a Bill to give effect to the proposals.

In submitting our proposals to the President of the Board of Trade last November, we made it clear that we regarded them as an outline which would have to be filled in when the Government had decided on the general principles involved. A considerable amount of thought has, however, as Mr Stanley's letter indicates, been given to the demarcation of the industry, to export trade policy, and to the definition of the powers likely to be required under the Bill. The Joint Committee and its constituent organisations are still working on these problems, and we hope to be able in the near future to satisfy the Government on all of them.

The reorganisation of the cotton industry is, as you rightly suggested in your original review of our proposals, a matter of interest to the community, as well as to Lancashire. It is obviously desirable, therefore, that the proposals should be presented to the public as fairly and accurately as possible. In your issue of October 23rd your comment was:—

From the technical point of view, the plan has many merits. It leaves plenty of room for elasticity, and at the same time faces the central point that if Lancashire is to be reorganised, compulsion will have to be applied to recalcitrant minorities. There can be little doubt that if some form of central control such as that adumbrated in the Joint Committee's proposals had been in force in the post-war years, Lancashire would be far more prosperous than she is.

You then referred to the safeguards provided for the public interest, apparently with some degree of approval. It is true that you concluded:—

The cotton scheme, even without these provisions, might well be innocuous, and even beneficial, but it would be a bad precedent for other industries where the same natural safeguards are not present.

Sir John Grey, in a letter which appeared in *The Economist* of October 30th, pointed out that "a precedent, after all, comes at the head, not the tail, of a procession," and the cotton industry can certainly not be accused of having thrust itself prematurely upon the attention of the Government and the country.

Now that all sections of the industry have combined, not to ask for such financial help or tariff protection as other British industries have received, but to obtain power to carry out policies approved by a majority, I feel sure we can rely on the sympathy and understanding of all who are concerned about the future of Britain's greatest export trade, and of the two or three million people who are dependent on it.

I have already taken up so much of your space that little remains to deal with Mr S. B. L. Jacks's letter to your issue of January 1st. The only point I would wish to make is that Mr Jacks has less excuse than anyone outside Lancashire for misconstruing the principles and objects of "Lancashire's Remedy." He gives what purports to be a summary of our proposals, but unlike you, Sir, he does not mention the safeguards and conditions which are an integral part of them.

The need for increased export trade, and for new uses of cotton, calls for something more concrete than platitudes. Both these aims have been sufficiently stressed by the Joint Committee of Cotton Trade Organisations during the last few years, and Lancashire is now engaged in finding a practical means of achieving them. Mr Jacks suggests cheap capital to buy new machinery, and a conference on wages to reduce labour costs. It will be cheaper to buy our new machinery out of the savings which will follow concentration of production and rationalisation of the present extravagant system of small and needlessly varied orders. As for wages, "Lancashire's Remedy" provides for the legalisation of wage or other agreements entered into by employers' and operatives' organisations. I have no doubt that both operatives' and employers' representatives would welcome Mr Jacks's co-operation in such discussions.

Yours faithfully,

FORREST HEWIT,
Chairman.

Joint Committee of Cotton Trade
Organisations,
Manchester.

New Zealand's Budget

TO THE EDITOR OF THE ECONOMIST

SIR,—Your issue of October 2, 1937, contains a comment on the Budget of the New Zealand Labour Government. I was astonished that a paper of the integrity of *The Economist* should permit the loose statements made. And it is precisely because of the standing of *The Economist* that I wish to correct the impression given.

Your writer in commenting on the increased estimates for public works expenditure says: "They are to be financed largely from capital resources under Government control, such as Post Office Savings Bank reserves—an instalment of what has come to be known in New Zealand as 'costless credit' of which Mr Nash hints at further and stronger doses, if necessary."

Presumably by savings bank reserves your writer means savings bank investments. Whatever is meant, the facts are that the procedure that the New Zealand Labour Government has adopted with the investments of the Post Office Savings Bank, and for that matter of all Government Departments, is in every respect similar to the practice of past Governments in New Zealand; furthermore it is exactly the same practice as obtains in the United Kingdom.

I am unable to understand the reference to "costless credit" nor to any hint of mine of further "doses" of it. The resources of the Reserve Bank have been used to finance the purchase and sale of New Zealand's dairy produce exports, and a small sum has been advanced in connection with the State housing scheme; in each case the advances bear interest.

In my Budget speech the statements were made that "the Government will not allow any necessary job to be held up for want of money," and that "the Government's policy is to obtain the maximum utilisation of the available production resources of the Dominion, and if the existing volume of credit is insufficient or not utilised to this end, further credit will be made available." These are the only statements in the Budget upon which your writer could possibly base his opinion. You will, I am sure, grant that his comment was hardly in accord with that scientific objectivity for which *The Economist* has established a reputation.

Yours sincerely,

W. NASH.

Office of Minister of Finance,
Wellington, New Zealand.

[We regret any misinterpretation of Mr Nash's words or policy of which we may unwittingly have been guilty, through the fact that when our Note was written only cabled summaries of his Budget speech were available. There was no suggestion in our Note that the financing of works from Savings Bank reserves (i.e. investments) or from other capital resources under Government control was an exceptional process. We did, however, point out that, while the Budget was balanced, its total was increased by over 10 per cent.—thanks mainly to the expansion of the social services and the increase of public works expenditure by over two-thirds of the former provision.—Ed., *Econ.*]

Books and Publications

Pan-Germanism

History may not repeat itself, but historians often try to make it do so. Not least important in the records of the recent past are the bogies erected by statesmen and laymen alike to embody their fears and hates. Before the war, books, pamphlets and speeches, not to say chancelleries, called again and again on the names of fearful visions believed to be balefully brooding over the diplomatic scene. In Germany the ghosts of danger were Pan-Slavism and Encirclement. To Britain, France and Russia the menace was Pan-Germanism; nor were there lacking Teutonic authors to state the case for the fears of other peoples.

Dr Schacher here* brings to life again the bogey of Pan-Germanism with its threefold objective: *Mittleuropa*, Berlin to Bagdad, and world power. German interests really lie in the *Drang nach Süd-Osten* and not in the West, but Britain and France cannot be left out of account. They will not lightly permit the German hegemony of the rich raw material regions between Berlin and Constantinople, says Dr Schacher—with perhaps an undue faith in Britain's willingness or France's ability to fight for Czechoslovakia.

Central Europe holds the key to the future. The gates to the South-East are Vienna and Prague. In Austria, Italy bars the way—and Dr Schacher believes, again rather optimistically, that this clash is more fundamental than the proclamations of ideological kinship which have made the Rome-Berlin axis. Through Czechoslovakia are the ancient routes to the Danube; and Prague's understandings with France and Russia, Dr Schacher maintains, are evidence neither of Bolshevism nor Pan-Slavism recrudescing, but simply of self-defence.

The old enemy, Pan-Germanism, in its new National Socialist guise, has *Mein Kampf* for its Bible and bilateral treaties for its technique; its aim, this book contends, is to eliminate international co-operation at the expense of the security of small nations. Dr Schacher calls for an end of "the dangerous delusion that peace is divisible," lest the traditional Prussian policy of settling with one adversary after another be successful.

Above all, the author welcomes Western re-armament, and finds there his greatest hope. "A slackening in the pace of re-armament in the West or tacit support of the false belief that peace is divisible . . . would lead finally to a threat to the peace of all Europe." The great pacific gesture is British re-armament.

The protagonists of peace seem surprisingly to have stolen the thunder of the aggressors and militarists by adopting *si pacem vis para bellum* as their watchword. According to this thesis, British re-armament is a moral act, while the arms of the Triangle powers are potent for evil-doing. The cynic might detect mere opportunism here no less than in the manoeuvres of the Central Powers; but Dr Schacher and the British people are at least realistic. And, were collective security honestly pursued and effectively applied, right and might could possibly be harnessed in the same yoke—though experience may belie hope in this matter.

Dr Schacher's argument is over simplified. His view is frequently one-sided, but his knowledge and acumen are considerable, and his book is an arresting and informed statement of the fears—and hopes—of Central Europe.

* "Germany Pushes South-East." By G. Schacher. Hurst and Blackett. 256 pages. 7s. 6d.

Shorter Notices

"The Economics of Rail Transport in Great Britain." Volume II. (Second and Revised Edition). By C. E. R. Sherrington. Arnold. 336 pages. 12s. 6d.

The first edition of Mr Sherrington's well-known book appeared in 1928. Volume II, which deals with Rates and Service, is now republished with the figures brought up to date and a few references to recent developments inserted. The word "economics" in the title no doubt seemed less

inappropriate in 1928 than it does to-day; but it was at no time an adequate guide to the contents of this book, which deals with the problems of finance, organisation and operation on general lines. Neither the subject matter nor the method are specifically economic. The function of rail transport is outlined; the methods of rate-charging are described; and a number of controversial subjects are touched upon—for example, the relative merits of the Departmental and Divisional systems and the question of State ownership. By stating these questions, sometimes with excellent clarity, Mr Sherrington has done a service to railwaymen who wish to examine their business objectively, and to outsiders who are insufficiently informed about the complexities of railway organisation. But there are few constructive suggestions and some lapses in exposition. A large part of the book is devoted to Operation, Traffic Control and Electric Traction, showing how many complex technical problems must be overcome before the regular routine work of a railway is possible. This is a valuable book.

Books Received

- Balances of Payments, 1936.* League of Nations. (London) Allen and Unwin. 236 pages. 6s. net.
- International Trade Statistics, 1936.* League of Nations. (London) Allen and Unwin. 384 pages. 10s. net.
- Storage and Stability.* B. Graham. The McGraw-Hill Book Company. (London.) 298 pages. 15s.
- Structure of Social Action.* T. Parsons. The McGraw-Hill Book Company. (London.) 817 pages. 36s.
- Armaments Year Book, 1937.* League of Nations. (London) Allen and Unwin. 1113 pages. 25s.
- Picturesque Estonia.* Max Edelberg. C. A. Reitzel's Publishing Company, Copenhagen. 102 pages. No price stated.
- The Floating Debt of the Federal Government, 1919-1936.* Edward Raguett van Saut, Ph.D. The Johns Hopkins Press, Baltimore. 88 pages. \$1.00.
- The Revival of Trade as a Problem of Practical Politics.* Thomas Nadsen-Mygdal. (London) R. Cobden-Sanderson, Ltd. 30 pages. 1s.
- The Birthplace and Genesis of Life Assurance.* J. G. Anderson. (London) Frederick Muller, Ltd. 93 pages. 3s.
- A Financial History of Maine.* Fred. Eugene Jewett, Ph.D. P. S. King and Son, Ltd., London. 235 pages. 14s. 7d.
- The South and East African Year Book and Guide for 1938.* Edited by G. Gordon Brown, F.R.G.S. Sampson Low, Marston and Company, Ltd., London. 1,163 pages and appendices and atlas. 2s. 6d.
- Annual Report of the Superintendent of Insurance of the State of New York for the Year ended December 31, 1936.* Part I. Fire and Marine. (Albany) J. B. Lyon Company, Printers. 1,781 pages. No price stated.
- Borough of Finchley: Abstract of Accounts for the Year ended March 31, 1937.* (Finchley, N.3) Borough Treasurer, Municipal Offices. 171 pages. No price stated.
- The Institute of Chartered Accountants in England and Wales. List of Members, 1938.* (London) Gee and Company, 6 Kirby Street, E.C.1. 1,932 pages. 3s. net.
- Economics of Co-operative Marketing.* H. H. Bakken, M.A., and Marion A. Schaars, Ph.D. McGraw-Hill Publishing Company, Ltd. 583 pages. 24s.

Official Publications

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

- Colonial Report No. 1829. Annual Report on the Social and Economic Progress of the People of Sierra Leone, 1936.* 2s. No. 1830. *Barbados, 1936-37.* 1s. 6d. No. 1823. *Jamaica, 1936.* 2s.
- Ministry of Agriculture and Fisheries: Report on the Work of the Land Division for the year 1936.* 1s.
- Import and Export List.* 9d.
- Annual Statement of the Trade of the United Kingdom with British Countries and Foreign Countries, 1936.* Vol. I. 13s. net.

THE BUSINESS WORLD

Property Societies and the Investor

LAST month, the Parliamentary Secretary to the Board of Trade announced that the Government had under consideration the question of legislation to cover, *inter alia*, certain abuses which had arisen under the Industrial and Provident Societies Acts. The public response to this statement was in itself proof of a feeling of uneasiness regarding the rapid development of the property society movement. At first sight the scope for reform in this matter may appear to be of secondary importance in relation to the broader question of company law reform. But the developments of the past two years have shown that the shackles of the Companies Act are already effective enough to induce ingenious financial minds to avoid them altogether, whenever they can. And it is beyond question that, in unscrupulous hands, the machinery of the Industrial and Provident Societies Acts is capable of being so used. On no account, incidentally, should the building societies be confused with the property societies. The former have performed valuable social service for fifty years; the growth of the latter has been rapid and exotic.

What are the characteristic methods and practices of the property societies? The function of the present article is to describe, in general terms, some instances culled from contemporary practice; and we shall reserve for a second article certain suggestions for legislative revision to check abuses. Our inquiry is timely, for in recent weeks two property societies—the General Mortgage and the London and Provincial—have gone into receivership, in circumstances described in *The Economist* of October 30 and December 25, 1937. Last week, a summons, issued against the English and Scottish Co-operative Property Mortgage and Investment Society, alleging that a false return had been made in respect of 1936, was adjourned and is now *sub judice*. The examples which follow are based upon documents issued by certain societies themselves, upon our own investigations of returns filed at the office of the Registrar of Friendly Societies, and upon a report made by an expert committee appointed by the Advertising Association, under the chairmanship of Sir Josiah Stamp, which examined property society advertising some time ago.

We may first examine some examples of publicity methods—a matter to which the Advertising Association's report devoted detailed attention. In more than one instance the Association recorded that the prospective investor had not been accorded information about existing prior charges, such as first mortgages, to which his own security would rank subordinate. That omission is repeated in a recent booklet issued by one of the societies in question, which contains some fifteen pages of illustrations of properties "actually owned by this society." The words "actually owned" are underlined. Yet the report of this particular society for December 31, 1936, showed that loans from non-members totalled £203,165, against properties valued at £331,341. The fact that members' claims rank as a second charge is thus obvious, though it is not specifically mentioned in the booklet issued by the society.

It is equally rare to find explicit reference in advertisements to the question of earnings. In some cases the methods adopted in striking profits would be regarded as unconventional, to say the least, by strict accounting canons. Once again we may venture to draw on the published report of the Advertising Association, which pointed out, for example, that in one instance a society had shown a profit of £2,528 for a given year. In this instance, however, the auditor had qualified his report in order to emphasise that an amount of £4,686, representing a surplus on re-

valuation of one of the society's properties, which had been credited to profit and loss account, was not in the nature of a realised profit. Our investigations at the Registrar's office have revealed that further qualifications were made by the auditor on the subsequent return of this society. It appears that two of the society's directors, or companies in which they were solely or largely interested, had been parties to all the society's transactions during the period, either as vendors or purchasers in property transactions, or as parties to leases granted to or by the society.

The auditor pointed out that this procedure is permissible under the rules, provided that the directors concerned disclose their interest and refrain from voting. The minutes, it appears, stated that these requirements had been met, except that the precise nature of the directors' interests had not in all cases been disclosed. The auditor further recorded that the surplus of £4,686 (for which credit was taken in the previous year) was still unrealised, and that the profit for the latest period included a sum of £2,936, representing the surplus on the sale of a property to another company, the shares of which were held by two directors of the society. The statement of investments, finally, showed that this property was sold to the company for £8,500, and that the society had made a loan of £6,000 to the company.

From this record, three particular features may be selected for criticism. The first is the crediting of surpluses on revaluation of capital assets to revenue. The second is that, although the rules of the society were observed, the directors were able to determine, in part at any rate, the capital values to be attributed to the society's assets, both on their purchase and sale. And the third point is that, through the medium of a company controlled by the directors, profits on sales of properties could be recorded, although adequate information regarding the security offered by the purchasing company was not available.

We may cite another example which illustrates two points already made—the question of true profits and the question of security for publicly-issued second-charge securities. For its first period, a certain society showed a loss of £2,344. Preliminary expenses, advertising and other fees totalling £3,712 were not charged against revenue, but credit was taken for a surplus of £2,354 arising from the revaluation of a property. The following year's operations increased the debit balance to £3,782, although the "asset" item for preliminary expenses had increased to £5,271. Moreover, the auditor's report referred to a sale of leasehold properties during the year for £21,550. It appears that some £21,525, including interest, of the purchase consideration had been left on mortgage with the purchaser, and the auditor signed his certificate "subject to the adequacy of this security." Its adequacy, indeed, had an important bearing for the holders of £47,840 6 per cent. redeemable debenture stock then in issue. Dissection of the balance sheet revealed, in fact, that less than half of the debenture stock was covered by the reversionary interest in freehold properties (after deducting prior charges), leaving the balance to be covered in part by the mortgages amounting to £21,525, to which the auditor had specifically drawn attention. To this extent, in short, the debenture issue was backed by an asset upon whose value the investor was not in a position to form an opinion.

It may be doubted whether the legislature, when the Industrial and Provident Societies Acts were passed, contemplated the possibility that these bodies might, in part, become holding societies. That, however, is a recent

development. One society issued a balance sheet totalling no more than £49,996 at the end of January, 1935. The position two years later is set out below:—

Deferred shares	3,490	Freehold and leasehold prop.	1,071,834
Preferred ord. shares	589,317	Deposits on purchases in course of completion	18,318
Creditors	32,027	Interests in subsidiary and associated concerns	68,593
Mortgages	648,280	Office machinery, etc.	2,505
Loan from subsidiary	8,500	Stationery	3,210
Tax reserve	3,770	Sundry debtors	17,909
P. & L. balance	12,616	Deposits and deferred charges	5,676
		Cash	86,730
		Advertising and publicity	23,114
		Preliminary expenses	1
	1,298,010		1,298,010

A first point of interest is the prodigious growth in the society's business in the short space of two years. When the balance sheet is dissected, other significant facts emerge. Freehold and leasehold properties are valued at £1,071,834. The first charge against these properties is represented by mortgages, totalling £648,280. The resulting difference of £423,554 should therefore be available towards the cover for the £589,317 of preferred ordinary shares issued to the public. To find the cover for the balance of £165,763 the preferred ordinary shareholder must look: first, to interests in subsidiary and associated concerns (whose precise value cannot readily be assessed); secondly, to net cash holdings (which necessarily fluctuate from day to day); and, finally, to part of the item for advertising and publicity.

In relation to these facts the society's literature, although well-produced, is not always explicit. It has been stated, for example, that "subject only to certain specific mortgages, the society now controls, with its associated interests, property to the value exceeding £1,400,000." Such a statement is formally correct, but it does not suggest that, according to the latest information officially filed, specific mortgages amounted to £648,280 at the end of last January. Nor does it reveal the actual equity interest of the parent society in the subsidiaries, since the latter's prior charges are not disclosed. In such circumstances, the statement that the subsidiary concerns "own property to a value of over £250,000" is not entirely relevant to calculations of capital cover.

Much is made in property society advertising of the intrinsic security of land and property. The Advertising Association had no difficulty in rebutting this claim in its more extreme forms. For instance, the Association criticised the statement of one society that, although a factory might become bankrupt, the factory buildings could not

become a total loss. Such a statement, clearly, ignored the possibility that the buildings might be subject to mortgage, and therefore in the event of a forced sale might involve a loss to the members of a society interested only in the reversionary equity. Faith in "bricks and mortar" is a good Victorian investment axiom, which has not lost its appeal, or the whole of its sub-stratum of truth, to-day. How, otherwise, could the building societies have made such immense strides during the past decade?

Experience teaches, however, that while faith may be reasonable, blind faith may not always be wise. Some property societies, indeed, outdo Ricardo in advancing the claims of "bricks and mortar." There is an obvious suggestion of the "original and indestructible powers of the soil" in such extracts as these from property society publicity:—

"Everything springs from the land and therefore no investment has such a solid foundation as an investment based on the land itself. . . . Short of the world coming to an end, nothing can entirely destroy an investment in land and buildings and a mortgage based on such is the safest of all. . . . In short, your security is the solidity of the land and buildings of Great Britain."

This type of advertising appeal rightly incurred the criticism of Sir Josiah Stamp's committee. Modern investment thought has long since agreed that mere physical fixity of assets does not imply fixity of capital values. In every type of fixed property there is an element of "going-concern" value, and balance sheet figures, even when cautiously written down, do not necessarily represent actual realisable values if the concern ceases to trade. And, in the instance quoted above, the society's rules gave the directors very wide powers of investment. The society had, in fact, held shares in companies for which no Stock Exchange quotation was available.

At this stage of our review we need draw only provisional conclusions regarding property society operations. These operations are conducted under conditions which would be unavailable, say, to a new company incorporated under the Companies Act. In their advertising methods, certain societies have carried an appeal to the small investor, couched in generalised terms, into one of the most specialised branches of investment—real property. And the accountancy methods which have been adopted by some societies do not seem to accord with the strictest canons of contemporary practice. These facts afford a *prima facie* case for the desirability of new legislation, which we propose to examine in a succeeding article.

Britain's Gold Holdings

THE return of the Exchange Equalisation Account's gold holdings for September 30th last was duly issued on December 31st, and for the first time since the establishment of the Account it is possible to make a comparison of the position at two different dates. The intervening period, certainly, is only six months and a single comparison reveals little as to trend. Nevertheless, a beginning has been made with the task of building up a continuous record of our total monetary gold holdings and filling a gap in our essential economic statistics.

The actual returns for March 31 and September 30, 1937, are shown below:—

BRITISH MONETARY GOLD STOCKS			
	Mar. 31	Sept. 30	Intervening Change
Quantity (million fine ounces)—			
Bank of England	73.8	76.8	+ 3.0
Exchange Account	26.7	39.9	+13.2
Total	100.5	116.7	+16.2
Value (£ millions: at 140s. per fine ounce)—			
Bank of England	516.9	537.6	+ 20.7
Exchange Account	186.7	279.3	+ 92.6
Total	703.6	816.9	+113.3
Bank of England (£ millions: valued at statutory price)...	313.7	326.4	+ 12.7

These totals appear stupendous at the first glance, both absolutely and relatively. In the summer of 1931, shortly before we left gold, we held some £160 millions of gold, valued at 85s. per ounce. To-day, at a valuation of 140s. per ounce, we hold £817 millions, and even at the old valuation we would hold nearly £500 millions. How has this enormous expansion come about; and to what extent does it represent a permanent addition to our gold stocks?

The first question can best be answered by a process of elimination. Our gold acquisitions since 1931 have not been due to an active balance of payments, for the official calculations for the intervening years suggest that, on the whole, the balance has been passive. They have not been due to any large-scale repayment of British money lent or invested overseas, for these have been years in which most debtors have had unusual difficulty in meeting their engagements. They are due, in fact, to two main causes. The first is the growth of the sterling area, and the second is flight of capital from the Continent to England. We may add a third and subsidiary cause, which was in evidence during part of last year—namely, a temporary lack of faith in the stability of gold itself against the pound and dollar, commonly called the gold scare.

The development of the sterling area has had a very important consequence. Part of the gold stocks of countries within that area are now concentrated in London, and their central banks regard these sterling balances as part of

ly with their own gold. The most striking example of movement of several years ago brought gold dishoarding in gold to London. Much of the proceeds of this gold was used by India to reduce her external indebtedness and to set against the Reserve Bank of India's "balances abroad" and incidentally against its "sterling securities"; for the Reserve Bank's will. The same applies to the Australian Commonwealth Bank's sterling balances, bills and securities. Indeed, it may be recalled that, several years ago, the Commonwealth Bank exchanged part of its gold for sterling. Outside the Empire, the Scandinavian banks show large foreign balances and bill holdings, again consisting largely of sterling.

It is that Britain's gold reserves to-day are, to a great extent, the ultimate reserves of the whole sterling area. They are not affected by trade or other inequalities within the area, but should the area as a whole have a net passive balance *vis-à-vis* the outside world, the British gold reserves would quickly find themselves in the front line of fire. The possibility of a serious or prolonged depletion of our reserves through this cause may well be remote, but we cannot wholly ignore it.

Next, the question of the influx of fugitive foreign capital into London since 1932 needs consideration. Experience has shown again and again how volatile this capital is. If and when it leaves this country it will (and should) bear away the gold it brought. No estimate is available of the amount of the fugitive money in London last September, but the magnitude of our gold reserves at that date is itself an indication that the amount of foreign money in London was large. And there is no doubt that since September 30th some of the French money in London has returned to France.

The late spring, which falls within the period covered by the two Exchange Account returns, witnessed the gold scare, during the erratic and irrational course of which gold was offered in large quantities in the London bullion market from the United States and other foreign sources. The Bank of England also handles, as part of its normal routine, all the newly-mined gold from the Transvaal and later from Russia, which cannot always be placed quickly and completely. Altogether, the British authorities had, last April and May in particular, to absorb large quantities of gold, and the published figures suggest that most of it was taken by the Exchange Account.

There is thus reason to believe that our recent gold acquisitions have been due to causes quite unconnected with the ebb and flow of our current transactions with the rest of the world, and that much of our present gold stocks are held at the will of others. Available evidence suggests, indeed, that part of this gold has gone during the past three months. During that period there has occurred the November recovery in France, the repatriation of French capital and the replenishment of the French gold reserves. Next, there has been a recent change in the sterling assets

of the Exchange Account. Comparison between March 31st and September 30th is vitiated by the April Defence Loan issue, which was taken largely by the departments, and the June enlargement of the Exchange Account itself. On September 25th the floating assets of all public departments, including the Exchange Account's *sterling* assets, were £332 millions. By the end of December they had risen to about £360 millions. It is difficult, consequently, not to believe that to-day the Exchange Account is holding more sterling and therefore *less* gold.

On general grounds, such a movement deserves to be welcomed. The sooner fugitive capital is repatriated, the better for the whole world. And its presence makes our own position equivocal. We may be in danger of living in a fool's paradise while other countries accuse us of helping to corner available supplies of monetary gold. This question of public opinion brings us to our final point—namely, the advisability of more detailed information. In these days when many Exchange Accounts work in co-operation, all the arguments which formerly favoured secrecy have been reversed. Six years ago secrecy may have handicapped would-be speculators in sterling; to-day it handicaps legitimate business. No one now knows the true size of the various national gold reserves, and no one knows whether or not a particular country is nearing the end of its tether. So far from creating confidence, this lack of knowledge destroys it. There is a strong case to-day for issuing returns of Exchange Accounts as frequently and as expeditiously as those of central banks.

Furthermore, co-ordination is needed between the multitude of financial returns now published in this country. First, the gold of the Bank of England and the Exchange Equalisation Account might be valued on the same basis, i.e. in accordance with the current market price of gold. Next, the various returns relating to our financial position might relate to the same day of the week. At present the Bank return relates to Wednesday, the Floating Debt return to Saturday and the Exchange Equalisation Account return to the last day of March or September, on whatever day of the week it falls.

Finally, information about the other assets of the Exchange Equalisation Account would be highly welcome. It is announced each half-year that only a small quantity of foreign exchange, as distinct from gold, is held, but we are not told how much, nor do we know anything about the Account's sterling assets. How much of these are Treasury bills, how much Ways and Means Advances to the Government, how much (if any) are balances at the Bank of England and how much (if any) is invested in other ways? Finally, how great are the Account's accrued losses arising out of the Bank of England's gold purchases since 1932? Are these losses shown as actual losses or as a debt ultimately recoverable from the Treasury?

In short, while our gold position is reasonably strong, the current position tempts the world to form an exaggerated idea of its strength. And we are still in need of much more information before we can see the complete picture.

Tungsten and Antimony

WHEN Bessemer and Siemens perfected their processes the civilised world passed from the Iron Age to the Steel Age. To-day, with the continuance of scientific discovery, the Steel Age may be said to have evolved, in turn, into the Era of Special Steels. Alloy steels are superior in many respects to their precursors, the simple carbon steels; they have an extended range of mechanical properties and also certain new physical properties. And among the many ferro-alloy metals now in use the position of tungsten—used mainly to give finished steel a hardness and toughness to withstand the effects of the highest temperatures—is more or less unique.

Eighty years ago Robert Mushet of Sheffield introduced a steel containing two to six per cent. of tungsten. To-day the best grades of "high-speed" steel contain 18 to 22 per cent. of tungsten, 3 to 4 per cent. of chromium, and 0.5 to 1.5 per cent. of vanadium. Tungsten has become

an indispensable material in the production of high-class cutting, grinding and crushing tools, and it is widely employed in the armaments industry. The development of "tipped" tools—i.e. those in which high-speed steel is used only for the cutting edges—has enabled considerable economies to be made in the use of tungsten. New uses, however, have been opened up in the manufacture of filaments for electric lamps and wireless valves; for contact points in electrical apparatus; and as an occasional substitute for platinum in the chemical industry.

The principal source of the metal is wolfram ore, a tungstate of iron and manganese. Certain qualities, however, are obtained from scheelite, a tungstate of calcium. The world's production of wolfram, which occurs in veins and lodes, amounted to 1,700 metric tons in 1900 and had risen to 32,000 metric tons in 1918. It slumped, however, to a mere 6,000 tons in 1932. Since the tungsten con-

tained in high-speed steel scrap can be recovered in its entirety, a period of high consumption carries the seeds of a subsequent slump in demand. Moreover, in periods of rising prices the competition of molybdenum may be severe. Satisfactory qualities of high-speed steel can be made from the latter metal, and in the United States home-produced molybdenum is tending to displace foreign tungsten.

In pre-war times the price of tungsten fluctuated between 25s. and 35s. per unit. In January, 1933, the price had fallen to 10s., but at the end of March, 1937, the London quotation had risen to 59s. After climbing to about 130s. it has now fallen back to approximately 80s. per unit. At the beginning of this century the United States was the principal producer, but, as the following table shows, the premier position is now occupied by China.

PRODUCTION OF TUNGSTEN ORE AND CONCENTRATES
(Long tons, estimated WO₃ content)

	1930	1932	1934	1935	1936
India, concentrates	1,594	1,315	2,164	2,494	2,959
Federated Malay States, scheelite ..	580	223	1,085	983	982
Federated Malay States, wolfram ..	127	100	51	178	183
Australia, wolfram	131	29	207	287	216
Portugal, concentrates	302	158	360	666	812
U.S.A., concentrates	376	212	1,097	1,283	1,399
Bolivia, concentrates	524	405	469*	840*	1,296*
China, ore	4,378	1,308	3,723	4,360*	4,163*
French Indo-China, concentrates ...	130	148	179	246	297

* Exports.

The Southern provinces of China are the most important potential source of tungsten in the world. Chinese exports go to Germany, Hongkong (whence they are largely reexported to the United Kingdom), the United States, the United Kingdom, France and Belgium—in that order. Imports into the principal consuming countries in recent years have been as follows:—

RETAINED IMPORTS OF TUNGSTEN ORE
(Long tons)

	1930	1932	1934	1935	1936
United Kingdom	3,190	3,331	5,194	7,865	8,813
Hongkong (i)	1,944*	612	699	2,293	1,676
Germany	3,950	1,687	4,316	7,757	8,588
Russia	1,617	2,109	1,682	1,878	848
U.S.A. (WO ₃ content)	†	†	826	1,039	1,499
			680	916	2,345

* April to December only. † Not available. (a) Ferro-tungsten. (b) Tungsten ore. (c) Total imports.

In the absence of any early increase in wolfram shipments the stringent supply position now existing seems likely to continue. But the present price is sufficiently high to encourage the reworking of deposits which have long been idle, and technical progress in the extraction of the metal is still being made. In the long run, therefore, supplies are likely to be more than adequate to satisfy demand—especially when the armaments boom is over.

So much for tungsten. We may now examine the position of antimony, which is an essential constituent of many useful alloys, although it is not, strictly speaking, a ferro-alloy metal. It is used in the production of "hard" lead, type metal, anti-friction metals and Britannia metal. Antimony is an essential constituent of the ordinary shrapnel bullet, its effect being to harden the lead and prevent the bullets from losing shape on the bursting of the shell which contains them. Finally, the oxides and sulphides of antimony are used in paints, in vulcanising rubber, in enamelling, and in the manufacture of matches.

Before 1914, world production of antimony averaged some 20,000 metric tons annually, but this figure was trebled during the Great War. On the cessation of hostilities supplies of scrap were sufficiently abundant to avert drastic curtailment of the production of new antimony. The output of the principal producers in recent years is shown in the next column.

China easily takes pride of place in the list of producers. The table also reveals the declining importance of France and the growth of Yugoslavia as a source of antimony supplies. The United States, the United Kingdom and Germany—in that order—are the principal consuming countries, the United Kingdom being China's best customer

PRODUCTION OF ANTIMONY ORE
(Long tons, in terms of the metal)

	1929	1932	1934	1935	1936
Czechoslovakia	684	587	1,142	2,391	1,020
France	1,909	630	261	446	526
Italy	378	405	355	200	1,600
Jugoslavia	156	...	...	498	7,188
Mexico	2,667	1,317	2,626	4,498	6,421
Bolivia*	3,719	1,446	1,182	3,348	17,000
China	18,457	13,675	15,200	18,000	17,000
U.S.A.	...	374	361	499	674

* Exports.

for antimony. American importers have lately been taking larger tonnages from Mexico and Bolivia, and a substantial proportion of the United States' demand is met from secondary sources, including the treatment of scrap.

Nearly 95 per cent. of China's production comes from the Hunan Province, south of the Yangtze, the bulk being shipped from Shanghai. In January, 1936, the Antimony Administration, under the control of the Central Government, superseded the provincial syndicate and assumed control of production. During the past year Customs permits have been issued only for cargoes owned by the Administration itself. The recent steep rise in the price of the English regulus to a present figure of £81 to £82 per ton is the direct result of the shortage of Chinese supplies. In face of the Japanese blockade, fresh shipments of the regulus, oxide or ochre, can be made only with great difficulty, and most of the material afloat has already been absorbed or is being resold at high prices. A permanent shortage, however, seems most unlikely, for the world's available deposits show no signs of exhaustion.

The use of both tungsten and antimony is probably destined to increase still further. And, in that connection, the course of political events in China may be a matter of some concern in the future. In neither instance is China the only producer, but in both her rôle is indispensable.

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Finance and Banking

The Turn of the Year.—With the exception of the abnormal war years, the money market avoided borrowing from the Bank of England over the turn of the year for the first time within the memory of almost, if not quite all, its members. Possibly because of the repayment of the French credit, some of the banks broke their usual practice of not buying bills during December, and instead continued buying bills right up to the end of the month. This helped to keep the money market supplied with funds, and then during the last week of the month the market adopted its usual practice of timing its Treasury bill payments and maturities so as to throw the whole onus of borrowing upon the Government. The market's holdings of commercial bills and bonds were carried without resort to the Bank. Meanwhile, the floating debt return for December 31st reveals the Government's plight:—

	FLOATING DEBT			
	(£ millions)			
	Dec. 25th	Dec. 31st	Change	
Treasury bills	942	890	— 52	
Ways and Means Advances—				
Public Depts	41	39	— 2	
Bank of England	Nil	56	+ 56	
Total	983	985	+ 2	

Thus once more the market has made the Government do the market's borrowing with considerable success. There may, however, be a day of reckoning on March 31st, for the market will then have no maturities and will have to pay for the new bills maturing at the end of June.

The President Helps Silver.—President Roosevelt after all, has not let the silver market down. The bears who had opened up their positions on the expectation that he would, have this week been scuttling to cover. As a result of the declaration on United States silver policy, the position in the silver market remains substantially unchanged. The one alteration announced is the reduction from 77.57 cents to 64.64 cents in the price paid by the United States Treasury for newly-mined domestic silver. The cut in the price offered for domestic silver is a development of no importance to the world price for the metal. It still leaves the figure paid to United States producers at a premium of 44 per cent., and though it may cause protests among the politically important silver interests, their resentment cannot translate itself into offerings of silver on the external markets.

Of much greater importance from the point of view of the international silver market is the fact that the United States Treasury has renewed its bilateral agreements with Mexico and Canada for the purchase of silver until the end of 1938. If these agreements and that relating to domestic silver account for the whole of the production in the countries concerned they will cover as much as 65 per cent. of the output of silver on the basis of the 1936 figures. They will probably apply to a much larger proportion of the 1937 output, since American domestic production has been going ahead by leaps and bounds under the stimulus of the subsidy. Moreover, the agreement between the United States and China for the exchange of silver for gold or dollars has been renewed until the beginning of next July. Of even greater significance than the renewal of these agreements is the fact that the United States Treasury has left unchanged at 44½ cents the price which it will pay for imported silver—whether it falls within or without the scope of the bilateral agreements. It is reasonable to assume that if the American authorities had decided to reduce their price for imported metal they would have done so at the beginning of the year, and thus made the step coincide with the lapsing of the International Silver Agreement and with

the reduction in the price for domestic metal. And so the position is "As you were" for the silver market. There is still the anchor of an American price for imported silver on which to depend. Though that price may be shifted without notice, the strong probability is that it will not move for some months to come.

Bankers' Clearings in 1937.—Superficially, the total of bank clearings for 1937 suggests a further general increase in activity. All four totals are higher than in 1936, and carry on the upward trend of previous years. Further examination shows, however, that the past year's increase was in every case proportionately less than that registered a year ago:—

	1935	1936	1937
(£ millions)			
London clearings:—			
Town clearings	32,444	35,039	36,719
Metropolitan clearings	1,887	2,040	2,162
Country clearings	3,229	3,538	3,805
Total	37,560	40,617	42,686

To obtain a true picture, it may be well to compare the changes quarter by quarter. Taking London clearings first, the following is the record of 1937 compared with the previous year.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Town	+ 1,349	+ 1,064	+ 201	— 934
Metropolitan	+ 16.0	+ 12.9	+ 2.3	— 9.5
Country	+ 6.9	+ 10.6	+ 6.2	— 0.5
Total	+ 1,453	+ 1,219	+ 298	— 899

The fourth quarter's decline in Town and Metropolitan clearings brings to light very clearly the marked falling-off in Stock Exchange business and the reaction of the recession in security prices upon spending in London. To the extent that Metropolitan clearings reflect the volume of retail trade, the real shrinkage may be greater if allowance were made for the year's rise in retail prices. On the other hand, Country clearings have kept up reasonably well, and their resilience suggests that no general trade recession has occurred. The movement of Provincial clearings, however, is less reassuring. Comparisons with 1936 were good up to the end of September, but the fourth quarter shows declines ranging from 2.3 per cent. for Leeds to 19.8 per cent. for Bradford. Increases over the last quarter of 1936 were recorded by Sheffield, Hull and Newcastle-upon-Tyne.

Bank Clearings Since 1900.—We publish this week on page 96 of our Statistical Appendix a record of the annual totals of London and Provincial clearings from 1900 to 1937. The main feature of the table is the enormous growth in the three London clearing totals. Between 1902 and 1937 Town clearings have increased in the proportion of 100 to 402, Metropolitan clearings since 1908 from 100 to 334, and Country clearings since 1902 from 100 to 437. Complete totals for Provincial clearings have only been available since 1922, and have fallen, proportionately, since that year from 100 to 82. The rise in prices since pre-war days is partly responsible for the big increases in the London clearings, while, conversely, the post-war fall in Provincial clearings reflects the decline in prices since the early 'twenties. Other factors than that of changing prices, however, are needed to explain the London expansion. These factors include the growth in investment and financial business and the spread of the banking habit to a much wider section of the population than a generation ago.

MONEY MARKET NOTES

Foreign Exchanges

Francs were inclined to be weak, and the French Control has had to give some support to keep the spot rate down to Frs. 147.30 and to bring the three months' rate back from Frs. 4½ to Frs. 4 discount. The continuance of labour troubles is one cause of weakness, while the Banque de France return dated December 30th, published on January 6th, shows a further Frs. 5,000 millions of loans from the Banque de France to the Government. There are apparently certain offsets against this new borrowing, but the margin available for further borrowing must be getting low. The New York rate weakened suddenly on Tuesday to \$5.0140, largely on silver rumours, but this was a very temporary movement, for the rate has now come back to \$4.99½. Belgas, guilders, and Swiss francs moved with the dollar in relation to sterling.

The Money Market

The fact that there were no loans from the Bank to be repaid has made money exceptionally easy for the opening week of the year. The heavy payments due for Treasury bills on January 1st were easily arranged, the more so as many of the bills had already been

sold forward to the banks. All this week bills have been in keen demand by the banks, but bill-brokers have so much money available that they are reluctant to sell. Minimum rates are once more in force.

	Jan. 7, 1937	Dec. 30, 1937	Jan. 6, 1938
Bank Rate	2½	2½	2½
London Deposit Rate	2½	2½	2½
Short Loan Rates:—			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½	1½	1½
Discount Rates:—			
Treasury bills	17½	17½	17½
Three months' bank bills	9½	9½	9½

* Viz. ½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

The seasonal contraction in tender issues of Treasury bills is now beginning. On January 7th only £40 millions of bills are being offered, against maturities of £50 millions. At the moment the total tender issue stands at £622 millions, and this will probably be the peak figure for the current financial year.

The Bank Return

This week's drop in the note circulation is £12.7 millions, which is an un-

usually big contraction for a single week, even just after Christmas. There are only another £12 millions of the Christmas notes still outstanding, and once these have returned the fiduciary note issue will presumably be reduced to £200 millions.

	Jan. 6, 1937	Dec. 22, 1937	Dec. 29, 1937	Jan. 5, 1938
(£ mill.)				
Issue Dept.:				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	462.7	509.3	505.3	492.6
Banking Dept.:				
Reserve	51.4	38.0	41.9	54.5
Public Depts.	13.5	10.8	11.4	14.4
Bankers' Depts.	110.2	98.2	120.6	129.2
Other Depts.	38.4	36.5	36.6	37.4
Govt. Secs.	93.3	96.5	114.6	108.3
Discounts and Advances	14.4	7.5	9.2	15.1
Other Secs.	21.1	21.5	20.9	21.1
Proportion	31.7%	26.1%	24.8%	30.1%

The return of notes from circulation has raised the Reserve by £12.6 millions and also replenished bankers' deposits. £3.0 millions, however, have been diverted by motor vehicle duty and other tax payments into public deposits. The repayment on January 1st of the money borrowed by the Treasury from the Bank over the turn of the year explains the drop in Government securities. In spite of the absence of market borrowing, discounts and advances are £5.9 millions higher.

Guaranty Trust Company of New York

Incorporated with limited liability in the State of New York, U.S.A.

Condensed Statement, December 31, 1937

RESOURCES		LIABILITIES	
Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers ..	\$478,270,301.14	Capital	\$90,000,000.00
Bullion Abroad and in Transit	69,987.00	Surplus Fund	170,000,000.00
U.S. Government Obligations	540,506,067.95	Undivided Profits	11,690,064.38
Public Securities	53,300,711.96		\$271,690,064.38
Stock of the Federal Reserve Bank ..	7,800,000.00	Dividend Payable January 3rd 1938 ..	2,700,000.00
Other Securities	16,817,682.73	Foreign Funds Borrowed	106,000.00
Loans and Bills Purchased	623,244,876.98	Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc.	20,422,691.37
Items in Transit with Foreign Branches	269,113.81	Acceptances	\$15,065,770.59
Credits Granted on Acceptances	27,127,146.90	Less: own Acceptances held for Investment	17,938,623.69
Bank Buildings	12,424,191.87		27,127,146.90
Other Real Estate	461,961.24	Liability as Endorser on Acceptances and Foreign Bills	\$821,208.00
Real Estate Bonds and Mortgages	2,048,627.06	Agreements to Repurchase Securities Sold	1,260,314.00
Accrued Interest and Accounts Receivable	19,594,268.87	Deposits	\$1,424,208,361.03
		Outstanding Cheques	25,599,151.83
			\$1,449,807,512.86
			\$1,781,934,937.51

Securities carried at \$11,222,922.29 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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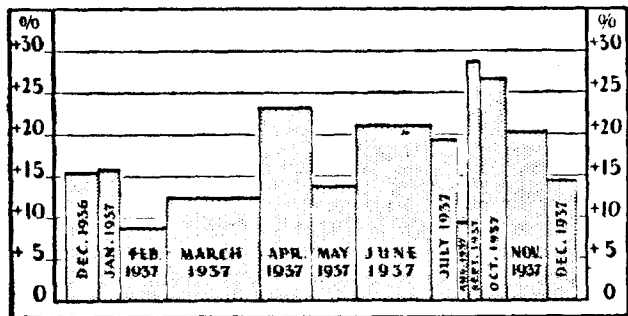
BRUSSELS

HAVRE

ANTWERP

Investment

Industrial Profits in December.—After a succession of three months, in which the percentage advance in profits exceeded 20 per cent., the improvement registered by the 152 companies reporting during December, 1937, was reduced to 14.69 per cent. The absolute total of net profits for these companies amounted to £18,101,112, compared with £15,781,428 for the previous year. Hitherto we have recorded, month by month, the percentage advances in industrial profits as each month's reports have been received. In the annexed diagram we have endeavoured to present a comparison which will take account both of percentage and absolute changes in each month in the year:—



A few words of explanation regarding the composition of this chart may clarify its potential uses. On the vertical scale, percentages are plotted, corresponding to the rate of increase shown by the total profits, declared in any one month, over the profits of the same companies for the preceding financial year. Movements in the height of the blocks, in other words, correspond to movements in the monthly percentages which we have presented hitherto. It will be noticed, however, that the base line of each monthly block is of varying width. The width, in fact, is determined by the absolute amount (in £'s) of the total profits shown in any given month. For example, in September, 1937, the rate of increase was the highest of any month; for the advance was as much as 27.80 per cent. In December, 1937, the rate of increase was less than 15 per cent. But the sum total of profits in September was only £7,269,607, whereas in December it was £18,101,112. The base line for December, therefore, is two-and-a-half times as large as that for September. The varying base line is, of course, designed as a safeguard against the danger of drawing unreliable conclusions from percentages which must be based on a fluctuating sample of results. As the chart shows clearly, the size of the actual sample varies very considerably at different periods of the year. The areas of the rectangles have, of course, no significance in themselves.

Foreign Bonds in 1937.—The latest calculations of the index of foreign bond prices, computed by Municipal and General Securities Company, Limited, refer to the last day of 1937, and thus provide material for a year's retrospect. The total index (January-June, 1934 = 100) fell in 1937 by 22.2 per cent. from 110.3 at the end of December, 1936, to 85.8 on Friday last. Both the defaulted and undefaulted indices now stand very close to the latter figure, although the former, of course, suffered the heavier fall last year. European issues have risen fractionally, and Egyptian issues have varied but little

on balance. These movements, however, have been totally submerged by the headlong falls in Far Eastern and South American bonds. Details of the total and component indices covering the past thirteen months are given below:—

AVERAGE JANUARY-JUNE, 1934 = 100

End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Undefaulted Bonds	Defaulted Bonds
				States	Provinces	Total			
1936 December	(31) 97.7	(31) 114.0	(4) 99.7	(36) 120.2	(11) 110.0	(47) 117.8	(113) 110.3	(59) 105.8	(54) 110.3
1937 January	103.6	116.2	100.6	128.5	131.7	129.3	117.0	107.3	128.5
February	(30) 102.9	120.0	99.6	131.8	131.8	131.8	119.0	108.1	131.4
March	(29) 100.3	120.8	97.8	126.2	120.1	124.7	115.7	106.7	126.0
April	100.9	120.2	97.1	124.7	122.7	124.3	115.4	106.6	125.4
May	101.6	123.1	98.3	124.3	120.7	123.4	114.2	108.0	125.3
June	101.3	125.5	98.1	124.8	118.2	123.2	114.4	109.0	125.1
July	105.9	117.6	97.9	127.8	117.5	125.3	116.7	106.3	128.6
August	103.1	95.3	98.5	122.4	118.4	121.4	107.7	99.1	117.4
September	101.9	87.2	99.5	116.1	111.8	115.0	102.4	95.9	109.7
October	(28) 99.0	88.1	98.3	105.1	108.2	105.8	(109) 98.5	(54) 95.5	(55) 101.5
November	97.7	81.6	97.9	82.4	74.2	80.4	95.5	88.6	82.5
December	98.4	81.6	98.6	82.6	75.0	80.7	85.8	86.6	85.0

N.B.—Figures in brackets denote number of bonds included.

It is perhaps some slight consolation that no single geographical division of the index recorded a fall last month, although there was a striking divergence between defaulted and undefaulted bond movements. Altogether, 1937, which started as a promising year for the foreign bondholder, ended miserably in circumstances of war and default.

Railway Receipts in 1937.—The railways' "traffic year" has closed with a gross gain of £7,106,000 for the fifty-two weeks ending January 2, 1938. The figures, of course, exclude three days of 1937 (two days for L.N.E.R.) and include two days of 1938 (one day for L.N.E.R.). It is scarcely necessary, however, to take account of such refinements in estimating potential earnings on the marginal stocks in respect of a year which has seen such substantial changes in operating conditions. We may first, however, set out the changes in receipts by classes, separating the first thirty-nine weeks and the last thirteen in order to show the result of increased charges. The analysis is made in the following table:—

HOME RAIL TRAFFIC INCREASES
(in £'000's)

	Pass.	Merch.	Coal	Total Goods	Total Receipts
Weeks 1-39 L.M.S.	786	542	564	1,106	1,892
Weeks 40-52	263	302	315	617	880
Total inc. L.M.S.	1,049	844	879	1,723	2,772
Inc. % L.M.S.	4.1	3.4	7.0	4.6	4.4
Weeks 1-39 L.N.E.R.	589	464	600	1,064	1,453
Weeks 40-52	174	164	295	459	633
Total inc. L.N.E.R.	763	628	895	1,523	2,286
Inc. % L.N.E.R.	4.5	3.7	7.3	5.2	4.9
Weeks 1-39 G.W.R.	250	316	454	770	1,020
Weeks 40-52	46	121	130	251	297
Total inc. G.W.R.	296	437	584	1,021	1,317
Inc. % G.W.R.	2.7	4.4	11.0	6.7	4.3
Weeks 1-39 Southern	656	— 57	— 27	— 84	572
Weeks 40-52	109	+ 30	+ 20	+ 50	159
Total inc. Southern	765	— 27	— 7	— 34	731
Inc. % Southern	4.8	— 0.8	— 0.7	— 0.7	3.5
Weeks 1-39 Four Cos.	2,281	1,265	1,591	2,856	5,137
Weeks 40-52	592	617	760	1,377	1,949
Total inc. Four Cos.	2,873	1,882	2,351	4,233	7,106
Inc. % Four Cos.	3.9	3.4	7.4	4.8	4.5

It will be seen that traffics as a whole increased by 4.5 per cent. compared with an average increase of *The Economist's* index of business activity of slightly over 5 per cent. for the first 11 months of 1937. Coal led the field, but the general merchandise figures appear a little disappointing. Moreover, it is difficult to explain an advance of no more than £20,000 per week in the average increase for weeks 40-52, compared with weeks 1-39. According to authoritative estimates of the effective increase in receipts which should have resulted from the basic 5 per cent. increase in fares and freight rates from October 1st last, an increase of as much as £108,000 weekly was to be expected. As a source of massive increases in traffics, the rate increases have proved comparatively disappointing.

And Earnings Estimates.—Earnings estimates, further, must take into account the substantial increases in costs arising in 1937. An estimated increase of £1,300,000 in wages may have been involved in the wages award. Increased costs of coal and stores are more difficult to estimate, since the companies have forward contracts for supplies. Sir William Wood's estimate that 1936 quantities at the prices prevailing last June would involve an annual increase in expenditure of £5 millions is thus more relevant for 1938 than for 1937. Finally, increased operations have involved increased direct running costs. The task of estimating potential earnings is thus difficult enough, even if the ancillaries (which should have done much better in 1937) are left out of account. Provisional estimates, however, appear to suggest that L.M.S. ordinary may be covered to the extent of 1½ per cent.—a slight increase on last year's 1¼ per cent. dividend is an evident possibility. L.N.E.R. second preference stock received ½ per cent. in 1936, and may have earned 1 per cent. Precise estimates in the case of this undertaking, however, are impossible, owing to fluctuations in renewals provisions. Some sections of the market expect an increase in the Great Western ordinary dividend. As much as 4 per cent. may well have been earned, but its full distribution is a matter, in the last resort, for directorial decision, in the light of dividend policy during the depression. Little change, finally, is apparent in the potential earnings position of Southern deferred, on which the preceding year's ½ per cent. dividend should be maintained.

Bank and Discount Company Dividends.—The bank share market has been stimulated, and the discount companies shares have at least been encouraged by this week's dividend statements. A year ago, higher profits but stable dividends were the rule. After a year in which bank advances have been increasing—the November totals were some 11 per cent. higher than the figures for the same month in 1936—a sizable increase in profits was virtually assured. It has been achieved by all the banks which have issued their statements as we go to press. These will be found in summarised form on page 97. The Martins Bank profits have increased from £769,988 to £853,566, the latter figure being struck after provision for a staff bonus in celebration of the Bank's centenary in 1931. It covers, however, an increased distribution of 16 per cent., of which 2 per cent. represents a similar bonus to shareholders. A 16 per cent. increase in advances during the year to November plainly accounts for a significant rise in profits. For yield calculations, however, the special nature of the bonus suggests that it should not be taken into account. For Westminster Bank £4 shares, £1 paid, the case is different. The distribution of 18 per cent. paid regularly since 1931 has been augmented by a bonus of 2 per cent., thus restoring the pre-depression rate of payment. Net profits in this instance are struck after tax (at the higher standard rate) and have increased from £1,731,955 to £1,750,589. Premises

reserve again receives £200,000, and provision for pensions is raised from £200,000 to £300,000, at some small expense to the balance carried forward.

To Barclays Bank belongs the proud record of maintaining distributions unchanged throughout the depression, and no increase in the 14 per cent. rate on the "B" and "C" shares was anticipated. A sharp advance in profits, however, is recorded. The net figures, after providing in full for taxation, have increased by £239,464 to £2,133,825. Taking a rough calculation for N.D.C., and adjusting for the change in the standard rate of tax, it would appear that profits have increased by the quite exceptional rate of 19 per cent. before taxation. Premises account receives £50,000 less at £200,000, but reserve is credited with £500,000—raising the total to £10,750,000, compared with an issued capital of £15,858,217. The experience of Barclays Bank, indeed, typifies the banking record of 1937, for this institution enjoyed a very substantial increase in advances, amounting to £21 millions to November, and had reduced its less remunerative bills and investment holdings by a total of £18½ millions. Comparison of the Midland Bank figures is complicated by the issue of £917,261 of new capital to shareholders and staff in the early winter. This capital ranks for the final payment of 8 per cent. actual, the total for the year being maintained at 16 per cent. Net profits show an actual increase from £2,467,894 to £2,508,009, but adjustment for higher taxation and N.D.C. suggests that the "true" advance is of the order of 7½ per cent. The National Discount dividend, which is maintained at 26 per cent. on the "B" shares, was well received, while Alexanders Discount, after reducing the interim payment from 9 to 7½ per cent., has maintained the final payment of 10 per cent. The difficulties in the market for "shorts" are thus reflected in the reduction of this long standing 19 per cent. distribution to 17½ per cent., although the maintenance of the final payment may have some significance.

Lancashire Cotton Progress.—An estimate which appeared in *The Economist* of December 19, 1936, relating to the prospective profits of the Lancashire Cotton Corporation was criticised in the trade as being unduly high. Compared, however, with the Corporation's actual achievement for the year to October last, now published, it stands convicted of modesty rather than extravagance. Appreciable progress had been recorded during the first half of the year, for a statement issued in June showed that profits had amounted to £176,052 (before debenture interest) for the six months to April, 1937, compared with £63,287 for the previous six months. These figures, however, are themselves moderate compared with a trading profit of £593,194 for the full year, against £127,899 for 1935-36. A comparison of total income during the past four years is given below:—

Years to October 31st	Total Income £
1934	44,867
1935	65,244
1936	136,465
1937	608,830

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1937		Dividends		Name of Security	Jan. 5, 1938	Change since Dec. 1, 1937	Jan. 5, 1938	1937		Dividends		Name of Security	Jan. 5, 1938	Change since Dec. 1, 1937	Jan. 5, 1938
High-est	Low-est	(a) %	(b) %					High-est	Low-est	(a) %	(b) %				
28.0	17.6	Nil	Nil	Iron, Coal, &c.—cont. Thornycroft, John & L.	22 1/2		Nil	24.0	14.6	10.0	+12.0	Emerson Aviation 10%	18.0	+4.0	6.13

312½	547	Nil	c	1	c	U. States Steel \$100	\$57½	+ \$6	1 14	9	69	49	6	6	5	a	Finlay (Las.) & Co. £1	53	9	+1	4	2	0				
246½	257	21½	a	6	b	Un. Steel Cos. Ord. £1	26	-3d	6	7	0	146	3	110	-	192	6	7½	a	Gallagher Ltd. & Co. £1	127	6	+1	4	4	0	
39	33	20	7½	8	c	Vickers 10	26	+1/-	3	14	6	9	4	6	Nil	c	Nil	c	Gaumont-Brit. 10/-	6	6	...	...	...	Nil		
39	112	24	4½	7½	c	Ward (Thos. W.) £1	28	+7½d	6	19	2	32	3	19	4	6	10	b	Gen. Refract. 10/-	19	6	-6d	8	4	0		
49	49	32	6	10½	c	Weardale S. & S. Df £1	35	7½	7	0	166	3	78	12	5	20	6	10	b	Harrissons & Cross Df £1	90	...	...	...	...	(d)	
156	153	107	6	22½	a	Whitehead L. S. etc. £1	117	6	0	0	91	10	74	42	13½	6	5	5	a	Imp. Airways £1	25	...	...	5	0	0	
83	9	47	6	15	c	Yarrow & Co. £1	50	-	6	0	0	62	6	34	5	6	9	c	Imp. Chem. Ord. £1	34	...	...	7	4	0		
						Textiles					41	10	31	4½	5	6	6	c	Imp. Smelting £1	13	6	+6d	7	7	0		
12	4½	4	9	Nil	Nil	Bleachers £1	5/-	...	Nil	...	24	9	11	9	Nil	c	5	c	Imp. Tobacco £1	7½	14	...	3	6	0		
12	6	4	10½	Nil	Nil	Bradford Dyers £1	5/-	-3d	...	...	9	52	6	3½	+17	2	6	17½	a	Inter. Nickel n.p.	4½	12	+3½	4	16	9	
11	4½	4	Nil	Nil	Nil	Brit. Cel. Ord. 10/-	5	...	Nil	...	87	52	3	32	-c1	30	25	25	a	International Tea 5/-	11	...	...	5	19	0	
15	6	6	7½	Nil	Nil	Calico Printers £1	7/-	...	Nil	...	22	6	10	6	8	6	5	5	a	London Brick £1	58	...	+6d	7	14	6	
55	-	40	-	10	c	Coats, J. and P. £1	41/-	+3d	4	17	0	76	3	51	3	22½	c	22½	c	Lyons (J.) Ord. £1	5	8	...	3	0	0	
58	4½	-	7	7	b	Courtaulds £1	46	+6d	4	10	6	63	16	47	14	6	81½	a	15	5	5	...	3	0	0		
49	42	35	-	7½	b	English Swg. Ctn. £1	38	+9d	5	Nil	3	93	10	53	9	25	15	15	a	Marks & Spenn. A 5/-	59	4	...	3	0	0	
18	4½	5	9	Nil	Nil	Eng. Cotton Spinn. £1	3	...	5	Nil	3	93	10	53	9	25	15	15	a	Murex & Co. £1	50	...	...	4	9	0	
68	6	32	6	5½	b	Lin. Thread Sbk. £1	33	...	5	0	9	46	9	39	3	98	6	12	a	Philips (Godfrey) £1	36	4	...	6	2	0	
69	6	45	7½	12½	a	Patons & Baldwins £1	48	...	5	2	0	56	-	37	3	12½	b	7½	b	Pinchin Johnson 10/-	37	6	-1/-	5	4	0	
23	9	15	-	2	a	Whitworth & Mit. £1	15	+7½d	7	13	9	67	-	39	6	12½	a	32½	b	Prices Trust Ord. 5/-	40	...	...	5	12	6	
						Electrical Manufg.					67	6	55	-	11	8	3	3	a	Radiation Ord. £1	57	6	...	5	4	0	
56	3	37	3	8	c	Associated Elec. £1	45	+6d	4	9	0	108	9	100	-	22½	c	22½	c	Reckitt & Sons Ord. £1	103	9	...	4	7	0	
135	-	87	6	15	b	British Insulated £1	92	6	4	7	18	9	12	11	18	3	15	a	5	5	Sears (J.) Ord. 5/-	14	...	...	4	14	3
99	9	85	-	15	b	Callenders £1	88	...	4	9	6	21	10	10	6	6	2	2	c	Spinnhill & Arg. Mt. £1	13	9	+9d	3	12	6	
78	57	30	6	9	a	Prompton Park A 5/-	30	...	2	8	8	62	56	13	12	6	2	2	a	Spillers Ord. £1	50	...	...	5	1	0	
79	4	Nil	Nil	Nil	Nil	English Electric £1	30	+6d	Nil	...	4	12	8	9	98	6	12	a	5	5	Swed. Malm. £2	24	3	+2	3	1	0
94	9	70	-	15	c	General Electric £1	77	-	4	9	0	91	6	72	6	4	14	14	b	Tate and Lyle £1	82	6	...	4	8	0	
23	112	17	-	15	b	Henleys (W. T.) 5/-	18	-7½d	4	6	0	77	6	53	11½	5	5	5	b	Tilling, Thos. £1	86	...	...	3	6	9	
54	6	40	-	5	b	Johnson & Phillips £1	41	3	4	17	0	77	6	58	9	5	11	11	b	Tob. Secrs. Ord. £1	67	6	+1	3	15	0	
35	6	26	6	6	c	Siemens £1	28	...	5	4	4	74	3	47	6	60	c	w35	c	Triplex Safety G. 10	52	6	+1/10	12	6	13	
						Electric Light. & C.					93	71	9	72	a	16	16	a	16	a	Tube Investments £1	82	6	...	5	18	0
\$31½	\$10½	Nil	\$1	c	\$1	Brazil Trac. no par.	\$13	+12	7	13	10	112	6	72	6	34	a	16	16	a	Turner & Newall £1	85	-	+1	3	14	0
78	66	9	6	a	6	Bournemouth & Ple.	67	6	4	8	11	60	52	5	5	7	7	b	7	b	United Dairies £1	51	...	...	4	7	0
37	72	10½	2	4	b	Busch Re. & L. £1	42	...	4	12	8	34	9	20	9	64	15	6	6	6	5	7½	+7½d	5	9	6	
46	6	38	-	5	b	City of London £1	34	...	4	8	0	45	3	36	6	5	12	6	6	6	W. Ippart Mtrs. Def. £1	37	...	...	6	15	0
55	45	9	7½	3	a	Clyde Valley Elec. £1	40	-	4	0	0	45	-	36	10½	6	6	3	a	Wiggins, Teape Ord. £1	38	3	+3d	4	15	0	
45	37	-	5	b	a	County of London £1	49	-	4	6	0	98	3	61	3	45	15	a	5	5	Woodworth Ord. 5/-	70	...	...	4	6	9
39	32	-	5	b	a	Edmundsons £1	38	-	4	13	0	...	...	...	...	...	...	...	...	Mines							
35	30	4	3	a	a	Lancashire Elec. £1	33	-	4	8	0	81	10½	55	6	95	c	95	c	Ashanti Goldfields 4/-	65	7½	+7½d	5	19	0	
51	43	4	3	a	a	Land. Ass. Elec. £1	31	3	4	9	7	24	3	11	3	p7½	a	p11	b	Burma Corp. Rs. 9/-	12	3	+3d	13	4	0	
51	43	4	3	a	a	Metro. Electric £1	45	-	4	7	6	7	3	1	9	Nil	c	Nil	c	Commonwealth Mng. 5/-	3	...	...	3	9	0	
34	39	6	5½	b	a	Midland Counties £1	37	6	4	5	12	9	34	9	20	32	c	32	c	Crown Dist. S. At. £1	70	10½	+1	3	5	0	
41	39	30	6	a	a	North East £1	32	-	4	7	9	163	32	...	...	...	...	...	...	Crown Meters 6/-	15	...	...	6	2	0	
56	45	3	6	a	a	North Metro. £1	47	6	4	3	23½	11	13½	Nil	30	a	De Beers (Df.) £2½	12	2	12½	+3d	5	12	0			
42	35	6	5½	b	a	Scottish Power £1	37	-	4	6	0	96	6	57	20	20	c	20	c	Joburg. Cons. £1	65	...	...	6	3	3	
45	36	9	5	b	a	Yorkshire Electric	39	6	4	1	0	19	8½	25	a	37½	b	37½	b	Rhokana Corp. £1	11	16	+1½	5	12	0	
						Gas					32½	15½	Nil	Nil	Nil	10	10	10	10	Roan Tinto 5/-	19½	...	+1½	2	Nil	...	
27	23	11½	5½	c	5½	Gas L. & C. £1	25	-	4	8	6	29	9	14	-	30	a	50	b	Roan Antelope Cpr. 5/-	19	3	+1/6	6	...	(b)	
165	134	6	6	a	a	Imp. Cont. Stk.	137½	...	7	5	6	14	8	75	75	a	50	b	50	b	Union Lig. 12/- fy pd	109	...	...	7	6	0
26	9	22	6	2½	b	Newc.-on-Tyne £1	21	...	4	9	6	22	13	137	-	6	6	6	6	Sw. Nibel Corp. £1	163	9	...	5	2	0	
120½	100¼	3	8	2½	a	S. Australian Stk.	102	-12	5	7	10	191½	57½	...	...	...	...	...	...	W. W. Stewart 10/-	8	3	+1½	8	...	Nil	
						Motors and Cycle						35	6	3	10	c	10	c	10	c	Wiluna Gold £1	6	3	...	...	...	Nil
86	101	9	10	15	c	Albion Motors Ord. £1	47	6	+1	3	6	6	4	...	...	...	...	...	...								
52	3	31	3	12½	a	Assoc. Equip. Ord. £1	39	4½	+7½d	3	16	0	17	...	...	...	...	...	...								
50	4½	29	4½	50	c	Austin 5/-	20	-	1	3	8	6	9	...	...	...	...	...	...								
28	12	19	6	Nil	Nil	Birm. Sm. Arms £1	23	-	+6d	Nil	...	...	...	...	...	...	...	...	...								
37	9	19	4	33½	a	Dennis 1/-	20	-	...	5	16	9	...	...	...	...	...	...	...								
33	19	4	5	6	c	For Motors £1	22	-	-6d	5	8	6	...	...	...	...	...	...	...								
72	49	55	7½	12½	b	Fuchs, J. (£1) £1	57	6	...	5	4	4	...	...	...	...	...	...	...								
74	79	70	17½	c	a	Leyland Motors £1	86	3	+9	4	12	6	...	...	...	...	...	...	...								
43	29	6	115	a	c	Morris Motors 5/- Od.	33	-	+6d	6	16	0	...	...	...	...	...	...	...								
80	-	5	5	a	20	Ral. Cycle Hold. £1	61	3	+1	3	8	6	...	...	...	...	...	...	...								
135	-	86	3	15	6	Rolls-Royce £1	92	6	+3	9	4	11	0	...	...	...	...	...	...								
18	9	13	9	25	c	Stand. Motor 5/-	15	7½	...	9	12	0	...	...	...	...	...	...	...								
						Shipping																					
105	53	15	5	a	a	Cian Line Steam. £1	6	...	3	6	9	...	...	...	...	...	...	...	...								
37	7½	Nil	Nil	Nil	Nil	Funard £1	22	-	...	2	15	0	...	...	...	...	...	...	...								
37	13	19	9	8	c	Cunard £1	22	-	...	3	14	0	...	...	...	...	...	...	...								
37	4½	19	6	a	p	P. & O. Def. £1	22	-	...	3	14	0	...	...	...	...	...	...	...								

NEW ISSUE PRICES									
Issue	Issue price	Jan. 5, 1938	Change since Dec. 29	Issue	Issue price	Jan. 5, 1938	Change since Dec. 29		
Austria 3½%	97	9½-7½ dis	- ½	Cent Electric 3½% Deb.	96	¾-1 pm	+ ¼		
Belgium 4½%	97	1½-1½ dis	- ½	Lillywhite 1/-	4/6	3/9-4/3	...		
Clyde Crane Ord. 4/-	5/6	4/6-5/-	- 3d	Mid. Bk. £1 New Merc.	20/-	19-1/3 dis	+2/-		
Do. 6% Pref. 20/-	95	17/-17/6	- 6d	Port of London 10/-	101	7½-11 pm	+ ½		
Cov'try 3½%	101	9½-11½ pm	+ 5½	Wiluna Gold £1	6/3	...	...		

Jan 5	Change	Leave	Jan 5	Change
1			1	
2			2	
3			3	
4			4	
5			5	
6			6	
7			7	
8			8	
9			9	
10			10	
11			11	
12			12	
13			13	
14			14	
15			15	
16			16	
17			17	
18			18	
19			19	
20			20	
21			21	
22			22	
23			23	
24			24	
25			25	
26			26	
27			27	
28			28	
29			29	
30			30	
31			31	

UNIT TRUST PRICE

as supplied by managers and Unit Trusts Association

Oil				
132/-	69/-	25 c	5 a	Anglo-Iranian £1 ... 79 4½ +39
42 1/2	28/-	12 1/2 a	32 1/2 b	32 3/8 +11 7 0
43	17 9	Nil	Nil	35 7/12 +10 12 Nil
133 9	98/-	22 1/2 b	5 a	118 9 +3 9 13 0
32 1/2	8 3	10 1/2 ps	11 d ps	11 - -3d 8 12 0
£50 2	£34 5	11 d ps	6 a	£40 3 +14 4 18 0
147/-	85 -	12 1/2 b	7 1/2 a	98 9 +3 9 4 0
172/-	88, 11 1/2	10 a	20 b	99 4 1/2 +7 1/2 5 18 0
Miscellaneous				
26 3	19 3	5 c	5 c	Aerated Bread £1 ... 20 - - - 5 0
36 6	23 -	8 c	9 c	Allied News £1 ... 24 - - - 7 12
36 4 1/2	22 -	6 c	7 c	Amal. Metal £1 ... 25 - - - 7 2
24 3	16 3	6 b	6 b	16 3 -3d 7 0
18	11, 10 1/2	11 b	10 b	15 - - - 7 0
24 3	15 9	26 1/2 c	26 1/2 c	17 1/2 x +3d 7 14 0
110 3	72 1/2	15 b	7 1/2 a	Assoc. P. Cement £1 87 6 - - 5 2
85 3	67 1/2	10 b	5 a	Barker (John) £1 ... 72 6 - - 4 2
64 6	42 -	m 29 c	m 29 c	Boots Pure Drug 5 46 10 1/2 +1 10 1/2 3 2
36 6	25 6	5 c	5 c	Borax Deferred £1 ... 27 6 - - 5 9
27 -	20 -	5 c	2 1/2 a	Bovril Deferred £1 ... 22 6 - - 4 Nil
38 3	13 3	9 c	Nil c	Bow. Paper Mills £1 ... 47 6 +9d 5 0
64 6	42 1/2	15 b	7 1/2 a	Bristol Aero £1 ... 14 6 - - 4
56 6	44 -	10 c	4 a	14 6 - - 4 6
39 4 1/2	39 -	7 b	2 1/2 a	British Match £1 ... 35 - - 4 7
61 1/2	41 1/2	120 c	12 1 1/2 c	Brit.-Amer. Tob. £1 ... 57 6 - - 3 18
138 9	76 3	8 b	7 a	British Oxygen £1 ... 82 6 - - 3 12
75 7 1/2	60 -	7 1/2 c	17 1/2 b	Brookhouse (J.) £1 ... 61 3 -1/3 8 3
55 1/2	59	Nil c	Nil c	Cable & W. Ord. ... 66 1/2 - - Nil
25 1/2	7 3	15 a	20 a	Carreras A Ord. £1 ... 7 1/2 +1 1/2 4 12
25 -	13 -	20 a	25 c	Crittall Mig. Ord. 5/- 13 6 - - 5 4
63 9	30 6	10 c	10 c	De Havilland Air £1 39 4 1/2 +1 10 1/2 5 10
51 -	32 6	8 c	10 c	De Laval £1 ... 37 6 - - 5
27 7 1/2	15 3	10 b	10 b	Eastwood Ord. £1 ... 32 6 - - 8 0
34 1 1/2	25 -	30 c	15 a	Elec. & Mus. Ind. 10/- 26 - - +3d 6 5
				Ever Ready Co. 5/- ... 16 - - 8 13

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (k) Yield on 30% basis.
(m) Including bonus of 5% free of tax. (r) Calculated at 18½ annas per share of Rs. 9. (p) Annas per share. † Free of Income Tax.
(n) Yield worked on 35% basis. (s) Yield on 16½% basis. (q) Highest price 132½ and 25 per cent. dividend on old shares, before
50 per cent. capital bonus. Yield at 25 per cent. = £6 6s. 0d. at 16 per cent. = £4 0s. 0d. (w) Paid on £300,000 more capital than in preceding year.
(d) 17½ per cent. cash dividend and 7½ per cent. in deferred ordinary stock. (y) Dividend before the 200% capital bonus 4s. per share.

(Continued from page 77)

Thus, at a single stride, the Corporation has stepped into the zone of high profits. Lancashire will have every satisfaction with these figures.

* * *

In their distribution policy, however, the directors have followed the cautious line indicated by the chairman last April. Before allowing for £78,783 brought forward, but after providing £3,960 in respect of fees, the distributable profit for the year amounts to £604,870. Debenture interest absorbs £75,000 gross. The directors then provide £155,000 for depreciation reserve—the first appropriation in the history of the Corporation—which closely corresponds to the figure suggested in our article thirteen months ago. After provision for the 5 per cent. preference dividend, a balance of £305,995 is available for the ordinary stock—equivalent to earnings of 18.4 per cent. The general expectation that no ordinary dividend would be paid, however, has proved correct. Some £150,000 of this surplus is transferred to general reserve, and the balance carried forward is increased from £78,783 to £234,778. The results testify to the success of the price agreements in the cotton spinning industry, but the directors' caution will be generally approved. The revised balance sheet was much strengthened after the reconstruction last January, but ordinary stockholders should not begrudge further addition to its strength. The latest balance sheet shows a substantial increase in stocks, from £770,928 to £1,096,469, and an improvement in the cash position from £260,736 to £398,292. Altogether, net current assets have increased from £1,356,000 to £1,858,000. The Corporation's finances, in short, have been put in a much more healthy position. Whether the current year's earnings will match those of 1936-37 is, perhaps, open to argument. New business has declined since the end of the financial year, though spinning

margins remain satisfactory. This element of doubt has been reflected in the movements of the preference and ordinary stocks which after this week's rise stand at 19s. 6d. and 13s. 9d., respectively, compared with last year's "highs" of 20s. 10½d. and 16s. 9d.

* * *

The Week's Capital Schemes.—The two reorganisation schemes published this week leave very mixed impressions. The Oswald Tillotson scheme has little to commend it. A loss of some £234,887 is to be made good by the cancellation of 25 per cent. of the existing £100,000 7 per cent. cumulative preference shares, and the reduction of the £213,444 of ordinary capital (some 78 per cent. of which is held by directors) to £3,557. In consideration of this capital cut and of the cancellation of four years' arrears, preference shareholders are to receive a 5 per cent. cumulative preferential dividend and three-fifths of the remaining surplus of profits up to a further 5 per cent., while capital rights are adjusted so that original payments on winding-up are retained. Thus preference shareholders are to receive, in effect, a 3½ per cent. cumulative dividend and a further 3½ per cent. contingent upon profits. Ordinary shareholders lose nothing except, at the worst, the cession of an extra ½ per cent. to preference shareholders, who, at best, receive only this ½ per cent. in return for the sacrifice of arrears and a reduction in cumulative dividend. Preference shareholders should clearly demand the reconsideration of so ungenerous a scheme and a satisfactory share in the equity as compensation for their sacrifice. The reconstruction plan of W. H. Dorman and Company is not the first to be carried through by this engineering concern. The trend of profits, if not their absolute amount, is fairly satisfactory, and provided one obscure point is cleared up there can be no objection on the part of shareholders to tidying the balance sheet. A deficiency of £169,548 is to be met by reducing the £73,750 5s. ordinary shares by 60 per cent. to £29,500, and the £250,000 5½ per cent. non-cumulative preference shares by one-half to £125,000. But preference capital rights are unchanged, and the nominal rate of dividend is doubled. The only real change is the proposal to ask second debenture stockholders to agree to a reduction in interest from 10 per cent. to 6 per cent. and to the postponement of redemption. The inducement to debenture holders to agree to this amendment of their rights is not disclosed. There is no reason, however, for preference shareholders to take exception to the plan.

* * *

Other Company Results.—The seasonal drop in the number of reports published continues, and our usual analysis of profit and loss accounts appearing on page 98 comprises only twenty further companies. Our table now also shows cumulative totals since the beginning of the year. The week's results are discussed on pages 82 and 97 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—At the *Bank of Montreal* meeting, held in Montreal recently, Sir Charles Gordon reviewed the improving conditions in Canada in the past year. In certain districts the wheat crop had failed through drought, but various factors, such as industrial development, had offset this failure. It was explained by Mr B. G. Tarran to the members of *Tarran Industries* that no dividend had been recommended, since it was desired to conserve resources to finance the extensions of the business. Mr Gerald W. P. Portman, addressing *Chosen Corporation* proprietors, discussed the liquidation of Nurupi K.K.K., of whose net assets the company would receive 65 per cent. Mr P. E. Marmion, addressing *Burma Corporation* shareholders at Rangoon, reviewed the market movements of each of the metals produced by the Corporation. Price changes of lead, spelter and copper had never been more beneficial to the company.

Stock Exchange Bank Clearings.—We give below our customary annual table showing the average excess of Bank Clearings on Settlement Days over non-Settlement Days. The "non-settling day" average figures 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.

	1935	1936	1937
	£	£	£
Grand total of clearings on non-settlement days	33,863	36,463	38,442
Daily average	125.9	134.4	142.9
Daily average on settlement days ...	154.0	173.0	176.8
Increase on settlement days	28.1	38.6	33.9
Proportionate Increase	22.3%	28.6%	23.7%

The proportion of the total clearing directly connected with Stock Exchange business is, of course, higher than the percentage increase shown on settlement days,

since there is a substantial Stock Exchange clearing turnover on all working days especially on those immediately following the settlement. As compared with 1936, the grand total of clearings on settlement days showed an increase of 2.2 per cent. This is the smallest increase shown in any year since 1933, and it clearly reflects the net result of a fall in Stock Exchange dealings and a rise in other clearing turnover. The grand total of £4,244,344,000 was actually the best on record, apart from the figures for 1928 and 1929. The average increase on settlement days showed a marked decline, however, as compared with the average for the preceding year. This is a reversal of the experience of each of the four years from 1933 to 1936. The amount of the increase on settlement days in 1937 was less than in 1936 by £4.7 millions but was actually £5.8 millions higher than in 1935. On the whole these figures tend to confirm the impression that the monetary value of Stock Exchange transactions fell off in advance of most other economic and financial indicators last year. But the fall was not nearly as severe as the decline in Stock Exchange prices would have suggested.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET: ACCOUNT:
JANUARY 18 JANUARY 20

THE first Account of the New Year has opened without any obvious movement in trend. The two features of prime investment interest—the President's message to Congress on the one hand, and the December unemployment return on the other hand—have roughly cancelled out. Movements in the indices have thus been small. Bank shares have responded—in the case of Westminster £4, £1 paid, vigorously—to the week's dividend and profits announcements (which are discussed on page 77), and the tone in the gilt-edged market has remained firm. But among industrial shares generally, features have been rare. Investors are still making reservations regarding potential trade movements.

A small volume of trading in gilt-edged at first paved the way for increased turnover, and the advance in prices was accompanied by reports of "preparation" for new Government borrowing, though such reports, naturally, obtained no confirmation. In mid-week conditions were quieter, although Local Loans made further progress. An increased demand for home corporation scrips found the market rather short of stock, and prices responded smartly.

Foreign bonds were rather neglected and depressed. Brazilian issues were affected by the absence of any declaration regarding the coupons due on January 1st, and continued heavy throughout the week. Japanese bonds opened slightly higher, but the movements apparently reflected were anticipations of the sinking fund purchases, and were not held. Roumanian issues lost ground at first, owing to political influences.

* * *

At first, home rail issues were neglected, but support gradually increased, until the appearance of the traffics. These were considerably better than the market's estimate, and stimulated prices considerably. These advances, however, were not fully maintained, as emphasis upon increasing costs appeared

to impress the market on Thursday. Earnings possibilities are examined on page 76. Argentine rail stocks declined in the absence of interest, but were maintained at the lower levels.

Rhodesian coppers were irregular, and base metals dull.

"FINANCIAL NEWS" INDICATORS

1937	Total Bargains†	Corres. Day 1937	Security Indices
			30 ord. shares* 20 fixed int.†
Dec. 31 1936	5,540	Closed	95.9 129.1
Jan. 3	5,665	13,405	95.7 129.2
Jan. 4	5,665	10,073	95.9 129.3
Jan. 5	6,390	12,357	96.3 129.4
Jan. 6 1937	5,960	10,311	96.3 129.5
High...	...	...	124.8 136.6
Low...	...	...	93.1 126.0
			Nov. 22 Sept. 8

* Approx. total recorded in S.E. List. * July 1, 1935 = 100. † 1928 = 100.

New York

THE Old Year closed on Wall Street in subdued mood, and markets reopened in the New Year expecting shocks from the President in his message to Congress. Compared with the previous attacks from Messrs Ickes, Jackson and Cummings, the President's references to business appeared restrained, and markets improved; but on second thoughts Wall Street found little basis for increased confidence, and practically all the day's gains were lost in the last hour. This poor ending was marked by the news that the Erie Railroad had defaulted on its bonds. On Tuesday a substantial all-round improvement occurred, based on a further revision of views regarding the President's intentions; it was hoped that the absence of menaces in his speech implied a desire to conciliate business. Steel and aircraft issues were prominent in a rise which pushed the Dow Jones index up by over 4 points. The firmer sentiment was not long maintained in mid-week, since the Budget message, a compromise between the balance and the priming theories, was a weakening influence, and the retirement of a conservative justice of the Supreme Court was not welcomed. Railroad issues were weak, and particularly Baltimore and Ohio. Steel mill activity for the current week is estimated by *Iron Age* at 25.5 per cent. of capacity against 20 per cent. for last week, but the outlook is still very uncertain.

THE BANKER

Contents of the JANUARY issue include:

BELGIUM:

ECONOMIC AND FINANCIAL RECOVERY

THE BRITISH BANKING YEAR

BRITISH EMPIRE BANKING IN 1937

INTERNATIONAL BANKING IN 1937

The price of THE BANKER, which can be obtained from any good-class newsagent, is 2s. 6d., or will be sent on application (2s. 9d. post free) to:

The Publisher, 20, Bishopsgate, London, E.C.2.

New York Prices

	Close Latest			Close Latest	
	Dec.	Jan.		Dec.	Jan.
	30,	6,		30,	6,
	1937	1938		1937	1938
1. Rails & Transport					
Atchafalaya	37 1/2	37	Brisquit	19 1/2	22 1/2
Balt. & Ohio	10 1/2	9 1/2	Chrysler	48 1/2	50 1/2
B.M.T.	9 1/2	9 1/2	Gen. Autolite	16	18 1/2
Can. Pacific	7 1/2	7 1/2	Elec. Motors	30 1/2	31 1/2
Ches. & Ohio	33 1/2	34	Hudson Mfr.	6 1/2	9 1/2
C.N. Ry. Pl.	21 1/2	22 1/2	Stag Kcdynr	9 1/2	10 1/2
Ill. Cent.	9 1/2	9 1/2	Packard Mfr.	9 1/2	10 1/2
N.Y. Central	17 1/2	17 1/2	Bendix Avn.	11	13 1/2
Norfolk & W.	10 1/2	10 1/2	Boeing Avn Pln	31 1/2	34 1/2
Pennsylv. R.	21 1/2	21 1/2	Douglas Air.	38 1/2	41 1/2
Southern Pac.	18 1/2	19 1/2	United Aircft.	25	26 1/2
Southern Ry.	11 1/2	11 1/2	Air Reduction	50	51 1/2
Union Pac.	82	84	Allied Chem.	164	168 1/2
Greyhound	9 1/2	9 1/2	Car. Carbon	67	74 1/2
			Dupont	117	113 1/2
			Gen. Cable	74 1/2	74 1/2
			U.S. Ind. Aic.	20	20 1/2
			Allis Chalm.	47 1/2	45 1/2
			Gen. Electric	41	42 1/2
			West'n-Elec.	99 1/2	102
			American Can	70 1/2	77 1/2
			Addressograph	19 1/2	19 1/2
			Comptical	47	50 1/2
			Gen. Tire	38 1/2	41
			Ingersoll Rnd	75 1/2	80
			Int. Harvester	64	65 1/2
			Johns Manvie	80	79
			Am. Radiator	12 1/2	13
			Corn Prods.	59 1/2	59 1/2
			J.I. Case & Co.	86	87 1/2
			Gliddent Corp.	24 1/2	24 1/2
			Am. Trans.	42	43 1/2
			Allied Mills	11 1/2	13
			Celaneos of A.	14 1/2	15 1/2
			Ind. Rayon	17 1/2	18 1/2
			Colgate Palm.	9	9 1/2
			East'n Kdk.	160	165
			Gillette	103	103
			Gliddent Corp.	11 1/2	12 1/2
			Loews	45	47 1/2
			20th Cen. Fox	19 1/2	20 1/2
2. Utilities and Communications					
Am. W. Works	11	11 1/2	Gen. Electric	41	42 1/2
C.W. & S.	1 1/2	1 1/2	West'n-Elec.	99 1/2	102
Con. Edison	22	23 1/2	American Can	70 1/2	77 1/2
Col. Gas & Ele.	8	8 1/2	Addressograph	19 1/2	19 1/2
El. Bond & St.	8 1/2	8 1/2	Comptical	47	50 1/2
Nat. Pub. & Lt.	7 1/2	7 1/2	Gen. Tire	38 1/2	41
N. American	19 1/2	20 1/2	Ingersoll Rnd	75 1/2	80
Pac. Gas & Ele.	26 1/2	27 1/2	Int. Harvester	64	65 1/2
Pac. Lightng	35	37 1/2	Johns Manvie	80	79
Pub. Serv. N.Y.	32 1/2	32 1/2	Am. Radiator	12 1/2	13
Stan. Gas & El.	4	4 1/2	Corn Prods.	59 1/2	59 1/2
United Corp.	3 1/2	3 1/2	J.I. Case & Co.	86	87 1/2
Un. Gas Imp.	10 1/2	11	Gliddent Corp.	24 1/2	24 1/2
Amer. Tel. & T.	14 1/2	14 1/2	Am. Trans.	42	43 1/2
Internat. Tel.	7 1/2	7 1/2	Allied Mills	11 1/2	13
Westn. Union	24 1/2	24 1/2	Celaneos of A.	14 1/2	15 1/2
Radio	6	6 1/2	Ind. Rayon	17 1/2	18 1/2
" B. Pref.	46	47	Colgate Palm.	9	9 1/2
			East'n Kdk.	160	165
			Gillette	103	103
			Gliddent Corp.	11 1/2	12 1/2
			Loews	45	47 1/2
			20th Cen. Fox	19 1/2	20 1/2
3. Extractive and Metal					
Am. Mol. Mill	17 1/2	20 1/2	Mont. Ward	31 1/2	32 1/2
Beth. Steel	58 1/2	61 1/2	J. C. Penney	63 1/2	63 1/2
Beth. Steel P.F.	105 1/2	111	Sears Roebuck	55 1/2	57 1/2
Rep. Steel	58 1/2	61 1/2	United Drug	6 1/2	6 1/2
U.S. Steel	51 1/2	52 1/2	Walgreen	18 1/2	19
U.S. Steel P.F.	105 1/2	111	Woolworth	35 1/2	38
Alaska Indus.	11 1/2	11	Borden	16 1/2	16 1/2
Am. Metal	32 1/2	34 1/2	Gen. Food	30	31 1/2
Am. Smelting	40 1/2	50	Kroger Grey.	14 1/2	16
Anaconda	28 1/2	32 1/2	Nat. Biscuit	17 1/2	19 1/2
Boh. Alum.	23 1/2	23 1/2	Nat. Dairy	13 1/2	13 1/2
Cerro de Pas.	37 1/2	41 1/2	Stand. Brands	7 1/2	7 1/2
Int. Nickel	44 1/2	47 1/2	Am. Tob. B.	62	68 1/2
Kennecott	35 1/2	39	Lig. Myers B.	88 1/2	94 1/2
Patino Mines	10 1/2	10 1/2	Lorillard	16 1/2	16 1/2
T.G. Sul.	27 1/2	28 1/2	Reyn. Tob. B.	44	44 1/2
U.S. Smelt.	60	66	Nat. Distillers	20 1/2	22 1/2
Vanadium	15	17	Schenley Dis.	23	27
Atlantic Reig.	19 1/2	21			
Phillips Petr.	39	40 1/2			
Shell Union	16 1/2	17 1/2			
Shell Un. Pl.	97 1/2	98 1/2			
Socony Vac.	15 1/2	15 1/2			
Stan. Oil Cal.	28 1/2	30 1/2			
Stan. Oil N.J.	45 1/2	49			
Texas Corp.	39 1/2	41 1/2			
4. Manufacturing					
Atchafalaya	37 1/2	37	Brisquit	19 1/2	22 1/2
Balt. & Ohio	10 1/2	9 1/2	Chrysler	48 1/2	50 1/2
B.M.T.	9 1/2	9 1/2	Gen. Autolite	16	18 1/2
Can. Pacific	7 1/2	7 1/2	Elec. Motors	30 1/2	31 1/2
Ches. & Ohio	33 1/2	34	Hudson Mfr.	6 1/2	9 1/2
C.N. Ry. Pl.	21 1/2	22 1/2	Stag Kcdynr	9 1/2	10 1/2
Ill. Cent.	9 1/2	9 1/2	Packard Mfr.	9 1/2	10 1/2
N.Y. Central	17 1/2	17 1/2	Bendix Avn.	11	13 1/2
Norfolk & W.	10 1/2	10 1/2	Boeing Avn Pln	31 1/2	34 1/2
Pennsylv. R.	21 1/2	21 1/2	Douglas Air.	38 1/2	41 1/2
Southern Pac.	18 1/2	19 1/2	United Aircft.	25	26 1/2
Southern Ry.	11 1/2	11 1/2	Air Reduction	50	51 1/2
Union Pac.	82	84	Allied Chem.	164	168 1/2
Greyhound	9 1/2	9 1/2	Car. Carbon	67	74 1/2
			Dupont	117	113 1/2
			Gen. Cable	74 1/2	74 1/2
			U.S. Ind. Aic.	20	20 1/2
			Allis Chalm.	47 1/2	45 1/2
			Gen. Electric	41	42 1/2
			West'n-Elec.	99 1/2	102
			American Can	70 1/2	77 1/2
			Addressograph	19 1/2	19 1/2
			Comptical	47	50 1/2
			Gen. Tire	38 1/2	41
			Ingersoll Rnd	75 1/2	80
			Int. Harvester	64	65 1/2
			Johns Manvie	80	79
			Am. Radiator	12 1/2	13
			Corn Prods.	59 1/2	59 1/2
			J.I. Case & Co.	86	87 1/2
			Gliddent Corp.	24 1/2	24 1/2
			Am. Trans.	42	43 1/2
			Allied Mills	11 1/2	13
			Celaneos of A.	14 1/2	15 1/2
			Ind. Rayon	17 1/2	18 1/2
			Colgate Palm.	9	9 1/2
			East'n Kdk.	160	165
			Gillette	103	103
			Gliddent Corp.	11 1/2	12 1/2
			Loews	45	47 1/2
			20th Cen. Fox	19 1/2	20 1/2
5. Retail Trade, &c.					
Mont. Ward	31 1/2	32 1/2	J. C. Penney	63 1/2	63 1/2
J. C. Penney	63 1/2	63 1/2	Sears Roebuck	55 1/2	57 1/2
Sears Roebuck	55 1/2	57 1/2	United Drug	6 1/2	6 1/2
United Drug	6 1/2	6 1/2	Walgreen	18 1/2	19
Walgreen	18 1/2	19	Woolworth	35 1/2	38
Woolworth	35 1/2	38	Borden	16 1/2	16 1/2
Borden	16 1/2	16 1/2	Gen. Food	30	31 1/2
Gen. Food	30	31 1/2	Kroger Grey.	14 1/2	16
Kroger Grey.	14 1/2	16	Nat. Biscuit	17 1/2	19 1/2
Nat. Biscuit	17 1/2	19 1/2	Nat. Dairy	13 1/2	13 1/2
Nat. Dairy	13 1/2	13 1/2	Stand. Brands	7 1/2	7 1/2
Stand. Brands	7 1/2	7 1/2	Am. Tob. B.	62	68 1/2
Am. Tob. B.	62	68 1/2	Lig. Myers B.	88 1/2	94 1/2
Lig. Myers B.	88 1/2	94 1/2	Lorillard	16 1/2	16 1/2
Lorillard	16 1/2	16 1/2	Reyn. Tob. B.	44	44 1/2
Reyn. Tob. B.	44	44 1/2	Nat. Distillers	20 1/2	22 1/2
Nat. Distillers	20 1/2	22 1/2	Schenley Dis.	23	27
Schenley Dis.	23	27			
6. Finance					
Com. Credit	31 1/2	34 1/2	Adm. Corp.	73 1/2	83 1/2
Adm. Corp.	73 1/2	83 1/2	Adm. Corp.	73 1/2	83 1/2
Adm. Corp.	73 1/2	83 1/2	Adm. Corp.	73 1/2	83 1/2
Adm. Corp.	73 1/2	83 1/2	Adm. Corp.	73 1/2	83 1/2

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):—

WEEKLY AVERAGES

	1937		Dec. 22, 1937	Dec. 29, 1937	Jan. 5, 1938
	Low	High			
347 Ind's.	86.7	155.7	96.1	90.0	94.2
32 Rails	28.2	64.5	31.2	28.2	28.2
40 Utilities	73.7	116.4	77.5	73.7	76.9
419 Stocks	75.6	132.4	82.5	77.3	80.7
Av. yield %	8.60	3.20	8.05	8.71	8.29

* 50 Common Stocks. (a) December 29th. (b) March 17th. (c) January 13th. (d) January 5, 1938.

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

Dec. 30	Dec. 31	Jan. 1	Jan. 3	Jan. 4	Jan. 5
102.4	102.2	Closed	101.9	106.8	106.3
High: 180.3 March 6th. Low: 96.9 November 24, 1937.					

TOTAL DEALINGS IN NEW YORK

Year, 1937	Stock Exchange		Curb Shares
	Shares	Bonds	
Dec. 30	910	6,070	196
Dec. 31	780	4,110	185
Jan. 1	Closed	Closed	Closed
Jan. 3	920	4,980	119
Jan. 4	940	6,210	130
Jan. 5	1,150	7,450	165

Canada

An upward tendency early in December did not persist, but prices were well maintained on the whole, and stocks fluctuated within narrow limits. One session early in the month brought a larger volume of trading in Toronto than for some time past, though activity naturally subsided towards Christmas. A marked feature of the month's trading was the interest taken in western oil issues. Base metal shares, led by International Nickel and Consolidated Smelters, responded to fluctuations in the commodity markets. Gold shares were in fairly consistent demand, and in the latter part of the month provided the most active section of the market. Utilities were temporarily stimulated by news of the Beauharnois contract with Ontario Hydro-Power. A feature of some listless sessions before Christmas was an improvement in rail equipment issues. Markets were weaker after the holiday, and the Tuesday after Christmas saw the biggest break of the month—though actual falls in quotations were not serious—due to setbacks in other markets and in base metals.

Price Price		Price Price	
Dec. Dec.		Dec. Dec.	
1937 1937		1937 1937	
Bell Tel.	162 1/2	Dom. Glass	100 9/16
Can. Car.	10 1/2	Int. Petrol.	28 1/2
& Fdry.	9 1/2	Brazil Trac.	11 1/2
Do. pref.	21 1/2	Brit. Col.	32 1/2
Power Corp.	14 1/2	Power "A"	32 1/2
Dome Mines	47 1/2	Do. "B"	5 1/2
Hollinger	12 1/2	Can. Cement	9 1/2
McIntyre	37 1/2	Int. Nickel	41 1/2
B. of Canada	35 1/2	Massey	61 1/2
B. of Mont	194 1/2	Harris	61 1/2
Bank of Nova	29 1/2	Montreal Lt.	29 1/2
Scoti	292 1/2	Ogilvie Flour	215 1/2
R. Bk. of Can.	165 1/2	Quebec Pow.	16 1/2
Can. Bk. of	156 1/2	Shawinigan	19 1/2
Commerce	156 1/2	Water	19 1/2
Can. Pac.	8 1/2	Steel Co. of	62 1/2
Cockshutt	7 1/2	Canada	62 1/2
Flow	7 1/2		

Durham County Water Board.—The Board is to redeem £300,000 of 4 1/2 per cent. stock 1938-48 at par on July 2, 1938. Negotiations are in progress for the issue of new stock to replace the maturing issue, but final details have not been decided.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending Jan. 8	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	250,000	Nil	262,500
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	805,030	Nil	1,750,164
Sav. Certs. w/e Dec. 31	Nil	Nil	Dr. 200,000
Year to date—			
	Including Conversions	Excluding Conversions	
1938 (New Basis)	2,561,467	2,561,467	
1937 (New Basis)	8,749,078	6,048,118	
1938 (Old Basis)	160,000	160,000	
1937 (Old Basis)	3,473,432	822,472	

Destination

(Excluding Conversions)			
Year to date	U.K.	Brit. Emp. exc. U.K.	Foreign Countries
1938 (N.B.)	1,241,467	1,320,000	Nil
1937 (N.B.)	3,422,911	2,615,307	Nil
1938 (O.B.)	160,000	Nil	Nil
1937 (O.B.)	203,631	618,841	Nil

Nature of New Borrowing

Year to date—	Deb.	Pref.	Ord.
1938 (N.B.)	645,000	521,250	1,395,217
1937 (N.B.)	1,386,939	1,581,321	3,079,907
1938 (O.B.)	Dr. 122,500	Nil	283,500
1937 (O.B.)	74,750	7,531	740,191

BY STOCK EXCHANGE INTRODUCTION

Dene Shipping Company, Ltd.—Issued capital 400,513 10s. shares. Acquires share capital (£163,550) for which 426,500

of the company's 10s. shares will be allotted in exchange for seven shipping, etc., companies. Fleet comprises six tramp steamers (aggregate deadweight tonnage, 45,060 tons). Profits for five months to December 31, 1937, estimated at £49,000 after £6,260 depreciation. I. Albery and Company take 40,000 shares at 12s. premium, with an option to March 1, 1938, on a further 33,487 at 12s. 6d. premium.

CONVERSIONS AND REPAYMENTS

National Provincial Bank.—It is proposed to sub-divide the existing £25 (£3 10s. paid) shares into five "A" shares of £5 each with 14s. paid. The £20 (£4 paid) shares are to be sub-divided into four "B" shares of £5 each, £1 paid. The present £5, fully paid, shares will be sub-divided into five shares of £1 each fully paid. Meeting January 27th.

PRIVATE PLACINGS

Central London Electricity.—This company has placed privately £500,000 3 1/2 per cent. debenture stock.

BONUS SHARES

Price and Pierce.—As last year this company is distributing a 10 per cent. capital bonus of one 6 per cent. preference share for every 10 ordinary shares held.

ISSUES TO SHAREHOLDERS ONLY

Second British Steamship Trust, Ltd.—Issue to ordinary stockholders of 250,000 £1 shares at 21s. in the proportion of one share for every £1 of stock held on December 15. The new shares will be converted into equal amounts of preference and ordinary stock.

SHORTER COMMENTS

Company Results of the Week.—The trading loss of ALVIS, LTD., amounting to £29,980 for the 19 months to July last, is attributed, not to lack of orders, but inability to execute them owing to delays in deliveries of materials. Rubber companies, whose accounts are made up to September 30th, show satisfactory progress. TAMIANG profits, for instance, are more than doubled, at £58,886. The week's textile results include those of HOLLINS MILL, whose dividend is doubled. Net profits have increased from £48,740 to £58,429. Labour shortage, rather than higher costs, is responsible for the reduction in the dividend of BARRATT AND COMPANY from 38 per cent. to 26 per cent. HENEKEYS, LTD., net earnings of £54,218 show a small decline, owing to increased expenses; a West End site has been acquired, and trading will commence there early in the summer. LIEBIG'S EXTRACT OF MEAT profits have increased from £262,839 to £271,009. An excellent increase in earnings is reported by PHARAOH, GANE AND COMPANY, the timber merchants, whose net profits amount to £46,375 against £28,546. The balance sheet reveals an unusually strong cash position. Profits of ASSOCIATED PAPER MILLS are more than doubled, at £99,938, but are distributed conservatively, reserve allocations exceeding the amount of ordinary dividends. Favourable trading in 1937 has offset the increasing operating cost ratio of HOULDER LINE, and profits have increased by £10,400 to £140,193. The 7 1/2 per cent. dividend is unchanged.

Chase National Bank of The City of New York.—Deposits on December 31, 1937, were \$2,069,990,000 against \$2,286,209,000 a year ago. Total resources \$2,375,379,000 (\$2,562,182,000); total cash, \$708,040,000 (\$669,418,000); U.S. Government securities, \$603,362,000 (\$780,030,000); loans and discounts, \$728,522,000 (\$772,031,000).

(Continued on page 97)

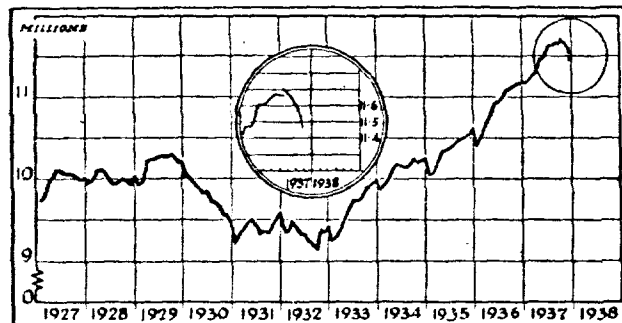
Industry and Trade

Wholesale Prices in 1937.—The steady upward trend of commodity prices which began in 1933 developed into a steep advance between the middle of 1936 and March, 1937, which carried primary products to the level of January, 1930. But the precipitous advance during the nine months ended March, 1937, was followed by an equally sharp decline, though the current level of prices is still somewhat higher than in the middle of 1936. Compared with December 30, 1936, *The Economist's* index of the prices of primary products closed last year with a decline of 12 per cent. The fall of our index of quotations for primary products in the United States was even more marked, for it amounted to 27.8 per cent. during the past year. On the other hand, *The Economist's* complete index, which, in addition to primary products, contains a number of semi-finished materials, showed a decline of 2.7 per cent. The movement of prices in other countries showed divergent trends.

SEPTEMBER 18, 1931=100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany Statistisches Reichsanstalt
	British Complete Index (sterling)	Primary Products						
		British (sterling)	American (dollar)					
1936 Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3	95.4
Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31st	144.3	181.9	190.7	167.4	137.3	121.8	126.2	97.5
Apr. 28th	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.0
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 8th	137.4	165.1	166.9	165.3	132.2	136.7	135.9	97.7
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6
Oct. 6th	135.1	159.7	153.7	165.5	130.2	139.9	140.5	97.4
Oct. 20th	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3
Nov. 3rd	131.9	152.7	147.2	165.5	127.4	136.5	141.9	97.3
Nov. 17th	128.7	147.3	141.6	164.5	124.8	134.5	142.9	97.0
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 15th	127.8	146.7	137.5	164.5	123.6	134.7	143.9	96.9
Dec. 29th 1938	128.8	147.4	135.3	164.2	120.5	135.8	143.9*	96.9*
Jan. 5th 1939	127.9	148.2	136.8	164.5	...	...	...	...

Although building was responsible for one-half of the increase in unemployment between November and December, the deterioration has been fairly general, both as regards its industrial and geographical incidence. The trend of employment in Great Britain during the past eleven years is shown in the accompanying diagram. The break in the line last September marks a change in the method of enumeration.



The implications of the recent trends in employment and unemployment are analysed on page 58.

Sharp Fall in Shipping Rates.—Like the prices of primary products, shipping freight rates were subject to violent fluctuations during the past year. The coincidence of a revival of world trade with a reduction in the world's merchant shipping tonnage produced a meteoric increase in freight rates between the summer of 1936 and the autumn of last year. As the accompanying chart shows, *The Economist's* index of shipping freight rates rose far above the pre-depression level, and reached a peak in September. As a result, however, of the deterioration of the world economic situation, freight rates took a downward turn in October, and during the last three months of the past year the whole of the advance of the previous nine months was lost. The index for December was actually 1.4 per cent. below that of the corresponding month a year earlier. It is interesting to note, incidentally, that the turning point of the trend of the prices of primary products preceded the downturn of shipping rates by six months.

The Economist's INDEX OF FREIGHT RATES
(1898-1913=100)

	Average 1913	Dec. 1936	Sept. 1937	Oct. 1937	Nov. 1937	Dec. 1937
European waters	110.0	142.5	180.6	181.3	164.2	140.8
North America	113.1	105.6	146.8	143.5	130.2	118.0
South America	123.4	127.8	159.2	148.6	125.0	109.4
India	106.3	125.0	186.4	177.9	161.9	141.2
Far East and Pacific	117.4	126.2	180.8	171.5	149.1	127.1
Australia	127.9	142.1	165.0	158.8	146.3	121.7
Total	116.3	128.2	169.8	163.6	146.1	126.4
1913 = 100	100.0	110.2	145.0	140.7	125.6	108.6

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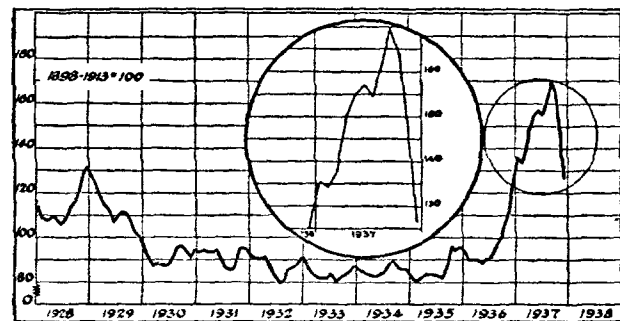
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As the next table shows, last month saw a further substantial decline in rates on the majority of the leading trade routes:—

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	126.0	- 2.3	South America:—	65.9	-11.9
Bay—outwards	148.6	-38.6	Outwards	153.0	-19.3
Bay—homewards	198.4	-53.2	Homewards	122.1	-12.6
Mediterranean:—			India—outwards	160.3	-28.8
Outwards	85.5	-17.5	India—homewards	127.1	-22.0
Homewards	160.5	-26.1	Far East, etc.	121.7	-24.6
North America	118.0	-12.2	Australia		

The movement of freight rates during the past ten years is shown in perspective by the accompanying chart:—



Since the beginning of the year freight rates have shown a steadier tendency. The future course of rates, however, depends on the trend of prices of primary products and world trade, which at the moment cannot be clearly foreseen.

Shipbuilding Activity.—In view of the collapse of freight rates since last October, the severe curtailment of new contracts for merchant vessels placed with shipbuilders is scarcely surprising. Not long ago the abrupt decline of new orders was ascribed mainly to the rise in the cost of new vessels. It now appears, however, that the reduction in orders was due not so much to the rise in costs as to the force of a downward movement in freight rates which prompted shipowners to refrain from placing further orders on a large scale. The fall in new contracts, incidentally, was not confined to this country. Although the volume of work on hand for merchant vessels remains substantial, shipbuilding activity in connection with commercial work is likely to decline unless new orders show an early improvement. On the other hand, the decline in new orders for merchant vessels has been offset to some extent by an increase in naval construction in private shipbuilding yards. Thus, according to the latest statistical returns of the Shipbuilders Employers Federation, the volume of naval vessels under construction or ordered at the end of last September was 499,000 tons against 342,000 tons at the end of 1936 and 141,000 tons a year earlier.

Analysis of Steel Consumption in 1935.—Despite the importance of the iron and steel industry in this country, precise information concerning the distribution of consumption has not hitherto been available. To some extent this gap in our knowledge has now been filled. In the course of the 1935 Census of Production considerably more information was obtained on the distribution of steel consumption than in any earlier year. The results of the investigation have been published with the preliminary results of the 1935 Census of Production, and they are given on page 99. Although the table is in many respects incomplete, it serves as a rough guide to the relative importance of the principal steel-consuming trades in 1935. In the absence of a similar analysis for previous years it is unfortunately impossible to show changes in the relative importance of the various steel-consuming trades. As detailed information concerning changes in steel consumption by industries is essential, it is to be hoped that similar investigations will in future be made more frequently.

BRITISH WHOLESALE PRICES

	Dec. 29, 1937	Jan. 5, 1938		Dec. 29, 1937	Jan. 5, 1938
CEREALS AND MEAT					
GRAIN, Etc.—			SUGAR (per cwt.)—cont.		
Wheat	s. d.	s. d.	Crushed	22 0	22 1 1/2
No. 2, N. Man. 496 lb.	55 9	60 9	Granulated	19 10 1/2	20 0
Eng. Gaz. av., per cwt.	8 5	8 5	Home Grown	19 9	19 10 1/2
Liv. March, per cental	7 2 1/2	7 8		20 0	20 1 1/2
Flour, per 280 lbs.			TEA (Auction Average) (per lb.)—		
Straits, d.d. London	36 0	36 6	N. India	d.	Market closed
Manitoba, ex store	38 6	40 6	S. India		
Barley, Eng. Gaz. av.	13 5	13 3	Ceylon		
Oats	8 2	8 4	Java		
Maize, La Plata, landed, 480 lb.	33 3	34 6	Sumatra		
Do. January	33 0		Africa		
Rice, No. 2 Burma, per cwt.	8 9	8 9	Total		
MEAT					
Beef, per 8 lbs.—			Virginia leaf, common to fine	0 8	0 8
English long sides	4 8	5 2	Rhodesian leaf	0 9	0 9
Argentine chilled hinds	4 0	4 2	Nyasaland leaf	0 7	0 7
Mutton, per 8 lbs.—			strips	0 9	0 9
English wethers	5 8	5 8	East Indian leaf	1 0	1 0
N.Z. frozen wethers	2 8	2 8	strips	0 6	0 6
Lamb, per 8 lbs.—				1 9	1 9
N.Z. frozen	5 0	5 0	TEXTILES		
Pork, English, per 8 lbs.	7 4	7 0	COTTON (per lb.)—		
BACON (per cwt.)—					
English	100 0	100 0	Raw, Mid-American	4 77	4 92
Danish	100 0	100 0	" Sakellaris, F.G.F.	8 11	8 46
Dutch	97 0	97 0	Giza, F.G.F.	7 28	7 63
Irish	101 0	101 0	Yarns, 32's Twist	11 1/2	11 1/2
HAIR (per cwt.)—					
Canadian	88 0	87 0	" 40's Twist (Egyptian)	17 1/2	17 1/2
United States	86 0	84 0	Cloth, 32 in. Printers, 116 yds.	18 4	18 5
OTHER FOODS					
BUTTER (per cwt.)—			" 36 in. Shirtings, 75 yds.	24 10	25 0
Australian	110 0	109 0	" 38 in. ditto, 38 yds.	10 7	10 7 1/2
New Zealand	148 0	140 0	" 39 in. ditto, 37 1/2 yds.	9 7	9 7 1/2
Danish	148 0	140 0	" 16 x 15, 8 1/4 lb.	9 7	9 7 1/2
CHEESE (per cwt.)—					
English Cheddars	72 0	72 0	FLAX (per ton)—		
Canadian	74 0	74 0	Liivonian ZK	6 0	6 0
New Zealand	64 6	66 0	Pernau HD	66 0	66 0
English Cheddars	96 0	98 0	Slanetz Medium, 1st sort	78 0	81 0
Dutch	69 0	69 0	HEMP (per ton)—		
COCOA (per cwt.)—					
Accra, f.f.	26 0	26 0	Italian PC	69 0	69 0
Trinidad	50 0	50 0	Manilla, Dec.-Feb. "J2"	30 0	30 0
Grenada	55 0	55 0	SISAL, African	19 0	18 0
COFFEE (per cwt.)—					
English (15-15 1/2 lb.)	32 0	32 6	JUTE (per ton)—		
Colombian, good	42 0	42 0	Native 1st mks., c.i.f. H.A.R.B.	18/17/618/17/6	
Costa Rica, medium to good	45 0	55 0	Jan.-Feb.	18/18/0	17/10/0
Kenya, medium	42 0	42 0	Daisee 2/3 c.i.f. Dundee, Jan.-Feb.	18/18/0	17/10/0
EGGS (per 120)	20 0	16 0	SILK (per lb.)—		
Danish (15 1/2 lb.)	17 0	14 9	Canton	6 6	6 6
FRUIT—			Japan	7 3	7 3
Oranges, Jaffa	13 6	13 6	Italian, raw, fr. Milan	7 9	7 0
" Brazilian	13 6	13 6	WOOL (per lb.)—		
Lemons, Malaga	10 3	12 0	English, Southdown, greasy	16 1/2	16 1/2
" Sicilian	13 9	16 0	Lincoln hog, washed	14 2	14 2
Apples, Amer. (var.)	18 0	23 0	Queensland, scd. super combg.	14 2	14 2
" (var.)	11 6	11 6	N.S.W. greasy, super combg.	14 13	14 13
Grapes, Almeria	6 6	6 0	N.Z., greasy, half-bred 50-56	12 1/2	12 1/2
Grapefruit, Jaffa	10 0	10 0	" Crossbred 40-44	11 11	11 11
LARD (per cwt.)—			TOPS—		
Ins., finest bladders	70 0	70 0	Merinos 70's average	31 1/2	31
U.S.	52 0	52 0	" 64's	30	29
POTATOES (per cwt.)—			Crossbred 48's	17 1/2	17 1/2
King Edward	6 6	6 6	" 46's	16 1/2	16 1/2
SPICES—			MINERALS		
Pepper, per lb.—			COAL (per ton)—		
Black Lampoon	0 27 1/2	0 27 1/2	Welsh, best Admiralty	19 6	19 6
White Muntok	0 34 0	0 31 2	Durham, best gas, f.o.b. Tyne	22 6	22 6
Cinnamon, 1st sort	0 9 1/2	0 9 1/4	Sheffield, best house, at pits	22 0	22 0
Cloves, Zanzibar	0 8 1/4	0 8 1/4	IRON AND STEEL (per ton)—		
Ginger (per cwt.)			Pig, Cleveland No. 3, d.d.	106 0	109 0
African	50 0	49 0	Bars, Middlesbrough	265 0	265 0
Jamaica, ord. to good	55 0	55 0	Steel rails, heavy	202 6	202 6
Mace	1 10	1 10	Tin plates	23 0	23 0
Nutmegs, 65's	1 2	1 2	NON-FERROUS METALS (per ton)—		
SUGAR (per cwt.)—			Copper	38/17/6	40/18/9
Centrifugal, 96", prpt. shipm.	6 11 1/2	6 21 1/4	Standard cash	39/0/0	41/1/3
c.i.f. U.K. Cont.			Three months	39/1/3	41/3/9
REFINED—London			Tin—		
Yellow Crystals	19 6	19 7 1/2	Standard cash	181/0/0	186/10/0
Cubes	23 9	23 10 1/2	Three months	181/0/0	186/10/0

† 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.

INDUSTRIAL REPORTS

THE latest reports from industrial centres indicate that operations have been resumed in most branches of activity. Owing to the continued pressure for delivery, the interruption of work in the iron and steel industry had to be curtailed as far as the urgency of repairs allowed. New business was small, but most producers have a substantial volume of work still on hand. The coal industry is benefiting from the sustained home demand, but export business remains disappointing. The improvement noticeable in the wool textile industry in December has been short-lived and much machinery is now on short-time or idle. Business in cotton goods has improved a little with the firmer trend of raw cotton prices.

Coal

Cardiff.—The supply of shipping tonnage is smaller at the South Wales docks. During the earlier part of the week many loading appliances were idle and on January 5th the actual number in operation was 54, compared with the peak number of 75 during the pre-holiday pressure. There is consequently a larger supply of free coal, particularly among the large steam grades, but the only change in the position of washed smalls and sized grades is that the scarcity is not so great as it was during December. Prices are nominally unchanged.

The returns of the Great Western Railway Company showed that total coal and coke shipments in the foreign and coastwise trades in 1937 were 21.4 million tons, compared with 17.3 million tons in 1936—an increase of over 4 million tons, or 23 per cent. The statistics of the Executive Board under the South Wales Coal Mines Scheme show an increase in output of about 4.7 million tons, or 13.3 per cent., between 1936 and 1937; an increase in export supplies of about 3½ million tons, or 22 per cent.; and in inland supply of nearly 1½ million tons, or about 8 per cent. The district thus fared relatively better than the country as a whole, for which the provisional returns show an increase of 5½ per cent. in output, of 12.6 per cent. in export supply, and of 3.7 per cent. in inland supply. Collieries have sold heavily under contracts for the new year, but there is anxiety concerning the trend of new business.

Sheffield.—The year has opened well so far as domestic demand is concerned, but export inquiry is feeble, and prospects are regarded as being none too satisfactory. There are ample supplies as a result of the full working at pits before the holidays. Inland prices

are firm, and are likely to continue so for some time. Industrial fuel is in strong request and household requirements are good. A shortage of small coal is reported. All grades of coke are in good demand, for bigger supplies are now coming to the market with the operation of new batteries of coke ovens. Arrangements were concluded last week between Midland ironmasters and South Yorkshire coke producers under which the latter will supply blast furnace coke for twelve months from January 1st at 30s. per ton on rail at ovens. This is an advance of half a crown upon the price which was recently current under the sliding scale agreement.

Newcastle-on-Tyne.—The North-East coal market opened the year with a feeling of optimism encouraged by a firm prompt position. The Durham section is very steady and is likely to remain so, for all collieries are well sold ahead and prices are firmly held. Northumberland is not experiencing quite as keen a demand for large screened coal from the home market, but other grades are firm and collieries are working fairly regularly. Demand for patent oven coke is fully maintained.

Glasgow.—The market opened on a firm note, but with the resumption somewhat slow at the pits, and production therefore sub-normal, it was only towards the close of the week that any signs of activity developed. The collieries are well supplied with home orders, and the outlook in this respect is good. A fair amount of contract business is also on hand for shipment, but here prospects are less certain. The heavy accumulations of fuel

COAL OUTPUT AND EMPLOYMENT

District	Week ended December 18		Week ended December 25	
	Output	Wage-earners	Output	Wage-earners
Northumberland	600 tons	600's	600 tons	600's
Durham	304.1	45.5	280.8	45.4
Yorkshire	716.9	116.9	650.2	116.9
Lancs. Cheshire and N. Wales	1,023.3	141.8	856.4	142.1
Derby, Notts & Leicester	385.4	69.0	336.8	69.2
Staffs. Wores. Salop & Warwick	770.7	98.2	646.5	98.2
South Wales and Monmouths	452.1	67.5	383.0	67.5
Other English districts*	862.9	137.6	696.7	137.5
Scotland	130.5	22.5	105.3	22.5
	645.0	91.2	673.6	91.3
Total	5,280.9	790.2	4,629.3	790.6

* Including Cumberland, Westmorland, Gloucester, Somerset and Kent.

at Continental depots, however, are gradually being dispersed, and inquiry is on a rather larger scale. Between 1936 and 1937, total shipments declined by fully 400,000 tons to 12,200,000 tons. The loss was mainly in the coastwise and bunkering trades, for increased takings by Italy offset a decline in cargo business with other countries.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that the iron and steel markets have been under the influence of holiday conditions and that little new business has been transacted. In most districts the interruption of work was curtailed in order to meet the heavy pressure exerted by consumers to obtain delivery. In a number of cases, however, repairs to plant had become urgent.

The stringency in pig iron supplies has passed and both producers and consumers are in a comfortable position. New purchases were limited, but heavy tonnages are passing into consumption, and producers have sufficient orders on their books to dispose of their output for some months to come.

Supplies of semi-finished steel are increasing, but the position is still tight. Domestic production continues at a high level, but remains insufficient to meet the market's requirements. Lately, however, increased imports have eased the situation.

The pressure to obtain deliveries of finished steel was maintained up to the commencement of the holidays and resumed immediately afterwards. Accumulations of orders are heavy and the greater part of the output during the first quarter of this year appears to have been sold. There has been some inquiry for delivery far ahead; but most producers and consumers are reluctant to undertake such commitments.

Sheffield.—There has been no great volume of business this week. The undertone, however, is very firm, and a sharp revival of activity is certain in the course of a week or two. Owing to the stabilisation of pig-iron prices for some time ahead and the improvement in supplies there is less anxiety among consumers than a year ago. Users of forge and foundry iron are well covered by contract, but any small parcels coming on offer are speedily taken up. These are not numerous, producers preferring to hold in stock against emergencies as much as is possible. Buyers are finding it less easy fully to cover

their requirements of hematite makers of both East and West Coast mixed numbers hesitating to add substantially to existing commitments. As supplies of forge iron are more adequate, makers of finished iron are showing more willingness to add to their order books. Demand for marked and common bars is especially active.

There is no relaxation of the pressure for basic and acid steel billets, and buyers are unable to secure acceptance of all the business they are prepared to offer. Wire rods are very active, and business in strip, bright drawn steel and stainless sheets is on a big scale.

Scrap iron and steel dealings are rather quiet, consumers being fairly well supplied for the present. In the case of the majority of grades prices are fixed, and in materials subject to bargaining there are only fractional alterations in prices.

Cardiff.—During the Christmas holiday week the production of the South Wales tinplate industry dropped to 61.42 per cent. of capacity, but exports during the week ended December 30th totalled 6,040 tons, compared with 5,201 tons in the previous week and 6,995 tons in the corresponding week of 1936. Consignments were heavier than production, and stocks were reduced by about 300 tons. Prices are nominally unchanged at the scheduled minimum of 22s. 6d. per basis box. The heavier branches of the iron and steel industry are as busy as ever, and so heavily committed are makers under contracts and arrears that they are reckoning on the present steel output being maintained, if not further increased, during the next few months.

Glasgow.—Business was quiet in Scotland this week owing to the New Year holidays. The holiday was general during the early part of the week and although a start has now been made in many establishments, a longer stoppage has been necessitated at plants where extensive repairs had to be carried out. However, it is expected that before the end of next week most of the West of Scotland plants will be in operation and running to capacity.

Textiles

Cotton (Manchester).—The general tone of the market has shown some improvement, there being a larger inquiry in certain quarters. The firmer tendency of raw cotton prices has, to some extent, stimulated demand for yarn and piece-goods, but there is still uncertainty about the American Government's policy concerning acreage restriction for next season. Supplies are not being offered very freely and a shortage of futures contracts has been experienced in the Liverpool market. In certain quarters there is a disposition to reduce estimates of world consumption this season.

The yarn market has been steady but quiet. In both American and Egyptian sections, curtailment of production is now on a very fair scale. There are no indications of spinners being prepared to reduce minimum prices. Cloth inquiry has increased, and some manufacturers have secured more orders. Demand for India has been more encouraging and useful orders have been

booked in dhooties, light bleachers and prints. A miscellaneous business has been done for several minor outlets, mostly in printed and dyed sorts. Home trade buyers have been cautious in placing orders. Looms continue to be stopped for lack of orders. Makers and distributors are harassed by heavy stocks.

RAW COTTON delivered to Spinners (Million bales)

Variety	Week ended		Total Deliveries	
	Dec. 23, 1937	Dec. 31, 1937	Aug. 1-31, 1936	Aug. 1-31, 1937
American	22.4	23.2	507	550
Brazilian	4.1	4.3	153	150
Peruvian, etc.	1.4	2.2	70	61
Egyptian	9.3	4.9	130	143
Sudan-Sakel	3.4	2.4	67	74
East Indian	6	1.9	148	117
Other countries	4.8	2.5	109	88
Total	46.0	41.4	1,184	1,183

Wool (Bradford).—New Year raw wool markets have not opened favourably, prices overseas showing a downward tendency. Much machinery is now either running short time or standing idle.

Spinners are bidding less for tops, and it is quite easy to buy good average 64's at 29d. per lb. If anything, crossbred prices are a shade in buyers' favour. There is considerable irregularity in prices of B.A. low crossbred wools, but a better demand for preparing crossbreds than any other class of raw material. The entry of Japan into Australian markets as an active buyer would no doubt be beneficial.

The returns showing the business done at the Bradford Conditioning House during 1937 are significant. They show that export trade has been seriously affected, particularly with the Far East. The net result of the falling off in activity during the year was that the weight of material which was sent in for testing purposes in 1937, at 72,536,666 lbs., was 16,458,473 lbs. less than in 1936. These figures can be regarded as a very reliable barometer of the deterioration in the wool textile industry of the West Riding.

THE COMMODITY MARKETS

Mainly as a result of an improvement in sentiment across the Atlantic, the majority of commodity markets showed a firmer tendency this week. Non-ferrous metal prices, a good indicator of market psychology, were decidedly firmer. Wheat spurred on an improved demand, raw sugar remained steady, and competition at the London tea auctions was keener. Raw cotton was also slightly dearer, but wool suffered a relapse, and quotations for rubber remained unchanged on the week. In general, the market in provisions and meat was steady.

The improvement in the United States is reflected by the advance of Moody's daily index of staple commodity prices, from 148.3 (December 31, 1931 = 100) on December 29, 1936, to 149.3 last Wednesday. A month ago the index stood at 149.2, and a year ago at 207.1.

Metals

Copper.—Improved sentiment on Wall Street and rather better business news in the United States were responsible for a sharp recovery in copper, the standard cash quotation, shown in the table of British Wholesale Prices, being over £2 higher on the week. Turnover on the London Metal Exchange expanded with the improvement in the undertone. There are substantial buying requirements accumulating, but it appears that consumers will re-enter the market only when the general outlook takes a turn for the better. On a consideration of the statistical and technical position of the market prices must be regarded as low. Nevertheless, the maintenance of this week's improvement—and *a fortiori* the chance of any further advance—appears to depend on the business outlook in the United States and the tone of Wall Street.

Tin.—After a comparatively steady spell, prices spurted in midweek and closed on Wednesday showing a gain of £5 10s. per ton on the week. This advance, attributable to the improvement on Wall Street, was the more encouraging in view of the fact that the December statistics were rather bearish.

New supplies in December, according to A. Strauss and Company, were 10,636 tons, against 10,321 tons in November, whereas deliveries fell from 10,610 tons to 9,015 tons. The visible supply rose from 21,908 tons to 24,241 tons, while the Arnhem carry-over was 125 tons higher at 1,709 tons. The total visible supply has risen by almost 2,500 tons last month and as carry-overs from the old year will probably keep up exports in January, stocks must continue to rise unless deliveries show a substantial increase in the next few weeks.

Lead and Spelter.—After dipping to the lowest prices for over eighteen months, both metals recovered in sympathy with copper and tin and closed on Wednesday showing a slight net gain on the week. Buying interest was limited, but there was no selling pressure despite the recent deterioration in the statistical position.

The production of lead, according to the American Bureau of Metal Statistics, advanced from 166,200 short tons in October to 172,200 short tons in November, while the spelter output declined from 162,300 short tons to 157,900 short tons. In both cases the November output was well in excess of current consumption. Thus, although the present statistical position gives no grounds for concern, a rise in consumption will be necessary before long if the equilibrium of the market is to be maintained.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1937	Tons	Tons	Tons	Tons
December 23 ...	1,050	175	1,800	1,300
" 24 ...	400	175	200	600
" 26 ...	1,150	200	450	425
" 29 ...	1,350	230	1,000	1,200
" 30 ...	650	150	1,300	1,300
" 31 ...	600	100	600	600
1938				
January 3 ...	750	150	350	925
" 4 ...	1,200	300	1,100	800
" 5 ...	2,050	330	1,050	750

AMERICAN WHOLESALE PRICES

	Dec. 29 1937	Jan. 5 1938
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, May	90½	91½
Winnipeg, May	117½	125
Maize, Chicago, May	61½	62½
Oats, Chicago, May	30½	31½
Rye, Chicago, May	71	74½
Barley, Winnipeg, May	59½	63½
METALS (per lb.)—		
Copper, N.Y., Domestic spot	9.47½	9.97½
Producers' export	9.70	10.20

	Dec. 29 1937	Jan. 5 1938
METALS (per lb.)—cont.	Cents	Cents
Tin, N.Y., Straits spot	41.12½	42.00
Lead, N.Y., Spot	4.75	4.75
Spelter, East St. Louis, spot	5.00	5.00
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, January	5.33	5.66
Coffee, N.Y., cash		
Rio, No. 7, January	6¼	6¼
Santos, No. 4, January	8½	8½
Cotton, N.Y., Am. mid., spot	8.29	8.48

	Dec. 29 1937	Jan. 5 1938
MISCELLANEOUS (per lb.)—cont.	Cents	Cents
Cotton, Am. Mid., Jan.	8.12	8.33
Lard, Chicago, Jan.	8.02½	8.20
Petroleum, Mid-cont. crude		
33 deg. to 33-90, at well,		
per barrel	116	116
Rubber, N.Y., smk'd. sheet spot	14½	14½
Do. Do. Feb.-Mar.	14½	14½
Sugar, N.Y., Cuban Cent., 96 deg., spot	3.20	3.20

U.K. STOCKS

	Dec. 24 1937	Jan. 3 1938
Copper (Br. official w'houses) :	Tons	Tons
Refined	10,063	9,851
Rough	21,677	21,561
Tin (London and Liverpool) ..	2,187	2,138

Grains

Following a rather quiet spell, the wheat markets registered a sharp advance on Tuesday and Wednesday in response to an active demand for Australian and in sympathy with North American firmness. Prices will be found in the table of British Wholesale Prices.

Home milled flour was steady at unchanged rates and imported descriptions were quiet. Meanwhile, maize prices continue to rise—especially in the case of Plate—in sympathy with the firmness in Argentina. This has imparted a firmer tone to the market in feeding barley, while fine malting barley is now very scarce in this country.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From—	Week ending	
	Dec. 25, 1937	Jan. 1, 1938
'000 Qrs. '000 Qrs.		
N. America	602	345
Argentina and Uruguay	239	139
Australia	274	396
Russia	40	...
Danube and district	76	116
India	45	20
Other countries	1	...
Total	1,277	1,056

To—	Week ending	
	Dec. 25, 1937	Jan. 1, 1938
U.K.	231	332
Orders	372	295
France	1	5
Belgium	80	20
Holland	23	43
Italy	37	51
Greece	80	11
Scandinavia	29	19
Austria, etc.	36	49
Other European countries ..	124	58
Ex-European Countries	294	173
Total	1,277	1,056

Source: *The Corn Trade News*.

SALES OF BRITISH CEREALS

	Week ending	
	Dec. 25, 1937	Jan. 1, 1938
Wheat	cwt. 136,145	189,385
Barley	cwt. 163,744	154,156
Oats	cwt. 21,950	31,320

Other Foods

Provisions and Meat.—The official quotations for bacon on the London Provision Exchange were maintained unaltered last Friday, but the market has since turned dull. Butter was in quiet demand this week and was again slightly easier. New Zealand cheese was firmer, with other sorts steady. Meanwhile, new-laid eggs suffered a further seasonal price decline, but imported descriptions showed little change. Business in meat at Smithfield market was active on Monday—except for fresh beef—but in midweek the tendency became slow in all sections.

★

Colonial Produce.—The London spot market in raw sugar was quiet this

week, but prices remained firm. Accra cocoa was also in rather slight request, but prices showed a firmer tendency on Wednesday. The spot market in coffee was quiet. At the first public auctions after the holidays, on Tuesday, the Costa Rica coffee on offer was generally of poor quality and was consequently neglected, but best Kenya sorts were in active demand. The tea auctions were also resumed this week. There was a good general demand for Indian sorts and prices were firm; occasional advances were recorded at Tuesday's Ceylon sales.

★

Fruit.—At Covent Garden during the past week, according to *The Fruit-grower*, business was rather more active than had been expected and prices were generally well maintained. Apples were in steady demand, with English in limited supply, while a moderate trade was done in pears. South African produce, on the other hand, did not sell quite so well, the larger quantities of out-of-season fruits being rather difficult to clear. Prices were consequently easier. Hothouse grapes, in shorter supply, met an active demand at firm prices. Oranges and grapefruit were rather slow items, but lemons were in request at higher rates.

★

Vegetables.—There was a steady inquiry for all lines of kitchen vegetables at Covent Garden this week, states *The Fruit-grower*. Forced asparagus was in demand, but house-grown beans were easier. Canary Island toma-

OTHER FOODS: STATISTICS

	Week ending	
	Dec. 25, 1937	Jan. 1, 1938
BACON:		
Arrivals in London (bales):		
Danish	...	13,599
Canadian	...	7,575
Dutch	...	1,967
Lithuanian	...	1,518
Polish	...	3,272
COCOA:		
Movements in Lond. (bags):		
Landed	7,945	7,734
D. d. for home consumption ..	4,270	8,303
Exports	50	4,831
Stocks, end of week	135,494	130,094
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	87	38
" D. d. for home consn.	24	151
" Exports	...	...
" Stocks, end of week	2,156	2,043
Central and S. American:		
Landed	1,142	1,270
D. d. for home consumption ..	2,310	822
Exports	1,446	536
Stocks, end of week	60,156	60,068
Other kinds—Landed	7,007	4,117
" D. d. for home consn.	3,911	1,758
" Exports	817	515
" Stocks, end of week	57,678	59,525
MEAT:		
Supplies at Smithfield (tons):		
Total	10,256	7,377
Beef and veal	4,962	3,416
Mutton and lamb	1,834	2,321
Pork and bacon	1,416	542
Poultry, etc.	2,044	1,098
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	...	6
" Delivered	1,972	1,966
" Stocks, end of week	16	35
White—Landed	27	87
" Delivered	11,187	11,135
" Stocks, end of week	...	...
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	39,155	36,449
Deliveries	11,602	3,440
Stocks, end of week	249,725	282,970
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	...	...
S. India	...	...
Ceylon	...	...
Java	...	...
Sumatra	...	...
Africa	...	...
Total	...	...

atoes have advanced in price on a more active demand coupled with smaller arrivals. Cucumbers are now very scarce. Mushrooms showed little price improvement and forced rhubarb was easy. Sprouts, savoy and cabbage were dearer, but cauliflowers were plentiful and cheaper. Celery sold well and onions were firmer. Meanwhile, potatoes were in rather more active demand at the various London markets, though prices showed little alteration. At the Borough on Tuesday best silt-land King Edward were again quoted at 6s. 6d. to 7s. per cwt., ex market.

Miscellaneous Commodities

Rubber.—The market has been dull and idle during the past week, but at 6½d. per lb., the price of standard ribbed smoked sheet on Wednesday showed little alteration on the week. There appears to be a growing conviction in trade circles that the weakness of the market will cause the International Committee to cut the second quarter's quota at its meeting on January 25th. Whether the anticipation will prove correct, however, remains to be seen.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ending	
	Dec. 25, 1937	Jan. 1, 1938
Landed	1,010	2,361
Delivered	660	558
Stocks, end of week	56,015	57,818

★

Oilseeds and Oils.—Business has only slowly recovered from the holiday and markets generally are quiet. Although there is rather more linseed afloat for Europe, supplies and stocks are short and must continue so until the first arrivals of the new Plate seed, shipment of which is only now beginning in volume. The crop is being harvested under favourable conditions and arrivals at ports are steadily increasing. Shipments last week were 42,200 tons.

River Plate shipments in 1937 were 1,879,200 tons, compared with 1,542,000 tons in the previous year, and Indian exports were 230,000 tons, against 307,000 tons. Very little was forthcoming from Russia and the Baltic States. World shipments aggregated 2,113,000 tons, compared with 1,855,500 tons in 1936. Only a small business is transacted in linseed afloat, but crushers have already bought freely for early shipment. The quantity now on passage to Europe is 76,600 tons, against 148,400 tons a year ago. Trade in linseed oil is of a hand-to-mouth character, but the market is steady, fluctuations slight, and prices about unchanged on the week.

Cottonseed is firmer after an easier period. Black Egyptian, February loading for Hull, has been sold at £5 16s. 3d. per ton, but rather more than this is now demanded by sellers. Trade in cotton oil is fair and Egyptian crude oil, ex Hull, is held for £19 10s. per ton, and refined for £22 10s., prompt. The demand for oilcakes continues satisfactory and prices are well maintained.

COMPANY MEETINGS

BANK OF MONTREAL

IMPROVED CONDITIONS IN CANADA

SIR CHARLES GORDON'S SPEECH

The one hundred and twentieth annual general meeting of the shareholders of the Bank of Montreal was held, on December 6th last, in Montreal.

Sir Charles Gordon, G.B.E. (the president of the bank), who presided, in the course of his address, said:—Taken as a whole, business conditions throughout Canada during the past year have been much improved and a happy contrast with the conditions of but two years ago, the one really serious setback being in those portions of the Prairie Provinces where drought caused total or partial failure of the crops.

As matters stand, however, this partial failure of our greatest cash crop is partly offset from the national standpoint by the higher price for this year's crop and by the fact that the general crops in every other part of Canada have been, on the whole, remarkably good. Also, perhaps even more important is the fact that Canada has been demonstrating in the past year a remarkable resiliency in productive enterprise.

In employment the upturn which took place last year has continued at a rapidly accelerating rate; in fact, the level of the Dominion Bureau of Statistics wage-earning employment index on October 1st last reached practically the point at which it stood on the same date in 1929. The physical volume of production is also almost up to the 1929 level.

The decided betterment which has taken place in Canadian business during the past year is undoubtedly due to the revival of our foreign trade, which has been growing by leaps and bounds. For the first seven months of the present fiscal year, April to October inclusive, the total of this trade amounted to \$1,183,000,000, with a favourable balance of \$176,000,000. This total of trade showed an increase of \$199,000,000 as compared with the similar period of 1936.

The latest figures available indicate that for the calendar year exports and imports will attain a total approaching two billion dollars, of which some \$320,000,000, or practically one million dollars for every working day, will represent a balance favourable to Canada, and, I may say, necessary to Canada as a debtor country.

In connection with our export trade it is well to remember that while during the past year this country has benefited by the export, at good prices, of the bulk of the large surplus of wheat that had been held in storage, our export figures until the next harvest will reflect but a comparatively small movement of grain. Furthermore, the past year has seen metal prices on a higher level than at present prevails and, should present prices continue, this again must have its influence upon export figures for the coming year. In regard to newsprint, the United States provide, of course, our largest market, and, while the demand in that market has grown in the past year, the present outlook is not clear. I might add in this latter connection that companies contemplating an increase in the number of producing machines would do well to bear this fact in mind.

Within the past two years formal trade arrangements have been concluded by the Government with not less than 15 countries, and negotiations are proceeding for similar trade expansion agreements with others. To-day Canada claims the distinction of being one of the few countries in the world which employ no trade quotas, no exchange restrictions, and no embargoes other than those associated with the traffic in arms. If the remedy for world-wide civil and international strife lies in international economic co-operation, as I believe it does, then Canada, I think it can be said, is doing its full share in leadership along that line.

There is accumulating evidence of a more widespread understanding that a sound solution of the railway problem is required to create confidence in the future of Canada. This is a hopeful feature, for with understanding of the serious implications of the present situation should come determination to put into effect those remedial measures which are necessary and indeed in the long run inevitable.

Happily in the year under review Canada has demonstrated a remarkable capacity for recovery. As to what the future may hold for us, he would be a brave man who would attempt a forecast in regard to the outlook for this or any other country.

In the international field the year now closing has been one of numerous alarms, but, on the other hand, there are many who feel, as I do, that order will be brought out of the present international chaos, and that major disturbances such as have been threatened from time to time will be avoided.

Given an absence of international disturbances, with the natural accompaniment of a fair demand from foreign sources for the products arising from its abundant natural resources, Canada has good reason to expect a continuance of the better times which we have witnessed during the past 12 months.

GENERAL MANAGER'S ADDRESS

Mr Jackson Dodds, as joint general manager, read the address of the joint general managers, in part, as follows:—

Important changes in the balance sheet figures are as follows:—Our total assets amount to \$829,600,000, as compared with \$805,100,000 a year ago.

Quick assets, including cash, total \$599,000,000, representing 79.58 per cent. of all liabilities to the public. This extremely strong position is beyond ordinary needs and reflects the fact that the demand of our customers for loans for commercial purposes is still considerably below normal.

Current loans and discounts in Canada and loans to Provincial Governments, municipalities, and school districts amount to \$182,500,000, an increase of \$23,200,000.

During the past 120 years the Bank of Montreal has kept abreast of the changing times, consistently taking its full part in aiding basic productive pursuits, old and new industries, trade and commerce.

Deposits by the public amount to \$681,000,000, an increase of \$28,000,000.

Profits, after deducting Dominion and Provincial taxes, amount to \$3,408,328, as compared with \$3,181,501 in 1936—an increase of \$226,827.

Business activity continued to show during the first eight months of 1937 striking increases over the respective parallel periods in 1936. Nevertheless, recession appeared this year three months earlier than it did last year. This earlier decline was due to various factors, including lower exports of wheat, of which Canada has relatively little to sell this year, and lower prices latterly for basic exports. Both exports and imports exceed last year's figures, but the rise in imports has been more rapid than the rise in exports—and exports have recently fallen off from preceding months—with the result that for several months the excess of exports over imports has been substantially less than in the comparable months of 1936, although the increase this year in revenues from tourist traffic may have restored the balance.

Observers at a distance are apt to misjudge Alberta and its citizens by the present state of affairs there. It is one of the most richly endowed provinces, but in the midst of its vast natural resources there has been in some districts virtual destitution and despair. Efforts made to cope with such a situation on practical lines are necessarily slow in producing noticeable results, and distracted people fall easy prey to promises of quick relief from their trouble. In the case of Alberta, before the disorganised sound majority of electors realised it, the province was committed to a quixotic adventure.

Our confidence in the ultimate return of normal conditions in Alberta cannot be better expressed than by saying that we have endeavoured to continue doing business as usual at our branches in that province, where we have thousands of valued customers.

The recent appointment of a Royal Commission on Dominion-Provincial Relations affords an opportunity to all qualified bodies and individuals to assist by submitting carefully prepared contributions for study and consideration by the Royal Commission in the hope that a way may be found to arrest the growth of government debt, the duplication of functions of governments, and the overlapping of taxation.

Notwithstanding Canada's favourable international settlements balance in 1936 of some \$300,000,000, followed this year by another favourable balance estimated at better than \$250,000,000, the Canadian dollar has not appreciated materially but has been held in close parity with the United States dollar with infrequent fractional variations.

It is not possible to estimate to what extent this steadiness may be attributable to undisclosed operations of various stabilisation funds, but it is evident that capital movements between countries are increasingly important in their influence on the trend of foreign exchange. In this respect a conspicuous part has been played by the repatriation of a sizable amount of our foreign indebtedness.

BURMA CORPORATION, LIMITED

(INCORPORATED IN INDIA)

INCREASED PROFIT—RECORD DIVIDENDS

MR. P. E. MARMION'S SURVEY

The annual general meeting of shareholders of the Burma Corporation, Limited, was held in the registered office of the company at No. 44 Phayre Street, Rangoon (new address), on Tuesday, December 21st last. In the absence of Viscount Horne, Mr P. E. Marmion (vice-chairman) presided.

The Chairman said:—I welcome my good fortune on this occasion in that it falls to my lot to review the operations of the most successful period of our history, the results for which surpass by a very substantial margin the records established in 1929. Net profit at Rs. 1,64,90,590 exceeds the net profit of that year by Rs. 24,26,023 and enabled us to pay dividends aggregating 18½ annas, as against the 16 annas then paid. The declaration of dividends is always our most pleasurable duty and was doubly so on this occasion, since the payments were the largest in our long series of dividends which, as usual, are set out in the report of the directors.

These happy results were due to the expansion in our revenue from metal sales by no less than 33 per cent. as compared with last year, following the increase in the prices realised for all metals, except silver, where the sharp decline of 4d. per oz. resulted in a decreased revenue of Rs. 5,79,718 from that source.

The tonnage of ore mined at 478,806 increased by 9,908 tons and has only once before been exceeded, in the year ending June 30, 1930. Grade was again reduced for all metals to a level at which it is approximately in balance with our current production. The total expenditure on development and ore extraction at the mine and on transporting the ore to the mill increased by Rs. 2,53,169.

METAL PRICES

The Chairman then dealt with the figures of the year's production as set out in the report, and proceeded:—

The price movements of lead, spelter and copper have never been more spectacular or more beneficent to shareholders since the incorporation of your company than during the period under review. Movements followed two distinct and opposite trends, firstly from July to March and secondly from April to June. In the former period prices moved upwards continuously at a progressively increasing rate, culminating in March with a rise that can only be called stupendous—the result of exceptional demand on a market that had been subject to such unusually heavy dealing in the previous months that its stock position was believed to be more vulnerable than actually proved to be the case.

From July to March the price of lead rose from £15 to £36, spelter from £14 to £37, and electrolytic copper from £41 to £81. After such spectacular activity a reaction was inevitable, and from April to June the trend was reversed with a suddenness and severity that threatened metal markets with serious financial consequences. The recession in these three months brought the price of lead from a peak of £36 in March to an average of £22 16s. 4d. for June; spelter from £37 to an average of £21 9s. 4d.; and copper from £81 to a June average of £62 5s. 10d.

At our last two meetings I have dealt at great length with the position of silver since the passing of the Silver Purchase Act by the United States Congress in May, 1934, and there is little that I can usefully add to-day except to state that the Act has failed to accomplish any of the purposes for which it was intended.

The year has been notable for the heavy purchases made by India to which I have already referred. This is all the more important when it is appreciated that at present, apart from trade requirements, practically the only actual offtake is for India.

It is estimated that the United States Government purchased about 380,000,000 ounces during the year in pursuance of the dictates of the Silver Purchase Act. This accumulation raised their holding of the metal to the enormous total of over 1,900,000,000 ounces, which gives an idea of the magnitude of their stake in the metal.

Notwithstanding this enormous total, it is worthy of note that the Treasury holdings are still 1,000,000,000 ounces short of the objective of the Silver Purchase Act. As it is doubtful whether this large shortage is likely to be available within a reasonable period of time, some change in policy cannot be ruled out of the range of probability.

DEVELOPMENT WORK

The chairman then dealt in detail with the profit and loss account and the balance sheet, and continued:

Development work, with which the general manager's report, as usual, deals very fully, added 428,172 tons to the reserves, of which 29,469 tons came from current work on No. 10 Level Meingtha Lode now completed, and the balance came from a continuation of lateral exploration in the favourable zones on the upper levels.

The result of our policy of intensive lateral development has been very successful indeed, exceeding our expectations in the large tonnage of ore it has brought to light. Since it was initiated in the year beginning July 1, 1934, it has yielded 631,719 tons from the Chinaman Section, 309,430 tons from the Shan Section, and 20,500 tons from the Chin, which with 232,382 tons from normal development work in the Meingtha makes a total of 1,194,031 tons added to the ore reserves during the last three years. This handsomely confirms the opinion I ventured in December, 1934, that our development policy would result in a substantial addition to our reserves.

During the same period 1,392,994 tons of ore have been extracted from the mine and treated, so that the ore reserve position has only deteriorated to the extent of 198,963 tons, that is from 4,062,511 tons at July 1, 1934, to 3,863,548 tons at July 1, 1937.

Development work in the favourable zones of the Chinaman, Shan and Chin sections are now nearing completion, only a comparatively small area remaining to be explored in the upper levels of the Chinaman section to finish work on the far eastern footwall veins, whilst some further work remains to be done in the Meingtha below No. 10 and above No. 1 level.

ORE RESERVES

I have informed you on previous occasions that we confidently expected our original estimate of ore reserves to prove conservative and that we were taking steps to ascertain the extent of the excess tonnage that might reasonably be expected from this satisfactory feature. We have found that it is technically impracticable to determine this excess tonnage, except when certain definite sections of the mine are completely stoped out.

Our calculations, comparing the actual extraction of ore with the original estimate, now cover a sufficiently extensive area of completely worked out ground to assure us that there is a considerable tonnage in excess of the original estimate. This is due to mining outside the ore reserves, mining Chinese fill originally deducted from the reserves, and mining marginal ore and narrow veins not included in the reserves.

While, as I have just stated, it is technically impracticable to put a definite figure on the probable total of this excess tonnage, yet the calculations for areas so far completely worked out leave little ground for doubting that it will be considerable and warrant my hazarding the guess that it might ultimately reach 750,000 to 1,000,000 tons, depending on metal prices and production and transportation costs ruling at the time of extraction.

Our intention is to bring our calculations up to date every year as further sections of the mine are completely exhausted, and from the estimated excess thus found definite tonnages will be added to the balance of ore reserves remaining from the original estimate as shown at present in the general manager's annual report. This procedure will be initiated in the general manager's report for the current year, and thenceforward you will be able to keep in regular touch with the actual tonnage of excess ore that is added every year to the original ore reserve estimate.

From this explanation you will gather that there is every prospect that the ultimate tonnage of ore remaining to be extracted at July 1, 1937, is not likely to be less than 4,750,000 tons, made up as to 3,863,548 tons, being the balance of the original estimate of ore reserves plus, say, 750,000 to 1,000,000 tons, being the present estimate of the ultimate excess by which extraction is likely to exceed the original estimate of ore reserves, plus a further accretion from normal development work that should be completed this year.

LEAD

The demand for lead throughout 1936 expanded in almost every country beyond the most sanguine expectations, and requirements were only met by a heavy incursion on stocks.

At the end of November, stocks in the hands of the principal producers showed an increase of only 34,000 tons over the record low level to which they were reduced in January, 1937. The statistical position, therefore, remained strong.

In consequence, however, of the recession in trade that developed in the United States from political rather than from economic reasons, and of the increasing uncertainty in the international outlook caused by the Sino-Japanese war and a number of other disturbing factors, demand in the rest of the world also fell away in October, and remains somewhat uncertain. Should this change in trend persist it will naturally cause an increase in the stock position.

TARRAN INDUSTRIES, LIMITED

RECORD PROFITS

The third annual meeting of Tarran Industries, Limited, was held at Hull, on the 31st ultimo, Mr R. G. Tarran presiding.

The Chairman, in the course of his speech, said: I am glad to say that we have had the best year's trading since the company was established nearly twenty years ago; the profits at £41,075 constitute a record, and compare with £27,535 earned in 1935-36. I would mention that the figure of £41,075 includes a dividend of 20 per cent. from your wholly owned subsidiary, the Brandesburton Gravel and Concrete Company, Limited, as against 10 per cent. for last year.

As to the company's liabilities, there has been an increase of £43,975 in the bank overdraft, which at September 30, 1937, amounted to £119,707. This bank finance has been required by the very substantial contracts at present in hand, which we intended to finance by raising additional capital in some more permanent form. The directors, however, acting on the advice of financial experts in London, decided that it was in the best interests of the shareholders to postpone making any issue of shares until more favourable conditions prevailed in the stock market. It is with this in mind, as well as with the knowledge that further temporary finance will be required as the contracts in hand develop, that your directors have decided to recommend that no dividend shall be paid at present. They feel that the prudent course, particularly when results indicate boom rather than slump conditions, is to retain profits in the business and to conserve financial resources.

With regard to the work at present in progress and also with reference to the future, I should like to say that we can report increased activities in all sections of the business, especially in civil engineering and manufactured joinery; we have recently secured important public works contracts, such as the quarter-million pound technical college at Bolton; roads, sewers and houses for the Hull Corporation and the construction of a new wharf for the London, Midland and Scottish Railway Company. It is most encouraging to find that the quality of our work is building up an important and valuable goodwill throughout the country; indicative of this and of the future outlook for the industry, we have recently received special invitations to tender for new contracts aggregating over £3,000,000. The report and accounts were unanimously adopted.

CHOSEN CORPORATION, LIMITED

LIQUIDATION OF NURUPI

The annual meeting of this company was held, on the 31st ultimo, in London.

Mr Gerald W. B. Portman, who presided, said that as a result of negotiations in London with a director of a Japanese corporation, the Chosen Union of Mines, an agreement had just been signed relating to the liquidation of Nurupi and matters connected therewith. The agreement provided that in consideration of the Chosen Union of Mines being released from their guarantee as from July 1, 1937, the company became allowed to take as part of its share in the liquidation of Nurupi the whole of the sterling which had been remitted to London, less expenses incurred in London by Nurupi. The company would receive just over 65 per cent. of the net assets of Nurupi K.K.K. available for distribution to shareholders in the liquidation. That agreement had been signed subject to ratification by the board of the Chosen Union of Mines and it had been provided that unless by February 28th they had refused to ratify the agreement it entered into full force.

Thereupon the necessary formalities would have to be carried out in Japan and under Japanese law the company would not become entitled to receive its share of the assets before, at the earliest, May next. The company had been fortunate at this difficult time to have had the advantage of the energy and work of Mr Rubinstein to enable the present satisfactory position to be realised; his courage, ability and resourcefulness throughout the negotiations had been of inestimable value to the company.

The most important question was the remittance of the balance of the money which would accrue to the company and which was at present in Japan. They were endeavouring to convince the Japanese Government that they should, in spite of the stringent restrictions existing in Japan, permit the immediate remittance of the balance of the money to this country. They had good hopes that the Government would accede to their request in the near future, as they understood that the Japanese authorities were desirous of giving all facilities to a house in London which could be instrumental in assisting Anglo-Japanese financial co-operation in the future.

The report was adopted and a dividend of 1s. per share approved. A resolution of confidence in the board and managing director was passed with acclamation.

World production of lead for 1937 is estimated at 1,680,000 tons, or about 210,000 tons more than for 1936, and 110,000 more than actual consumption for that year. World consumption is still expanding outside the United States, and the strong statistical position of the metal remains unimpaired.

SPELTER

World production of spelter for 1936 was 1,473,412 tons, the highest ever attained, and almost 150,000 tons more than for 1935. Concurrently consumption advanced to the still higher record of 1,505,000 tons, or 175,000 tons in advance of the previous year.

The estimated production for 1937 is 1,630,000 tons, or about 160,000 tons in excess of 1936. As far as can be ascertained, consumption kept pace with this substantial advance in production up to September, after which demand became uncertain, particularly in America.

Production of spelter in the United States made good progress during 1936, although it was only 82.8 per cent. of the 1929 figure. Consumption made a better showing at 96.2 per cent. For the rest of the world the similar percentages were 113.6 and 109.1.

Notwithstanding the increasing importance of spelter in the field of industry, the production of both the metal and its raw material, zinc concentrates, remains the least satisfactory of all non-ferrous metals to the producer, and affords the lowest margin of profit. In our particular case, this is forcibly illustrated by the fact that whilst zinc concentrates constitutes 42 per cent. of our total tonnage of saleable products over the last seven years, they contributed only 10 per cent. of the revenue realised by these products. But when we come to profit, which concerns us most immediately, we find that for three years production actually resulted in a loss, whilst for the whole seven it contributed only 4.67 per cent. of our working profit, of which 3.88 per cent. is attributable to the year under review, when sensational metal prices prevailed, and 0.79 per cent. to the remaining six years.

COPPER

Production of copper for 1936 was 1,639,714 tons, more than 200,000 tons in excess of 1935. Consumption at 1,850,000 tons advanced by 250,000 tons.

This expansion in consumption naturally caused a recession in stocks, which was corrected by a progressive increase in the quotas by which producers were restricting their output.

The relaxation in restriction started in August, when an advance from 70 per cent. to 75 per cent. in agreed production was permitted and progressed rapidly until it reached 105 per cent. in November, at which equilibrium with consumption was established. World stocks, which in 1933 approximated to 725,000 tons, were reduced to 400,000 tons at the end of 1936 and to 340,000 tons in October, 1937—less than three months' supply.

SILVER

World production of silver for 1936 was 250,817,957 ounces, or 36,000,000 ounces greater than for the previous year, of which 28,000,000 ounces came from North America and 5,000,000 ounces from South America, following the large increase in the production of non-ferrous metals.

Production of silver in the two Americas continues to expand with the increasing production of non-ferrous metals, and world production of 1937 threatens to exceed 270,000,000 ounces, and thus establish an all-time record.

SUMMARY

In my view the centre of the economic problem at the moment lies in the United States, where, as I have shown, recovery has lagged consistently behind the rest of the world and recently has suffered a further conspicuous recession. Industrial capacity and activity have attained such dimensions that only if the major consuming markets, of which the United States is among the foremost, are attuned to absorb their full share of the commodities and goods produced, can the world maintain its economic health. It is my belief that measures are being and will be taken to correct the position there, and that when this is accomplished the foundations of international trade will be so broadened as to enable full use to be made of the high degree of productive and industrial capacity which now only waits to be applied to the benefit of the peoples of the world.

On the score of considerably lower metal prices, particularly in the case of lead, increasing costs of production and the advance in freight rates, I am bound to counsel caution, although, in my belief, we, with so much experience of the vagaries of our particular trade, can envisage the immediate future as likely to be a period of continued activity with, I hope, a reasonable degree of prosperity.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

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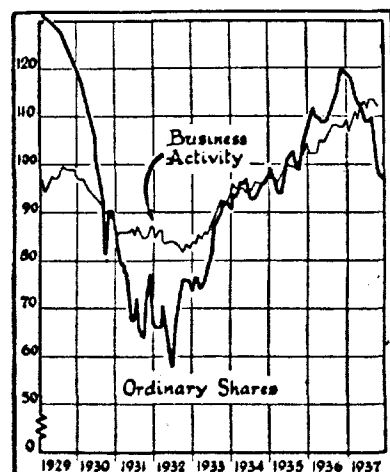
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

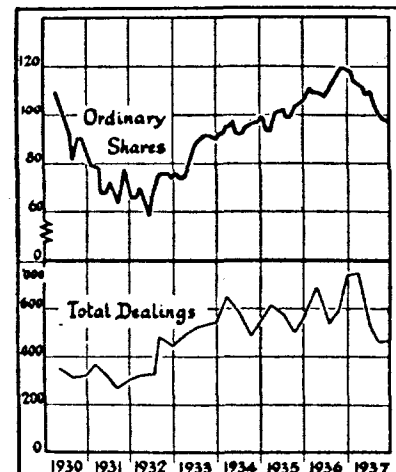
Investment Trends and Industrial Production—1929-1937

In the following charts, movements in industrial share prices (*Actuaries' Index*) and industrial production are illustrated over a trade cycle. The first chart compares ordinary share prices with *The Economist's* Index of Business Activity. Charts III, IV and V compare ordinary share movements and production in particular industries. The Board of Trade indices of production employed in Chart III, cover production of mines and quarries and, in Chart V, building and building materials production. The share index in this latter chart refers only to building materials shares. In Chart II, equity share movements are related to the only available index of Stock Exchange turnover, the *Financial News* daily record of Stock Exchange bargains. All index numbers have been based on 1935=100.

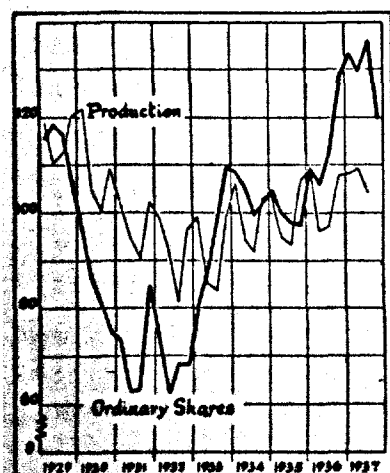
I.—ORDINARY SHARE PRICES AND BUSINESS ACTIVITY



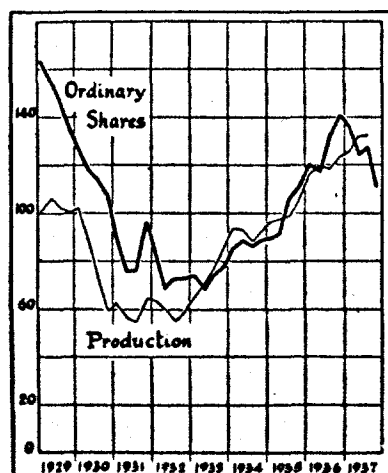
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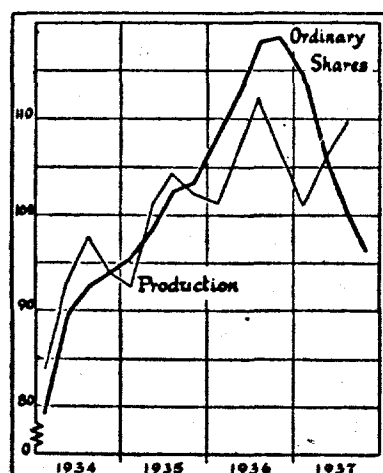
III.—COAL



IV.—IRON AND STEEL



V.—BUILDING



Finance

GOVERNMENT FINANCE

For the six days ended December 31, 1937, the total ordinary revenue was £8,800,000, against ordinary expenditure of £13,853,000. The deficit accrued since April 1st last is thus £172,603,000, against a deficit of £138,854,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)					
	Est. for year 1937-38	April 1, 1936, to Dec. 31, 1936	April 1, 1937, to Dec. 31, 1937	5 days ended Dec. 31, 1936	6 days ended Dec. 31, 1937	
ORDINARY REVENUE						
Inc. Tax	288,150	76,966	90,035	3,304	3,824	
Sur-tax	58,000	9,400	10,780	650	740	
Estate, etc.	89,000	63,070	68,200	1,140	1,030	
Duties	29,000	18,710	16,240	350	430	
Stamps	2,000	59	59	19	19	
N.D.C.						
Other In.						
Rev. Duties	1,500	150	530	...	40	
Total I. Rev.	467,650	168,296	185,844	5,444	6,083	
Customs	219,850	158,910	167,965	2,369	2,685	
Excise	113,150	84,300	88,400	579	551	
Total Cust. and Excise	333,000	243,210	256,365	2,948	3,236	
Motor Duties	34,000	11,336	11,607	104	247	
P.O. (Net Receipt)	11,800	10,000	9,350	100	Dr. 810	
P.O. Fund	1,350	1,050	1,030	...	40	
Crown Lds.						
Rec. from Sun. Loans	4,300	3,635	4,286	21	...	
Misc. Rec.	11,000	15,298	10,105	629	4	
Total Ordinary Revenue	863,100	452,825	478,612	9,246	8,800	
SELF-BAL. REVENUE						
Post Office and Broadcasting	75,198	52,200	55,500	1,800	2,310	
Total	...	505,025	534,112	11,046	11,110	

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)					
	Est. for year 1937-38	April 1, 1936, to Dec. 31, 1936	April 1, 1937, to Dec. 31, 1937	5 days ended Dec. 31, 1936	6 days ended Dec. 31, 1937	
ORDINARY EXPEND.						
Int. & Man. of Nat. Dt.	224,000	178,841	183,317	1,315	1,506	
Payments to N. Ireland	8,000	4,751	5,260	...	...	
Other Cons.	3,200	1,931	2,190	80	144	
Fund Serv.	300	421	...	...	...	
P.O. Fund						
Total	235,500	185,944	190,767	1,395	1,650	
Supply Serv.	162,734	405,735	460,448	10,666	12,203	
Total Ord. Expend.	862,848	591,679	651,215	12,061	13,853	
SELF-BAL. EXPEND.						
P. O. and Broadcasting Votes	75,198	52,200	55,500	1,800	2,310	
Total	...	643,879	706,715	13,861	16,163	

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After raising Exchequer balances by £158,128 to £2,467,887, the other operations for the week (as shown below) increased the gross National Debt by £5,442,000 to about £8,289 millions. An analysis of the approximate position of the National Debt, as at December 31, 1937, appears on page 99, under the heading "Special Statistics."

NET INCR. IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
Bank of England Advances	55,750	Treasury Bills	52,238
P.O. and Telegr. (Money) Act	3,800	Public Dept. Advances	1,670
		Nat. Savings Certs.	200
	59,550		54,108

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to December 31, 1937, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	651,215	Ordinary Rev.	478,612
Issue to Exch. Eq.		Decrease in bal.	232
Fund (July, '37)	200,000	Gross	379,036
		Less:	
		New S.F.	6,656
		Old S.F.	9
		Net borrowing	372,371
	851,215		851,215

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Ten-der	Tap	Public Depts.	Bank of Eng-land		
1936						
Dec. 31	766.2*		27.8	57.0	851.0	...
1937						
Mar. 31	500.0	174.6	23.5	...	698.1	108.1
Dec. 31	617.0	301.8	42.6	10.2	971.6	344.4
" 4	622.0	305.3	45.3	1.5	974.1	350.6
" 11	622.0	317.3	41.6	...	980.9	358.9
" 18	622.0	319.9	41.1	...	983.0	361.0
" 25	622.0	319.9	41.1	...	983.0	361.0
" 31	889.7*		39.5	55.7	984.9	...

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1936					
Dec. 31	40.0	75.4	40.0	12 5/8	25
1937					
Nov. 12	45.0	75.0	45.0	10 2/12	65
" 19	45.0	65.0	45.0	11 1/15	56
" 26	50.0	62.3	50.0	15 0/22	79
Dec. 3	50.0	84.4	50.0	18 2/16	25
" 10	50.0	91.5	50.0	15 8/91	61
" 17	50.0	76.8	50.0	13 9/17	85
" 24	50.0	68.4	50.0	12 0/64	74
" 31	50.0	80.5	50.0	10 11/59	47

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills.

On December 31st, applications at £99 17s. 3d. per cent. for bills to be paid for on Tuesday to Saturday of the following week inclusive were accepted as to about 47 per cent. of the amount applied for. Applications at higher prices were accepted in full. £40.0 millions of Treasury bills are being offered on January 7th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
50 wks. to: Dec. 19, 1936	...	33,120,605	24,840,453		
Dec. 18, 1937	...	30,743,934	23,057,951		
Week to: Dec. 19, 1936	...	531,751	398,813		
Dec. 11, 1937	...	572,955	429,716		
Dec. 18, 1937	...	565,289	423,967		

Net Exchequer receipts, week to Dec. 18, 1937: Dr. £100,000.
† Includes adjustments up to June 19, when grand total issued was 1,296,663,144 cts. According to the Finance Accounts, amount (excluding accrued interest) to credit of investors was £389,726,807 as at March 31, 1937.

CENTRAL BANK RETURNS BANK OF ENGLAND JANUARY 5, 1938 ISSUE DEPARTMENT

Notes Issued:		Govt. Debt:	
In circula.	492,575,899	Govt. Debt	11,015,100
In Bkgs. De-	53,830,926	Other Govt. Securities	208,681,546
		Other Secs.	291,693
		Silver Coin	11,661
		Amt. of Fid. Issue	220,000,000
		Gold Coin & Bullion	326,406,825
			546,406,825

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Capital	14,553,000	Govt. Secs.	108,338,165
Res.	3,479,958	Other Secs.	15,087,912
Public Depts.	14,441,735	Disc. etc.	21,136,604
Other Depts.	129,234,522	Securities	36,224,516
Bankers	37,386,911	Notes	53,830,926
Other	166,621,433	Gold & Silv.	702,519
		Coin	199,096,126
			199,096,126

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt., Jan 5, 1938	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	492,576	- 12,741	+ 29,873
Deposits: Public	14,442	+ 3,058	+ 916
Bankers	129,234	+ 8,593	+ 19,004
Others	37,387	+ 820	+ 1,013
Total outside liabilities	673,639	- 270	+ 48,780
Capital and rest	18,033	+ 38	+ 45
COMBINED ASSETS			
Govt. debt and securities	328,035	+ 6,266	+ 34,852
Discounts and advances	15,088	+ 5,882	+ 675
Other securities	21,428	+ 275	+ 222
Silver coin in issue dept.	12	+ 1	+ 1
Gold coin and bullion	327,109	- 124	+ 12,985
RESERVES			
Res. of notes & coin in banking department...	54,533	+ 12,617	+ 3,112
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	30.1%	+ 5.3%	- 1.6%
(b) Gold stocks to deposits and notes ("reserve ratio")	48.6%	No change	- 1.7%

COMPARATIVE ANALYSIS (£ millions)

Date (Wed'y.)	Issue Department				
	Notes in Circ.	Notes in Bkgs. Dept.	Govt. Debt and Secs.*	Other Secs.	Gold Coin and Bullion
Jan. 6, '37	462.7	51.0	199.9	0.1	313.7
Dec. 15, '37	501.9	44.4	219.7	0.3	326.4
" 22...	509.3	37.1	219.7	0.3	326.4
" 29...	505.3	41.1	219.7	0.3	326.4
Jan. 5, '38	492.6	53.8	219.7	0.3	326.4

* On January 5, 1938: Government debt was £11,015,100; silver coin in issue department, £11,661; capital and rest, £18,032,958.

(£ millions)

Date (Wed'y.)	Banking Department Deposits				Both Depts.
	Public	Bankers	Others	Total	
Jan. 6, '37	13.5	110.2	38.4	162.1	50.3
Dec. 15, '37	11.4	103.4	36.5	151.3	50.1
" 22...	10.8	98.2	36.5	145.5	50.0
" 29...	11.4	120.6	36.6	168.6	48.6
Jan. 5, '38	14.4	129.2	37.4	181.0	48.6

† Gold stock to deposits and notes in circulation

(£ millions)

Date (Wed'y.)	Banking Department Securities				Bkg. Dept. Reserve of Notes etc.
	Govt.	Disc. & Advances	Other	Total	
Jan. 6, '37	93.3	14.4	21.1	128.8	51.4
Dec. 15, '37	95.0	7.8	20.7	123.5	45.6
" 22...	96.5	7.5	21.5	125.5	38.0
" 29...	114.6	9.2	20.9	144.7	41.0
Jan. 5, '38	108.3	15.1	21.1	144.5	54.5†

OTHER CENTRAL BANKS

NOTE.—The latest return of the Bank of Denmark appeared in *The Economist* of December 11, 1937; Czechoslovakia, Danzig, Estonia, Lithuania, Norway, Poland, Java, Finland and Roumania of December 25; Austria, Bulgaria, Egypt, Yugoslavia, Latvia, Portugal and New Zealand of January 1, 1938.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Gold in bars	31.3	31.3	30.3	31.3
Cash	23.3	20.2	25.9	52.3
Sight funds	5.3	16.8	18.6	17.1
Bills and acceptances:				
(a) Commercial bills	134.0	115.6	123.3	122.1
(b) Treasury bills	147.7	148.4	146.1	110.6
Time deposits at interest	25.6	58.4	47.6	38.4
Sundry bills & invests.	245.7	296.3	275.7	294.5
Other assets	1.5	2.2	2.2	1.1
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	22.1	23.2	23.2	23.2
Long-term commitments:				
(1) Annuity trust account deposits	153.3	153.3	153.7	153.5
(2) Govt. deposits	121.5	109.0	109.5	109.4
Short term and sight deposits:				
(1) Central banks:				
Own account	119.2	201.4	181.7	178.8
(2) Central banks:				
For acct. others	6.2	2.6	2.6	2.3
Other deposits	0.1	7.0	6.8	6.3
Sight deposits—Gold	27.3	8.4	8.4	8.4
Miscellaneous items	41.5	41.2	42.3	43.0

U.S. FEDERAL RESERVE BANKS

	Jan. 7, 1937	Dec. 30, 1937	Dec. 30, 1937	Jan. 6, 1938
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	8,851	9,122	9,120	9,120
Total reserves	9,142	9,443	9,461	9,461
Total cash reserves	278	311	311	363
Total bills discounted	3	17	13	11
Bills bt. in open mkt.	3	3	3	1
Total bills on hand	6	20	16	12
Industrial advances	24	18	18	18
Total U.S. Govt. secs.	2,430	2,564	2,564	2,564
Total bills and secs.	2,461	2,602	2,598	2,594
Total resources	12,382	12,733	12,853	12,833
LIABILITIES				
F.R. notes in actual circulation	4,242	4,295	4,283	4,258
Aggregate of excess m. bank res. over reqts.	2,010	1,050	1,160	1,270
Deposits—Member bank reserve account	6,627	6,836	6,983	7,071
Govt. deposits	212	242	140	127
Total deposits	7,147	7,524	7,535	7,602
Cap. paid in and surplus	305	306	306	308
Total liabilities	12,382	12,733	12,853	12,833
Ratio of total res. to deposit and F.R. note liab. combined	80.3%	79.9%	80.1%	80.0%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	11,271	12,764	12,760	12,755
Treasury and Nat. Bk. currency	2,531	2,623	2,634	2,639
LIABILITIES				
Money in circulation	6,473	6,591	6,571	6,510
Treasury cash and deposits with F.R. bks.	2,627	3,864	3,760	3,749

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

	Jan. 7, 1937	Dec. 30, 1937	Dec. 30, 1937	Jan. 6, 1938
ASSETS				
Gold reserves	354.0	358.3	363.8	368.2
Total bills discounted	1.6	4.1	3.8	3.1
Bills bt. in open mkt.	1.1	1.0	1.0	0.2
Total U.S. Govt. secs.	652.3	739.7	739.7	739.5
Total bills and secs.	660.8	744.4	744.1	747.3
Deposits—Member bank—reserve acct.	2,952.9	2,938.4	3,041.2	3,126.5
Total res. to dep. and Fed. Res. note liab. combined	85.9%	84.3%	84.7%	84.8%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Dec. 31, 1936	Nov. 30, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Loans, total	19,064	19,512	19,509	19,500
Investments	13,806	11,998	11,980	12,168
Reserve with Fed. Res. banks	5,307	5,365	5,291	5,365
Due from domestic bks.	2,498	1,867	1,803	1,869
LIABILITIES				
Demand deposits, adjusted	15,625	14,612	14,707	14,675
Time deposits	5,031	5,296	5,181	5,192
Government deposits	700	416	417	684
Due to banks	6,640	5,555	5,404	5,489

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Gold*	60,359	58,932	58,932	58,933
Advances on gold coin	1,258	9,293	9,746	10,737
Commercial bills	9,860	9,293	8,701	870
Bills bought abroad	1,429	913	870	870
Advances on securities	3,583	3,861	3,693	3,781
Thirty-day advances	715	646	529	675
Loans to State	3,200	3,200	3,200	3,200
Interest: (a) general	17,698	26,918	26,909	31,909
(b) provisional	5,640	5,637	5,637	5,580
Negotiable bonds, sinking fund	3,901	4,497	4,163	4,099
Other assets	89,342	91,933	91,263	93,837
LIABILITIES				
Public deposits	2,089	2,743	2,423	3,461
Private deposits	13,550	15,643	16,545	19,219
Other liabilities	2,659	3,580	3,444	3,266
Gold reserve to sight liabilities	57.4%	53.4%	53.4%	50.5%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.

REICHSBANK

	Dec. 31, 1936	Nov. 30, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Gold	66.5	20.3	20.3	20.3
Of which deposited abroad	5.7	5.7	5.6	5.7
Res. in foreign currencies	550.9	8,554.6	5,240.9	6,131.5
Bills of exchange and cheques	122.5	142.2	174.1	110.9
Silver and other coin	74.4	46.1	56.0	60.3
Advances	523.8	390.9	391.5	392.2
Investments	642.9	727.4	811.7	749.7
Other assets	473.6	493.0	493.0	493.0
LIABILITIES				
Notes in circulation	498.0	1,519.6	5,029.8	5,492.9
Notes daily maturing obligations	101.2	4.765.9	733.3	1,058.5
Other liabilities	329.5	324.5	344.3	326.5
Cover of note circulation	1.44%	1.46%	1.51%	1.39%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Dec. 31, 1936	Nov. 30, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Gold and English stock	16.00	16.00	16.00	16.00
Other coin, bullion, &c.	3.75	5.51	5.43	4.73
Money at short call—London	22.84	35.09	33.68	33.18
Short-term loans	7.00			
Securities and Treas. bills	77.36	83.38	87.71	88.27
Discounts and advances	8.85	10.96	11.36	11.51
LIABILITIES				
Notes issued	50.54	49.28	53.03	54.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits	68.95	86.50	89.62	88.42

CENTRAL BANK OF ARGENTINA

	Dec. 31, 1936	Nov. 30, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Gold at home	1,224	1,352	1,353	1,353
Gold abroad & foreign exchange	256	89	81	75
Non-int.-bearing Govt. bonds	119	119	119	119
Treasury bonds	399	398	398	398
LIABILITIES				
Notes in circulation	1,039	1,107	1,112	1,122
Government deposits	131	107	136	136
Bank deposits	473	400	371	367
Certs. of participation in Treasury bonds	349	357	333	312
Gold and for. exch. to note and sight liab.	89.8%	89.9%	88.2%	87.5%

NATIONAL BANK OF BELGIUM

	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Gold	3,728	3,390	3,497	3,525
Silver and other coin	55	51	54	52
Bills and securities	1,587	1,459	1,484	1,488
Advances	68	46	35	32
LIABILITIES				
Notes in circulation	4,540	4,313	4,275	4,308
Deposits: Govt.	120	71	52	96
Other	769	52	735	685

BANK OF CANADA

	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Reserve, of which:	194.4	203.0	206.8	202.0
Gold coin and bullion	179.4	179.8	179.8	179.8
Securities	162.3	192.9	188.0	186.2
LIABILITIES				
Note circulation	135.9	156.1	165.8	166.8
Deposits: Dom. Govt.	22.4	28.4	19.2	12.8
Chartered banks	186.8	200.7	196.6	196.4
Reserves to notes and deposit liabilities	56.0%	52.6%	53.8%	53.3%

BANK OF GREECE.—Million drachmae

	Dec. 31, 1936	Nov. 30, 1937	Dec. 31, 1937	Dec. 31, 1937
ASSETS				
Gold and gold exchange	3,321	3,581	3,605	3,628
State gold bonds	557	521	521	521
Bills discounted	436	608	617	624
Advance	4.5	4.750	4.747	5.023
State debt	3,605	3,875	3,956	3,856
LIABILITIES				
Notes in circulation	6,199	6,850	6,409	6,821
Dep. and current acct.	5,379	5,719	6,082	5,998
Foreign exch. liabilities	201	171	168	162

NATIONAL BANK OF HUNGARY

	Dec. 23, 1936	Nov. 23, 1937	Dec. 23, 1937	Dec. 23, 1937
ASSETS				
Metal reserve:				
Gold coin and bullion	84.1	84.0	84.0	84.0
Foreign exchange	37.3	55.3	56.5	57.4
Token money	7.2	8.4	8.2	7.6
Inf. bills, wts., & secs.	489.4	393.2	399.1	408.1
Advances to Treasury	96.9	114.4	114.3	115.3
LIABILITIES				
Notes in circulation	372.3	369.1	398.6	402.1
Current accounts, deposits, etc.	227.4	267.9	258.0	268.2
Cash certificates	92.9	89.2	69.7	69.7

RESERVE BANK OF INDIA

	Dec. 25, 1936	Nov. 26, 1937	Dec. 25, 1937	Dec. 25, 1937
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	641	628	625	627
Balances abroad	166	459	45	47
Sterling securities	673	803	803	803
Indian Govt. rupee securities	234	273	274	274
Investments	63	68	63	61
LIABILITIES				
Notes in circula:	1,898	17,583	1,776	1,790
India	69	409	41	47
Deposits: Govt.	152	265	261	224
Banks	56.1%	58.0%	58.1%	58.1%
Gold and stg. to liabilities				

BANK OF JAPAN

	Dec. 12, 1936	Nov. 13, 1937	Dec. 11, 1937	Dec. 11, 1937
ASSETS				
Coin and bullion: Gold	546.7	801.0	801.0	801.0
Other	48.7	62.8	56.4	49.8
Discounts and advances	786.0	760.4	652.3	564.3
Government bonds	453.9	634.8	693.0	908.6
Agencies accounts	75.4	81.2	96.0	82.6
LIABILITIES				
Notes issued	1,400.5	1,598.9	1,776.6	1,744.7
Deposits: Government	233.7	438.6	198.0	347.7
Other	61.8	61.3	67.4	58.7

NETHERLANDS BANK

	Jan. 4, 1937	Dec. 27, 1937	Dec. 27, 1937	Jan. 3, 1938
ASSETS				
Gold	719.6	1,365.8	1,365.8	1,391.9
Silver	17.6	16.6	16.7	16.7
Home bills discounted	17.6	26.2	23.4	2.8
Foreign bills	2.3	5.1	5.1	5.1
Loans and advances in current account	297.5	190.4	194.8	210.8
LIABILITIES				
Notes in circulation	818.8	878.2	868.5	907.1
Deposits: (a) Govt.	85.3	43.0	99.8	722.0
(b) Other	169.7	701.6	655.5	

SOUTH AFRICAN RESERVE BANK

	Dec. 24, 1936	Nov. 26, 1937	Dec. 17, 1937	Dec. 24, 1937
ASSETS				
Gold coin and bullion	24.21	22.93	22.93	22.94
Bills discounted:				
Home	0.03	0.03	0.24	0.02
Foreign	10.79	6.12	6.65	6.78
Investments	1.74	1.72	1.62	1.67
Other assets	11.59	11.02	10.90	10.50
LIABILITIES				
Notes in circulation ...	15.22	16.40	16.28	17.04
Deposits:	2.22	6.25	6.08	7.03
Bankers	2.29	17.91	18.70	2.00
Cash reserves to liabilities to public	53.3%	57.1%	54.4%	54.8%

BANK CLEARINGS 1900 TO 1937

(£ Millions)

Year	No. of Days	Town Clearing	Metropolitan Clearing	Country Cheque Clearing	Provincial Clearings											Total
					Birmingham	Bradford	Bristol	Hull	Leeds	Leicester	Liverpool	Manchester	Newcastle-on-Tyne	Nottingham	Sheffield	
1900	307	...	...	...	53.4	...	29.0	...	16.3	12.2	167.7	248.8	85.6	...	20.3	...
1901	306	...	...	...	52.8	...	29.4	...	16.0	10.7	158.9	236.2	82.8	...	18.9	...
1902	303	9,159	...	...	56.1	...	31.4	...	16.0	10.7	166.3	234.7	80.9	...	18.8	...
1903	307	9,235	...	...	55.1	...	31.6	...	17.1	10.7	174.9	238.5	77.7	...	19.3	...
1904	309	9,678	...	...	53.2	...	30.5	...	17.6	11.1	198.3	248.5	77.5	...	18.4	...
1905	306	11,355	...	...	55.6	...	31.2	...	18.4	11.1	203.7	263.6	76.5	...	18.3	...
1906	307	11,719	From Feb. 19 to Dec. 31, 482	992	58.6	...	31.0	...	21.1	11.4	188.7	293.6	54.8	...	19.9	...
1907	307	11,657	...	1,073	61.5	...	31.3	...	21.4	12.1	196.3	320.3	58.4	...	21.9	...
1908	308	11,408	...	1,064	56.2	...	31.1	...	20.4	11.7	177.0	288.6	46.1	...	20.4	...
1909	307	11,744	...	1,094	57.7	...	30.7	...	20.8	12.2	200.3	284.9	47.1	15.9	20.1	...
1910	306	12,698	...	1,190	60.7	...	31.7	...	22.1	12.9	222.4	307.9	48.4	15.9	21.3	...
1911	304	12,596	...	1,221	63.8	25.7	33.5	...	22.4	13.0	217.9	336.1	48.3	15.9	22.5	...
1912	308	13,813	...	1,307	70.8	28.2	35.9	...	24.0	13.7	236.1	347.1	55.1	16.8	24.4	...
1913	307	14,191	...	1,389	75.8	30.4	35.5	...	26.2	15.1	238.4	370.7	62.3	18.1	27.4	...
1914	304	12,434	...	1,370	75.4	30.2	36.2	...	25.8	15.5	224.5	322.7	57.8	18.0	24.9	...
1915	307	10,811	...	1,568	88.9	38.8	39.7	...	32.5	20.3	290.3	351.7	78.0	19.0	31.1	...
1916	305	12,529	...	1,574	96.1	44.0	44.3	...	38.5	24.1	365.1	445.0	89.1	23.6	42.3	...
1917	304	15,699	...	1,777	110.5	51.6	49.5	...	43.7	30.0	427.2	561.8	89.9	25.8	49.4	...
1918	304	17,032	...	1,429	126.1	69.7	56.0	...	54.7	40.0	488.9	767.6	85.2	32.1	56.9	...
1919	302	23,215	...	1,814	145.4	96.6	77.6	...	69.3	51.9	678.9	946.0	115.4	39.1	64.1	...
1920	306	32,853	...	2,094	185.9	132.7	91.1	...	88.3	62.1	823.8	1,451.2	157.1	56.2	86.0	...
1921	307	30,268	...	1,660	119.9	63.2	76.3	...	57.4	38.7	455.0	741.9	91.5	35.6	55.8	...
1922	307	32,781	...	1,575	112.4	61.4	76.3	...	55.8	34.3	432.9	774.6	94.7	33.5	48.4	1807.0
1923	307	32,270	...	1,574	108.8	57.8	78.8	...	55.7	37.1	450.3	760.6	103.8	31.4	57.7	1841.1
1924	308	35,039	...	1,594	122.3	63.2	60.3	...	56.7	52.0	474.3	802.9	91.4	34.4	58.1	1831.0
1925	307	35,801	...	1,678	133.0	76.0	61.1	...	54.0	51.1	408.8	814.2	81.5	34.1	53.7	1865.4
1926	307	35,446	...	1,661	123.1	76.1	59.3	...	46.5	49.9	399.9	685.2	65.5	31.7	49.8	1617.6
1927	307	36,420	...	1,738	128.1	71.4	60.7	...	45.5	42.5	428.5	707.8	77.9	32.7	56.0	1690.0
1928	307	39,311	...	1,854	137.3	68.6	62.6	...	45.8	49.5	432.7	681.3	75.8	32.6	49.8	1745.2
1929	307	39,936	...	1,852	132.3	69.4	60.6	...	44.0	50.7	407.7	647.9	77.4	32.1	51.4	1599.3
1930	307	38,783	...	1,812	129.6	68.4	61.2	...	40.4	46.4	360.0	531.8	71.4	29.8	44.7	1348.2
1931	307	31,815	...	1,668	110.4	38.3	57.0	...	36.8	43.2	319.9	466.6	64.5	22.2	37.8	1199.3
1932	308	27,874	...	1,610	113.0	40.1	60.3	...	36.1	42.6	325.5	300.8	48.7	22.6	36.6	1238.4
1933	306	27,714	...	1,657	115.3	43.7	56.7	...	36.1	43.8	321.0	303.0	47.8	22.2	39.2	1243.1
1934	307	30,740	...	1,760	117.4	44.8	60.5	...	37.3	47.0	314.2	498.3	76.9	22.6	43.2	1294.8
1935	306	32,444	...	1,887	121.7	47.0	61.4	...	39.1	46.4	345.5	501.6	68.2	24.3	41.4	1283.5
1936	308	35,039	...	2,040	135.8	51.4	66.6	...	42.8	48.3	380.0	533.7	69.2	26.3	52.2	1404.0
1937	306	36,719	...	2,162	135.3	51.8	67.0	...	47.1	51.5	38.9	565.8	77.6	26.5	56.7	1472.1

* From this date Metropolitan clearings not included.

† Area restricted July, 1922.

‡ From February 1st.

§ Area restricted April 1st.

¶ Area restricted July, 1905.

SOURCE.—The Bankers' Clearing House.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch.	Dec. 29, 1937	Dec. 30, 1937	Dec. 31, 1937	Jan. 3, 1938	Jan. 4, 1938	Jan. 5, 1938
London—	Old Par	4.9011	4.9073	4.9073	5.0011	4.9933	4.9913
60 days	...	4.9011	4.9073	4.9073	5.0011	4.9933	4.9913
Cables	...	4.9011	4.9073	4.9073	5.0011	4.9933	4.9913
Demand	...	4.9011	4.9073	4.9073	5.0011	4.9933	4.9913
Paris, Fr.	6.63	3.3914	3.3914	3.3914	3.4013	3.3913	3.3912
Brussels, Bel.	23.54	16.9634	16.9612	16.9612	16.9612	16.9612	16.9612
Switz'd Fr.	32.67	23.12	23.12	23.12	23.1714	23.1512	23.1512
Italy, Lira	40.33	5.2614	5.2614	5.2614	5.2614	5.2614	5.2614
Berlin, Mk.	40.33	40.29	40.29	40.29	40.32	40.32	40.32
Vienna, Sch.	32.82	18.90	18.90	18.90	18.90	18.92	18.92
Madrid, Pt.	32.67	6.25	6.25	6.25	6.20	6.20	6.20
Amst'dm, Gldr.	68.06	55.64	55.64	55.65	55.7412	55.70	55.6712
Cop'hg, Kr.	45.37	22.3212	22.3212	22.3212	22.3212	22.3212	22.3212
Oslo, Kr.	...	25.1212	25.1212	25.1212	25.1212	25.1212	25.1212
Schlm, Kr.	...	25.7712	25.7712	25.7712	25.7712	25.7712	25.7712
Athens, Dr.	1.291	0.9114	0.9114	0.9114	0.92	0.92	0.92
Al'treal, Can.	169.31	99.875	99.925	99.910	99.945	99.970	99.985
Y'hama, Yen	84.40	29.10	29.10	29.11	29.18	29.13	29.13
Shanghai, \$	...	29.62	29.65	29.65	29.65	29.70	29.65
B. Aires, Peso	...	10.99	10.98	10.98	11.07	11.07	11.00
Rio, Rs.	11.96	5.20	5.25	5.25	5.35	5.32	5.32

Usance: T.T.

* Dollars per £1.

OVERSEAS BANK RATES

Changed From To	Changed From To
Albania	Apr. 1, '37 7 1/2
Amsterdam	Dec. 2, '36 2 1/2
Athens	Jan. 4, '37 7 1/2
Batavia	Jan. 14, '37 4 1/2
Belgrade	Feb. 1, '35 6 1/2
Berlin	Sept. 22, '32 5 1/2
Brussels	May 14, '35 2 1/2
Bucharest	Aug. 28, '35 4 1/2
Budapest	Aug. 28, '35 4 1/2
Calcutta	Nov. 28, '35 3 1/2
Copenhagen	Nov. 19, '36 3 1/2
Danzig	Jan. 2, '37 5 1/2
Helsingfors	Dec. 3, '34 4 1/2
Kobe	July 1, '36 6 1/2
Lisbon	Aug. 11, '37 4 1/2
New York Fed.	...
Reserve	Aug. 26, '37 1 1/2
Madrid	July 15, '35 5 1/2
Montreal	Mar. 11, '35 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.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended January 6, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
Gold					
British W. Africa	327,964	...	Gold	7,460	560
British S. Africa	2,138,333	...	Netherlands	79,901	472,097
British India	264,930	...	Belgium	800,323	...
U.S.A.	195,226	...	France	3,789	632,150
Peru	176,320	...	Switzerland	550,050	109,762
Uruguay	150,000	...	U.S.A.	140,513	...
Other countries	80,008	85,098	Other countries	36,720	1,750
Total	2,987,760	430,324	Total	1,618,756	1,216,319
Silver					
Hong Kong	126,710	1,654,680	Aden	...	17,515
Australia	124,757	...	Straits Settlements	...	1,397
Canada	1,390	...	Norway	1,377	...
Belgium	13,794	994	Austria	5,350	...
France	2,691	186	Egypt	...	25,562
Other countries	1,167	1,170	U.S.A.	115,960	904,815
Total	272,409	1,657,030	Total	126,683	950,744

MARTINS BANK LIMITED

(£ thousands)

LIABILITIES		ASSETS	
Dec. 1936	Dec. 1937	Dec. 1936	Dec. 1937
Capital	4,160	Cash at Bank of	9,880
Reserve	3,300	England	10,161
Dividend	291	With other banks	3,815
Carry forward	296	At call	5,535
Deposits	93,475	With banks abroad	238
Notes in circulation	21	Total cash	19,468
(I.O.M.)	21	Treasury bills	2,212
Acceptances	2,779	Bills discounted	1,285
Endorsements, etc.	5,072	Investments	32,814
		Advances	41,277
		In transit	1,126
		Other assets	766
		Premises	2,596
		Acceptances and endor- sements, etc.	7,850
Total	109,394	Total	109,394

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

L. M. & S.—	Gross Receipts, week ended Jan. 2, 1938 (£'000)					Aggregate Gross Receipts, 52 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
1936	397	402	240	642	1,039	25,832	24916	12,690	37,606	63,438
1937	413	362	229	591	1,004	26,881	25760	13,569	39,329	66,210
1938	287	291	250	541	828	16,902	17146	12,218	29,364	46,266
1937	295	275	262	537	832	17,665	17774	13,113	30,887	48,552
Great Western	179	170	110	280	459	11,013	10023	5,298	15,321	26,33

THE WEEK'S COMPANY RESULTS

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. Amount	Ordinary					
						Amount	Rate				
Total 1938, to Jan. 1 ...	15 Cos.	£ 145,901	£ 616,044	£ 761,945	£ 196,382	£ 328,938	% ...	£ 142,398	£ 94,227	£ 555,386	% ...
Financial Land, etc.											
N. Zealand, etc., Land Mtge.	Oct. 31	22,800	30,451	53,251	...	24,500	3½	5,000	23,751	28,621	3
Motor Cycle and Aviation			b								
Alvis, Ltd.	July 31	13,380	Dr. 29,980	Dr 16,600	8,531	...	...	Dr. 32,239	7,108	26,259	10
Oil											
Apex (Trinidad) Oilfields ...	Sept. 30	105,120	475,158	580,278	...	256,438	45	205,284	118,556	352,920	35
Rubber											
Braunston (Malay)	Sept. 30	2,644	9,142	11,786	...	6,337	7½	2,750	2,699	2,476	4
Kali Glagah	Sept. 30	1,394	18,811	20,205	...	10,192	7	6,250	3,763	5,343	3
Soember Ajoie	Sept. 30	857	7,137	7,994	...	4,842	6¼	2,000	1,152	2,666	3¼
Tamiang	Sept. 30	6,887	58,886	65,773	...	47,077	11¼	3,765	14,931	27,607	5.83
Shipping											
Houlder Line	Dec. 31	36,832	140,193	177,025	12,375	30,938	7½	95,000	38,712	129,728	7½
Textiles											
Hollins Mill	Nov. 30	24,646	58,429	83,075	40,200	12,500	5	...	30,375	48,740	2½
Jute Industries	Sept. 30	23,288	123,451	146,739	45,000	...	...	70,000	31,739	102,552	Nil
Lancashire Cotton Corp. ...	Oct. 31	78,783	529,870	608,653	68,875	...	...	305,000	234,778	78,783	Nil
Trusts											
Charter Trust, etc.	Nov. 30	9,805	21,334	31,139	19,375	...	...	...	11,764	21,325	Nil
Second Scottish Eastern ...	Nov. 30	18,932	32,645	51,577	17,305	10,406	4½	...	23,866	29,041	3½
Third Scottish Northern ...	Dec. 15	6,322	18,988	25,310	17,180	...	...	...	8,130	14,366	Nil
Other Companies											
Associated Paper Mills	Sept. 30	1,536	99,938	101,474	19,854	34,287	13	40,301	7,032	46,564	9
Barratt and Company	Nov. 20	159,245	53,921	213,166	19,000	33,800	26	...	160,366	72,000	38
Henekeys, Ltd.	Oct. 18	12,082	54,218	66,300	8,500	34,200	19	13,382	10,218	54,420	19
Industrial Plant Company....	Nov. 30	345	507	852	...	483	4½	...	369	439	4
Liebig's Extract of Meat ...	Aug. 31	216,426	271,009	487,435	50,000	220,000	11½	...	217,435	262,839	10½
Pharaoh Gane and Company	Dec. 31	17,423	46,375	63,798	11,063	14,875	50	17,000	20,860	28,546	25
Pullin (R. B.) and Co.	Oct. 31	...	23,217	23,217	...	10,500	15	7,649	5,068	(a)	(a)
Universal Asbestos	Oct. 3	...	22,164	22,164	2,485	9,821	7.857d.	4,865	4,993	(a)	(a)
Total 1938, to Jan. 8 ...	35 Cos.	904,648	2,636,527	3,541,175	533,640	1,069,813	% ...	875,891	1,061,831	1,890,621	% ...

(a) No comparable figures.

(b) Nineteen months.

† Free of Income Tax.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS	%	%	%	%	Groves (J.) & Sons ...	2½*	Jan. 21	2½*	2½*
Alexanders Discount	20 paf	17½	...	19	Hampstead Sub. Tst.	2½*	...	2½*	2½*
Barclays B. & C. ...	14 paf	14	Feb. 1	14	Hollins Mill ...	5	...	5	5
Martins Bank ...	7½	16d	...	14	Houlder Line ...	7½	...	7½	7½
Do. Centenary Bonus	2½	16½	Feb. 1	16	Hunters The Teamen	1½*	...	1½*	1½*
Midland Bank ...	10 paf	10	Feb. 1	10	Leicester Brewing ...	5*	...	5*	5*
National Discount "A"	10 paf	10	Feb. 1	10	Lloyd's Building ...	6½	...	6½	6½
Do. "B"	10 paf	10	Feb. 1	10	Pharaoh Gane P. Ord.	6½	...	6½	6½
Queensland National	4½ paf	26	Feb. 17	26	Do. Det. Ord.	50	...	50	50
Scottish Reversionary	4½	7	...	7	Portsmouth Newspr.	7½*	Jan. 4	7½*	7½*
Westminster L. ...	11½	20	Feb. 1	18	Preanger Agricult. ...	10*	...	10*	10*
Do. L. ...	6½	12½	Feb. 1	12½	Price and Pierce ...	10½	...	10½	10½
INSURANCE	%	%	%	%	Pullin (R. B.) ...	15	...	15	15
Mitros. Life (Canada)	6½	12	Jan. 3	10	Rio de Janeiro Flour	10*	Jan. 31	10*	10*
TEA & RUBBER	%	%	%	%	Rogers (R. H. & S.)	10½	...	10½	10½
Anglo-Ceylon Estates	4*	...	Feb. 4	2½*	Royal Dutch Co. ...	6*	Jan. 11	6*	6*
Ayer Paras Rubber ...	5*	...	...	4*	Scott. Amer. Invest. 'A'	5	Feb. 16	5	5
Balapeoang Co. ...	5*	...	...	4*	Shell "Transport"	7½*	Jan. 31	7½*	7½*
Eipitaya Rubber ...	6	...	...	6	Super Oil Seals, etc.	25	...	25	25
Esot Rubber ...	4½	...	...	4	Trustees Corp. ...	3*	Jan. 26	3*	3*
Garing Rubber ...	7½	...	Feb. 10	2½					
Kali Glagah Rubber ...	7	Jan. 14	3						
Soember Ajoie Rubber	6½	Jan. 21	3½						
Standard Tea (Ceylon)	5*	Jan. 29	5*						
Tamang Rubber ...	11½	Feb. 4	5½						
MINING	%	%	%	%					
Ashanti Goldfields ...	50½	95	Feb. 7	95					
Bibiani (1927) ...	15	Feb. 7	15						
Dundee Coal (Natal)	...	2½	...	Nil					
Fanti Cons. Invest. ...	12½	...	15½						
Ipho Tin ...	6½*	Jan. 28	6½*						
Tin Investment ...	10½	15	Feb. 9	11					
Wankue Colliery ...	6*	Jan. 24	6*						
OTHER	%	%	%	%					
Aspley Investment ...	2	...	1½						
Assoc. London Propts	2*	Feb. 1	2*						
Barratt and Co. Ord.	14½	26	...	38					
Do. Pref. ...	5½	9½	...	12½					
Covent Garden Propts.	f 3*	Jan. 15	Nil*						
Eastwoods Flettons S.	5*	Jan. 1	5*						
Pf. Ord. ...	5*	...	5*						

Guaranty Trust Company of New York.—Deposits on December 31, 1937, were \$1,449,807,512, and total resources, \$1,781,934,937. Capital and surplus are \$90,000,000 and \$170,000,000. Cash, etc., \$478,270,301, and U.S. Government obligations, \$540,506,067; loans and bills purchased, \$623,244,876.

Central Hanover Bank and Trust Company.—Total assets, December 31, 1937, \$934,773,785, against \$979,309,438 a year ago. Deposits \$831,259,130 (\$879,465,253). Undivided profits \$10,476,230 (\$6,798,132). Cash stands at \$342,480,366 (\$296,704,423).

Bankers Trust Company.—Total assets at end of 1937 \$975,069,368, against \$1,079,172,793 a year ago. Cash \$262,548,353 (\$225,816,844). U.S. Government securities \$343,935,273 (\$448,876,818). Deposits \$852,796,841 (\$953,621,161).

Other Shorter Comments will be found on pages 82 & 97.

Special Statistics

ANALYSIS OF BRITISH IRON AND STEEL CONSUMPTION IN 1935

(In thousands)

Trade	Pig Iron and Ferro-alloys	Scrap	Steel Ingots	Steel Blooms, Billets and Slabs	Bars and Rods	Plates and Sheets	Hoops and Strip	Girders, Angles, Shapes and Sections	Wire	Tubes	Castings	Other and Unclassified descriptions
Iron and Steel—												
Blast Furnaces	4,653.8	276.0	473.2	...	...	...	...	...	...	...	...	...
Smelting and Rolling	4,462.4	624.0	...	590.5	1,114.4	...	...	...	...	...	...	...
Foundries	1,424.5	...	...	...	...	...	...	...	...	...	...	...
Tinplate	...	...	146	195.8	855.1	...	394.6	...	...	...	...	...
Wrought Iron and Steel Tube	...	...	...	...	...	...	...	...	...	...	...	...
Hardware, Hollowware, Metallic Furniture and Sheet Metal	...	...	...	...	...	...	...	...	...	...	...	...
Chain, Nail, Screw and Miscellaneous Forgings	...	...	...	...	...	531.4	...	...	...	4.4	...	...
Needle, Pin and Metal Smallwares	...	...	...	...	431.2	...	...	...	117.4(a)	...	...	167.3
Wire	...	...	...	...	...	...	...	...	76.6	...	...	4.5
Tool and Implement	...	...	106.5(c)	392.7	...	...	...	...	...	...	...	82.1
Cutlery	...	...	...	...	...	...	...	...	...	...	...	3.8
Mechanical and Constructional Engineering	403.8	...	...	...	...	...	...	...	...	...	...	...
Electrical Engineering	...	...	...	241.2	376.5(h)	...	...	753.9	...	60.0(b)	339.0	68.6
Railway Carriage and Wagon	...	...	...	...	78.6	...	...	...	41.5(f)	...	61.3	10.5
Shipbuilding (j)	...	...	...	...	40.1	...	...	...	...	6.0	10.4	164.5
Aircraft (j)	...	...	...	...	11.8	235.3	...	94.5	...	0.7	...	0.8
Motor and Cycle (j)	...	...	...	...	3.2	1.2	...	...	0.3(c)	...	95.1(g)	60.0
Coopering	...	...	...	...	...	199.8	...	...	...	...	...	307.3
Building and Contracting (j)	...	...	...	...	...	...	6.8	...	...	...	...	262.0
Railway Companies	26.4	...	...	...	...	...	...	...	...	...	...	13.3
Local Authorities (j)	...	...	10.9	52.3	34.8	...	...	42.8	...	16.9	87.4	...
Packing	...	...	...	...	...	...	35.1	...	...	...	...	...
Total—Purchases of iron and steel	6,508.5	362.4	619.7	1,903.7	3,121.0	1,497.7	436.5	891.2	241.3	104.5	593.2	1,168.5
Total consumed in makers' own works	6,508.5	362.4	619.7	1,903.7	3,121.0	1,497.7	436.5	891.2	241.3	104.5	593.2	1,168.5
Total consumption	6,508.5	362.4	619.7	1,903.7	3,121.0	1,497.7	436.5	891.2	241.3	104.5	593.2	1,168.5
Production	6,472.2	362.4	619.7	1,903.7	3,121.0	1,497.7	436.5	891.2	241.3	104.5	593.2	1,168.5
Exports	156.2	12.1	9,577.4	580.1	3,877.5	2,867.4	618.7	1,263.4(k)	439.7	690.6	...	...
Retained Imports	12.1	1.3	5.8	183.2	379.9	51.3	155.9	56.8	22.4	...	...	...
Amount available for consumption	6,472.2	362.4	619.7	1,903.7	3,121.0	1,497.7	436.5	891.2	241.3	104.5	593.2	1,168.5
	6,472.2	362.4	619.7	1,903.7	3,121.0	1,497.7	436.5	891.2	241.3	104.5	593.2	1,168.5

(a) Including rods. (b) Wrought castings. (c) Including bars. (d) Includes only. (e) Including cable. (f) Output for sale as such of "engineering" castings, "direct" castings and "other" castings. (g) Including forgings and pressings. (h) Including strip. (i) So far as recorded. (k) Excluding fabricated girders.

SOURCE: Fifth Census of Prod.

tion (1935); Summary of Preliminary Results.

CHANGES IN BRITISH PRODUCTION BETWEEN 1914 AND 1935

(192 = 100)

Trade Group	Net output	Average number of persons employed	Net output per person employed
Factory trades :—			
Iron and Steel	125	108	116
Engineering, Shipbuilding and Vehicle	105	99	106
Non-Ferrous Metals	123	109	113
Textiles	106	99	107
Leather	101	105	96
Food, Drink and Tobacco	99	105	94
Chemicals, etc.	105	107	98
Paper, Printing and Stationery	105	108	111
Timber	106	105	101
Clay and Building Materials	103	100	103
Miscellaneous	119	109	108
Total—Factory trades	99	103	97
Non-Factory trades :—			
Building and Contracting	108	103	105
Mines and Quarries	96	96	96
Public Utility Services and Government Departments	107	83	107
Total—Non-Factory trades	97	99	108
Total—All trades	105	91	106
		96	106

GOVERNMENT REVENUE AND EXPENDITURE

I.—An ACCOUNT of the TOTAL REVENUE and EXPENDITURE of the UNITED KINGDOM in the undermentioned periods of the Year ending March 31, 1938, as compared with the corresponding periods of the preceding Year.

	Nett After Pay- ment of Pen- sion- ers	Quarter from October 1 to December 31, 1937, compared with the corresponding Quarter of the preceding Year.				Period from April 1, 1937, to December 31, 1937, compared with the corresponding Period of the preceding year			
		Quarter ending Dec. 31, 1936	Quarter ending Dec. 31, 1937	Increase	Decrease	Period ending Dec. 31, 1936	Period ending Dec. 31, 1937	Increase	Decrease
Ordinary Revenue									
Inland Revenue—									
Income Tax	£ 288,150,000	£ 761,917,000	£ 35,702,000	5,885,000	—	£ 76,965,000	£ 90,015,000	13,069,000	—
Sur-tax	89,000,000	500,000	4,070,000	570,000	—	9,400,000	10,780,000	1,380,000	—
Estate, etc., Duties	29,000,000	21,180,000	220,000	—	—	63,070,000	68,200,000	5,130,000	—
Stamps	2,000,000	6,140,000	—	2,150,000	—	18,710,000	16,240,000	—	2,470,000
National Defence Contribution	1,500,000	59,000	—	—	—	—	59,000	—	—
Other Inland Revenue Duties	467,650,000	62,300,000	380,000	360,000	—	150,000	530,000	380,000	—
Total Inland Revenue			£ 67,531,000	7,094,000	2,150,000	£ 168,296,000	£ 185,844,000	20,018,000	2,470,000
Customs and Excise—									
Customs	219,850,000	54,604,788	56,902,000	2,298,000	—	158,910,000	167,965,000	9,055,000	—
Excise	113,150,000	32,400,000	33,300,000	900,000	—	84,300,000	88,400,000	4,100,000	—
Total Customs and Excise			£ 90,202,000	3,198,000	—	£ 243,210,000	£ 256,365,000	13,155,000	—
Motor Vehicle Duties	34,000,000	2,961,000	3,690,000	35,000	—	11,336,000	11,607,000	271,000	—
Post Office (Net receipt)	11,800,000	3,950,000	24,650	260,000	—	10,000,000	9,350,000	—	650,000
Post Office Fund	1,350,000	420,000	390,000	24,659	—	—	24,659	—	—
Crown Lands	4,300,000	716,799	881,784	30,000	—	1,050,000	1,030,000	—	20,000
Receipts from Sundry Loans	11,000,000	3,028,300	4,033,170	164,985	—	3,634,767	4,286,638	651,871	—
Miscellaneous Receipts			1,004,870	—	—	15,298,047	10,105,061	—	5,192,986
Total Ordinary Revenue			£ 169,750,613	£ 521,514	2,440,000	£ 452,824,814	£ 478,612,358	£ 34,120,530	£ 8,332,986
Self-Balancing Revenue				£ 9,081,514	—			£ 25,787,544	—
Post Office (Revenue required to meet expenditure on Post Office and Broadcasting)	75,198,000	18,900,000	19,610,000	710,000	—	52,200,000	55,500,000	3,300,000	—
Total			£ 189,360,613	£ 12,231,500	2,440,000	£ 505,024,814	£ 534,112,358	£ 37,420,530	£ 8,332,986

* Motor Vehicle Duties apportioned to Road Fund treated as Self-Balancing in 1936-37 now added to Exchequer figures for purpose of comparison.

II.—An ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Period ending December 31, 1937, as compared with the corresponding period of the preceding Year.

RECEIPTS	Estimate for the Year 1937-38	Period ending Dec. 31, 1936	Period ending Dec. 31, 1937	ISSUES	Estimate for the Year 1937-38	Period ending Dec. 31, 1936	Period ending Dec. 31, 1937
Ordinary Revenue, as shown in Account I	£ 863,100,000	£ 452,824,814	£ 478,612,358	Ordinary Expenditure			
Self-Balancing Revenue, as shown in Account I	75,198,000	52,200,000	55,500,000	Interest and Management of National Debt	£ 224,000,000	£ 178,840,872	£ 183,317,340
Total Revenue	505,024,814	505,024,814	534,112,358	Payments to Northern Ireland Exchequer	8,000,000	4,751,246	5,260,021
Temporary Advances Repaid—				Other Consolidated Fund Services	3,200,000	1,931,241	2,189,683
Road Fund	—	—	—	Post Office Fund	300,000	420,529	—
Money Raised by Creation of Debt—				Total	235,000,000	185,943,888	190,767,044
(a) For Capital Expenditure Issues—				Supply Services—			
Under the Post Office and Telegraph (Money) Act, 1935	9,600,000	11,550,000	—	Army, Navy and Air Votes	198,268,000	126,700,000	172,900,000
(b) For other Issues—				Civil and Revenue Votes (excluding Post Office and Broadcasting)	42,908,000	52,790,357	287,548,347
By Treasury Bills	2,751,223,000	3,114,705,000	—	Total, Supply Services (excluding Post Office and Broadcasting)	627,348,000	405,735,179	460,448,347
By National Savings Certificates	18,400,000	16,950,000	—	Total Ordinary Expenditure	862,848,000	591,679,067	651,215,391
By 2½ per cent. Funding Loan, 1956-61	71,700,015	—	—	Self-Balancing Expenditure			
By 2½ per cent. Funding Loan, 1952-57	55,821,242	—	99,660,148	Post Office Vote and Vote for Broadcasting	75,198,000	52,200,000	55,500,000
By 2½ per cent. National Defence Bonds, 1944-48	—	—	—	Total Expenditure	938,046,000	643,879,067	706,715,391
(c) Ways and Means Advances	1,154,710,000	1,398,935,000	—	Temporary Advances—			
Repayments—				Road Fund, under Section 27 of the Finance Act, 1928	—	5,501,000	—
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921	103,054	105,748	—	Issues under Section 1 (1) of the Shipping Act, 1934	—	—	—
In respect of Issues under Section 26 of the Tithe Act, 1936	—	825,000	—	Issues under Section 4 (3) of the Fish Shipping (Assistance) Act, 1935	—	370,772	—
				Issues under Section 26 (1) of the T. Act, 1936	—	1,754,625	—
				Issues under the Exchange Equalisation Account Act, 1937	—	—	3,867,000
				Old Sinking Fund, 1907-08	—	—	200,000,000
				Issues under Section 9 of the Fin. Act, 1908	—	—	9,400
				Balances in Exchequer—	Dec. 31, 1937	Dec. 31, 1936	Dec. 31, 1937
				Bank of England	£ 4,566,816,623	£ 5,177,075,689	£ 4,566,816,623
				Bank of Ireland	—	—	—
				Total	£ 4,566,816,623	£ 5,177,075,689	£ 4,566,816,623

Treasury, December 31, 1937.

Mem.—							
Floating Debt, outstanding March 31, 1937	£ 698,130,000	Dec. 31, 1936	£ 55,750,000	Dec. 31, 1937	£ 55,750,000		
Ways and Means Advances outstanding—							
Advances by Bank of England	57,000,000		39,435,000		39,435,000		
Public Departments	27,790,000		27,790,000		27,790,000		
Treasury Bills outstanding	766,195,000		766,195,000		766,195,000		
Total Floating Debt outstanding	850,985,000		850,985,000		850,985,000		
Net Increase	£ 286,765,000		£ 286,765,000		£ 286,765,000		

* Includes £24,000 the proceeds of which were not carried to the Exchequer within the period of the account.
† Excluding £80,000,000 estimated to be met from borrowed moneys under the Defence Loans Act, 1937.
‡ Including margin for Civil Supplementary Estimates.
§ Motor Vehicle Duties apportioned to Road Fund treated as Self-Balancing in 1936-37 now added to Expenditure figures for purpose of comparison.

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A Tangled Skein

THE long-awaited report of M. VAN ZEELAND is to be made public within the next few days. It will be remembered that the ex-Premier of Belgium was invited by the Governments of Britain and France to suggest a way of unravelling the complicated tangle in which the world's economic affairs have in recent years become involved. While some nations are unable to sell their raw products, others are racking their brains to find substitute materials, to develop their own agricultural and mineral resources at enormous cost and to live in economic isolation. The result is that the expansion of world consumption is hampered, trade and credit are strait-jacketed in quotas and exchange controls, and only the boom in armaments remains to give the appearance of prosperity to world trade. Clearly there is no task more important than to find a way of reversing these suicidal follies.

This is not the moment to attempt to forecast what M. VAN ZEELAND may have to say; but we must not imagine that he is possessed of some magician's wand, or that the psychology of the world will be changed by any new proposal, however ingenious it may be. If, therefore, his report is to have serious consideration, it is useful to remind ourselves of some of the dilemmas that underlie the problem that he has been asked to solve.

In the first place, is it wise to attempt to break the vicious circle of political and economic disharmony by measures of economic appeasement, or will all such attempts be doomed to failure until political suspicions have been allayed? There is no doubt that, if a great

increase of prosperity could be brought about, it would help immensely to allay political animosities. There have undoubtedly been moments in the past 15 years—as, for example, in 1927—when a really serious effort to open up the channels of trade would have been most helpful in encouraging peaceful relations; but, unfortunately, at the present moment political distrust is so rife that suggestions for economic change will largely be judged not on their economic merits, but from the angle of war psychology. Each nation will look at every scheme put forward from the point of view of its war chest, its supply of steel and explosives or its food resources in the event of a blockade. In such an atmosphere tariffs are of minor importance compared with exchange controls, quotas and the demand for colonies. Clearly the politicians have a task to accomplish before M. VAN ZEELAND's work can be effective.

These reflections raise a second question. Is it wise to attempt in the first instance to bring into closer economic relations the nations which are furthest apart politically, or should a more hopeful effort first be made to improve the intercourse between nations which have so far rejected the doctrine of autarky? It may well be argued that a plan for increasing international trade acceptable to Germany and Italy in their present frame of mind would necessarily be so mild that it would do very little good. Would it be better to demonstrate by the example of countries who are ready to be more thoroughgoing in the relaxation of trade restrictions that a liberal commercial policy pays? Trade agreements among an internationally-minded group of

nations need not be anti-German or anti-anyone else. Some small steps have already been taken in this direction. But much still remains to be done. If further progress even in this more limited sphere should prove difficult, how much prospect is there of securing radical change in countries where the opposition of vested interests is reinforced by political considerations and the philosophy of isolationist enthusiasts? Without, therefore, depreciating in advance the possibility of more general plans for Europe, it is evident that the most urgent matter both in time and in importance is the successful conclusion of an Anglo-American agreement, for the preparation of which delegates are shortly assembling in Washington.

Nevertheless, no one would wish to postpone for one moment longer than is inevitable the re-establishment of freer economic relations with the dictatorship powers. The democracies have no quarrel with the German or Italian people, and nothing is to be gained by keeping them in a condition of penury or economic strain. On the contrary, liberty is much more likely to re-emerge if life becomes more normal.

Any scheme for restoring more normal relations between the authoritarian States and the democracies, however, must seek first to relax the rigours of the exchange controls, and in particular that of Germany. It is difficult to see how this could be done without making a loan or credit in some form or other to Germany. This is a formidable obstacle. Apart altogether from the unfortunate experience of Germany's creditors since 1931, the past history of

foreign investment shows that dictatorships are a bad bet; and on purely commercial grounds it would be well-nigh impossible in present conditions to float on any free market a German loan. Secondly, any German loan in London, Paris or New York would give the impression that British, French or American capital was being used to bolster up the Nazi regime in Germany, and this would raise a storm of political opposition. Finally, it would be impossible to allay the universal suspicion that such loans would, in fact, be used indirectly—whatever safeguards might be put on paper—to assist the re-armament of a possible enemy. How, then, are we to build up again freer conditions of international trading and of credit in a setting of political tension and competitive re-armament?

These are hard nuts for M. VAN ZEELAND to crack. But if he cannot make much headway without a political *detente* it is equally true that political solutions will not carry us very far or be of lasting value without the strengthening of economic contacts. The forthcoming report must, therefore, be regarded as dealing with a part—though a very essential one—of a general programme of pacification, and its most useful contribution may well be the light which the author is able to throw on the ultimate economic objectives of the authoritarian States. If, as a result of his inquiries in Germany and Italy, he can show that the ideological division between the autarkist States and the international trading nations is not as complete or as sharply defined as is sometimes assumed, the future of Europe and the world may after all not be past praying for.

Will Dictatorship Endure?

DICTATORSHIP is a form of government—or, rather, a whole way of political life, feeling and thought—which is unmistakably recognisable when one sees it on the war-path, though it is not so easy to frame a verbal definition of it. For our present purpose, it will be enough to recall that on the eve of the Great War there was not a single dictatorship in Europe. There were dictatorial regimes in some Latin-American countries (as there had been, off and on, for a hundred years past), but the European States were at that time all living under one or other of two political dispensations which, notwithstanding their mutual antagonism, had this in common, that they were both equally remote from the dictatorial type.

The dynastic absolutism which was the older of these two pre-war European systems of government differed radically from dictatorship in being based on principles of heredity and legitimacy which, between them, bridled absolutism with the curb of tradition. On the other hand, the parliamentary democracy which divided the allegiance of Europe with dynastic absolutism at that date was itself a child of tradition—as was attested by its origin in England, where the principle of hereditary monarchy had been deliberately restored and carefully preserved after a short experiment in an anti-traditional dictatorship in the seventeenth century. By the end of the nineteenth century the absolute monarchies of Central and Eastern Europe were moving, on their side, towards parliamentarianism. By 1914 the Reichstag at Berlin and the Reichsrath at Vienna were manifestly on the way towards acquiring broader constitutional powers; and even in Russia it seemed to be only a matter of time for the Duma at St. Petersburg to set its feet on the same path. Thus in 1914 it seemed as though the constitutions of the States of Europe were converging towards the uniform pattern of a moderate parliamentary regime in which democracy would be tempered by tradition in various degrees in different countries. Dictatorships had been known in the past, but they had been transitory phenomena—as in England after the Crom-

wellian dictatorship and in France after the Napoleonic—and dictatorship neither loomed very large in pre-war eyes nor wore a very formidable aspect.

What a change has come over the political face of Europe in less than a quarter of a century! The great Central and East European dynasties, instead of completing their metamorphosis into constitutional monarchies, have been swept away by military defeat; and the regime that now reigns in their stead is not democracy but dictatorship in the Latin-American, Napoleonic, Cromwellian sense. And Italy, which till after the Armistice of 1918, was in name, if not altogether in fact, a parliamentary democracy of the Anglo-French pattern, has not only gone the same way as the dynastic empires, but has actually led them on this path. In January, 1938, democracy is virtually non-existent east of the Alps and the Rhine. Even on the left bank of that river dictatorship now holds a German bridgehead; and at the opposite extremity of Eurasia, across the sea of Japan, a government that is carried on in the name of an Emperor-God is in reality nowadays a dictatorship in commission—a leviathan composed of the junior officers of the Imperial Japanese Army and Navy.

This sweeping change has been so rapid and so violent that its effects dominate the affairs of the world. PRESIDENT ROOSEVELT, the other day, not only declared that "peace is most greatly jeopardised" by the dictator States, but also boldly prophesied that in the end democracy would take the place of dictation. We may agree with his prediction; we may support his belief that such a change represents the ultimate hope for mankind. But we may still ask with some apprehension by what means democracy is to oust dictatorship. Will the dictators perish in a fresh bout of the warfare and revolution in which they came to birth? The Cromwellian dictatorship died quietly. On the other hand, it took the Retreat from Moscow and the Battle of Leipzig to overthrow NAPOLEON I; and, even then, the lessons of Moscow and Leipzig had to be repeated

at Waterloo, and finally at Sedan, before the Bonapartist snake was finally crushed. Will the present European dictatorships die as quietly as their Cromwellian or as hard as their Napoleonic forerunners? Some light on this question may be thrown by a brief analysis of our post-war dictatorships' *raison d'être*.

All these post-war dictatorships have been resorted to as expedients for escaping from some serious emergency. In Turkey, for example, PRESIDENT KEMAL ATATURK was allowed by his countrymen to assume dictatorial powers in order to save his country from the literal annihilation with which she was threatened by the terms of the abortive Peace Treaty of Sévres. We may place DR VON SCHUSCHNIGG's dictatorship in the same category; he rules by the will of those Catholic and dynastic elements in Austria that are unwilling to see the relict of the Habsburg monarchy drowned by the brown tide of the Third Reich. The emergency that has brought the Nazis into power in Germany and the Bolsheviks in Russia is not a threat of actual annihilation but an experience of shattering defeat. And, if HERREN HITLER and STALIN are the beneficiaries of national overthrows, SIGNOR MUSSOLINI and the youthful members of the Japanese leviathan are drawing the profits of bitter national disappointments; for Italy and Japan are nominal victors in the Great War, who both believe themselves to have been cheated of their fair share of the spoils.

Another kind of emergency which has called post-war dictatorships into existence is some urgent demand for social reconstruction. The welding of the three fragments into which Poland had been divided for 150 years was the *raison d'être* of the dictatorship of MARSHAL PILSUDSKI; and the urgency of a corresponding problem perhaps at least partly explains the present trend towards dictatorship in Roumania. In China, again, the secret of PRESIDENT CHIANG KAI-SHEK's quasi-dictatorial power has been the necessity for transforming a Confucian equivalent of the Roman Empire into a modern Western national State at short notice; and this is also obviously part of ATATURK'S and STALIN'S task. Yet another kind of emergency is the strain of trying to maintain a status which is beyond a country's strength. One reason why SIGNOR MUSSOLINI is in the saddle at Rome is because Italy finds it difficult to be a Great Power; and one reason why

SENHOR SELAZAR is in the saddle at Lisbon is because Portugal is afraid of ceasing to be a colonial power.

Obviously these dictatorial expedients have not been resorted to without strong pressure of circumstances. But have they been resorted to with impunity? Expediency, like everything in this world, has to be paid for; and the dictatorial method of dealing with present emergencies is manifestly being paid for by drafts upon the future. Can the drafts be met when a settlement of accounts can no longer be staved off by tricks of dictatorial ingenuity?

In all the countries that are at present living under totalitarian regimes, the future is being mortgaged in order to keep the decks cleared for instantaneous action. The boasted strength of the dictatorships lies in their *Aktionsfähigkeit*; under a unity of command that is achieved by a militarisation of every walk of life. But this undoubtedly considerable enhancement of immediate striking power involves, on the debit side of the account, not only a steady draft on the national economic stamina but a suppression of the liberty of the subject in every field of human activity from commerce to theology; and repression of all private initiative is surely bound to be paid for by a sterilisation of the spiritual vitamins of spontaneity and originality.

Nor is this the worst; for the dictator's tampering with human nature does not stop short at repression. His problem is to extract horse-power for his war-machine from the very wills that he is deliberately paralysing; and he is tempted to compensate for this artificial mortification of the personalities of his subjects by a still more deadly stimulation of their nerves. The spontaneous forcefulness of free spirits has to be replaced in the totalitarian States by the maintenance of a "crisis mentality" through the arts of propaganda. This perpetual state of nervous tension increases the likelihood that the patient will fall into some abyss of revolution or war.

Thus, spiritually, as well as economically, the dictators are compelling their countries to live on their steadily diminishing reserves. If, when the drafts are presented, the totalitarian bank is broke, the end of the dictatorships will be violent bankruptcy rather than slow metamorphosis. Unless the reserves of individual resource and initiative are renewed, the *dénouement* we have to expect is not RICHARD CROMWELL'S abdication but LOUIS NAPOLEON'S *débâcle*.

Profits Still Rising

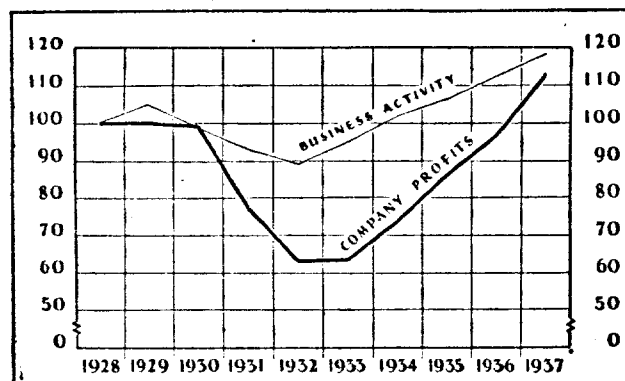
IF any one feature of *The Economist* is calculated, more than another, to arouse keen interest at His Majesty's Treasury it is our analysis of industrial profits. Every year we receive the reports of well over 2,000 companies, whose profits represent about 5 per cent. of the net national income and something like one-fourth of the total profits assessed for income tax under Schedule D. As the profits reported by our sample of companies for 1937 are those on which, for the most part, income tax will be assessed in the Government's financial year ending March 31, 1939, they are one of the earliest available pointers to probable changes in national revenue.

The latest figures, we are glad to say, assure THE CHANCELLOR of good hunting next April. Reference to Table I, at the foot of this page, shows that 2,279 companies reported an average increase of 17 per cent. in profits (after paying debenture interest) in 1937. Our index of profits (1929=100) fell as low as 63.1 in 1932, but last year reached a new record level of 113.2. That some increase would be achieved last year was a foregone conclusion, but the extent of the rise is certainly noteworthy. The recovery in earning power began as long as five years ago, and some slackening of tempo might have been expected in its later phases. Actually, the pace of recovery

was quickened last year, for reasons which deserve close examination. Nearly 70 per cent. of the profits in last year's sample were, in fact, reported before June 30th and were largely earned before March 31, 1937. In the twelve months to March 31st last *The Economist's* index of business activity was 7 per cent. higher, on the average, than in the preceding twelve months. Further, our index of wholesale commodity prices during that period was 9 per cent. higher than during the preceding year. At the end of 1937 our business activity index was still slightly higher than at the end of March, but the index of commodity prices had fallen by 11 per cent. In other words, the time-lag

TABLE I.—PROFITS IN CALENDAR YEARS

Reports received during Calendar Years	Number of Companies	Profits (after debenture interest) £	Profits, same Companies, preceding year £	Chain Index Number (1929 = 100)
1929	1,770	194,661,216	194,616,731	100.0
1930	1,932	197,539,909	198,817,771	99.4
1931	2,009	160,076,906	206,561,219	77.1
1932	1,998	143,315,094	174,993,061	63.1
1933	1,945	141,428,663	140,756,731	63.4
1934	1,975	168,837,483	144,836,016	73.9
1935	2,116	203,246,989	175,289,571	85.7
1936	2,186	238,121,973	212,168,512	98.6
1937	2,279	281,434,843	240,339,194	113.2

nat
srBUSINESS ACTIVITY AND COMPANY PROFITS
(Calendar years; 1928=100)

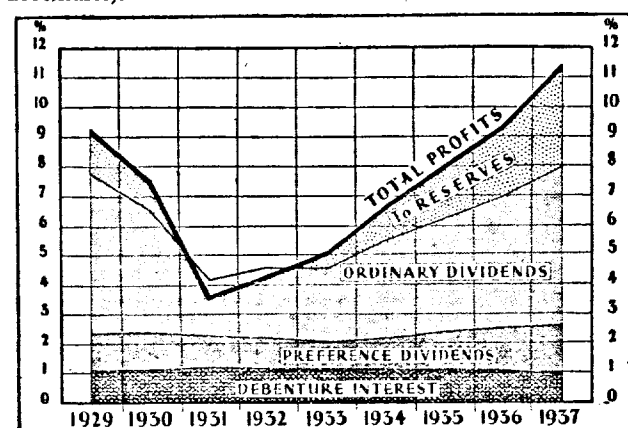
between the earning of profits and their inclusion in our returns has given the 1937 figures the benefit both of higher industrial activity and higher prices. The first of the charts we have reproduced on this page, however, suggests that investors and the Exchequer may be fairly safe in reckoning on at least another year of rising earnings, despite the setback to prices in the later months of last year and the possibility of a moderate check to business activity in 1938; for changes in profits fall at least a year behind changes in business.

Nor do the latest available company returns, published in the last quarter of 1937, convey any suggestion of a setback to the growth of earnings. The 549 companies reporting in that quarter, which contributed 20.4 per cent. of the total profits in our sample for the year, increased their earnings by 20.2 per cent. Tables II and III (with the supplementary tables given on page 152) set out the profits history of the "fourth quarter" companies from 1929 onwards. It will be seen that total earnings fell from 10½ per cent. of total share capital (preference and ordinary) in 1929 to 3½ per cent. in 1931. Last year the ratio was as high as 13½ per cent. In the meantime, however (as Table III suggests), there had been significant changes in the division as well as in the total of each year's earnings. In the first place, the steady decline in the effective rate of interest on debentures (from 5.29 per cent. in 1929 to 4.59 per cent. in 1937) has released a somewhat larger proportion of earnings for preference and ordinary shareholders. Secondly, although the percentages actually paid on preference shares have varied significantly between good and bad times, they have not varied to anything like the same extent as total earnings, and fluctuations in the residual profits available for ordinary shareholders have consequently been wider than in profits as a whole. The percentage earned on ordinary capital fell between 1929 and 1931 from 13½ per cent. to under 3 per cent., while by 1937 it had risen to over 18 per cent.

An approximate idea of the rôle of directorial policy in

PROFITS AND THEIR DISTRIBUTION

(Based on reports published in the fourth quarter of each year. All figures are percentages of total subscribed capital, including debentures).



profits distribution may be gathered from the second chart on this page, in which the amounts allocated each year for debenture interest and preference and ordinary dividends by "fourth quarter" companies have been expressed as cumulative percentages of their total capital (including debentures). The 549 companies which reported in 1937 had a total capital, so defined, of £553 millions, on which aggregate profits were earned at the rate of 11.4 per cent. Payments for debenture interest were equivalent to just under 1 per cent. on the total capital. The addition of preference dividend raised the total paid-out percentage to 2.61 and the payment of ordinary dividends raised it further to 7.98. The balance was ploughed back into the different businesses and formed an effective addition to their working capital.

The implications of the figures deserve most careful consideration. These representative companies, taken as a whole, held back about one-third of their entire profits in 1937. For every £100 these companies paid out in debenture interest and preference dividend they put £130 back into their reserves. The sums ploughed back last year were equal almost to the entire profits of the depressed year, 1931. The growth of this species of corporate saving is not wholly a function of increasing prosperity; for in 1929 directorial conservatism in the distribution of profits was less conspicuous than it is to-day.

The tendency of finance towards increasing self-sufficiency is one whose implications need careful thought by economists and investors alike. In America recent taxation has sought deliberately to hamper it, for reasons whose economic validity is at least questionable; in Great Britain no difficulties have been put in its way and its latter-day development has been significantly rapid. For the capital market its repercussions may be far-reaching. To the investor it offers a reservoir of earning power for dividends in any future recession. But shareholders may be well advised to view recent trends in directorial policy as likely to persist—within obvious limits—in bad times or in good.

TABLE II.—PROFITS OF "FOURTH QUARTER" COMPANIES, 1929-37

Reports Issued during Fourth Quarter	No. of Companies	Total Profits (after deb. interest)	Change since preceding year (same companies)	Total Preference and Ordinary Capital	Ratio of Profits to Capital
1929	420	£33,404,593	+ 1.4	£223,120,955	10.3
1930	509	32,174,677	- 18.1	302,547,000	8.2
1931	474	12,292,859	- 53.8	383,451,625	3.2
1932	472	17,443,104	- 2.9	425,066,882	4.1
1933	464	21,116,780	+ 30.3	410,816,381	5.1
1934	468	28,611,449	+ 32.9	401,504,146	7.1
1935	485	33,561,979	+ 16.9	377,470,062	8.9
1936	406	42,134,767	+ 15.2	395,408,899	10.6
1937	549	57,436,059	+ 20.2	434,822,726	13.2

TABLE III.—DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)

Reports issued during Fourth Quarter	Proportion of Total Profits* (= 100)			Rate of Payment on Each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or "Carried Forward"	Debenture	Preference	Earned for Ordinary	Paid on Ordinary
1929	16.0	66.0	18.0	5.29	4.7	13.5	10.6
1930	21.9	60.2	17.9	5.19	4.5	10.3	8.4
1931	43.1	76.9	Dr. 20.0	5.18	3.8	2.9	3.9
1932	32.4	75.4	Lv. 7.8	5.16	3.6	4.4	4.9
1933	23.4	64.3	12.3	5.04	3.2	6.2	5.2
1934	19.6	59.9	20.5	4.95	3.7	9.9	6.8
1935	19.0	55.2	25.8	4.84	4.5	11.6	7.9
1936	17.5	53.5	29.0	4.75	4.9	14.2	9.2
1937	15.7	51.6	32.7	4.59	5.4	18.2	11.2

* After debenture interest.

Anthropology in the City

Diligent experiment with the space-time theory has disclosed the following article from THE ECONOMIST of January 15, 1938, under the title "The Anthropology of the West European Tribes in the Early Autarkic Age."

IT is one of the first principles of anthropological science that the soul of a primitive people can be seen most clearly in its religion. This is certainly true of a tribe which inhabited at this period a large island off the western coast of Europe. There has been some dispute about the identity of the chief religion of the country. Many eminent authorities have argued, with an impressive array of evidence, that the sporting events, which occurred with the utmost regularity and attracted the devout respect of the people, were its religious observances. There is much to be said for this supposition, since these athletic ceremonies had many religious characteristics. They changed with the seasons, symbolising the worship of Nature, and the actual observances, though witnessed by vast crowds, were reserved to a separate and highly revered sacerdotal caste.

Without definitely discarding this theory, we think it more probable that the real religion of this somewhat peculiar people centred in a special district known as the City which, from the number of its churches, was clearly entirely devoted to piety and religion. Many of the features of this cult closely resemble those of other primitive religions. There was a complicated hierarchy of priests, of whom the most numerous appear to have been called brokers and jobbers. As is usual with savage peoples, access to the innermost temple of the cult was denied to all save the priests, and the most dreadful fate awaited any adventurous layman who defied this taboo. The High Priestess was a being referred to as the Old Lady of Threadneedle Street. (The "Old Lady" motif frequently occurs in the legends of the tribe; it seems probable that the Old Lady's real name was Queen Victoria. "Threadneedle" was presumably symbolic of skill in the textile arts, on which the people particularly prided themselves.)

This religion of the City had its darker side. For example, it apparently required living sacrifices, and there is even a suspicion of human lives being offered to the gods. There are references to widows and orphans being "put into oils," and there is one mention of a priest being "hammered," which seems to have been a sort of purification ceremony. Whether human blood was spilled or not, that of animals certainly was. Bull fights, bear baiting and stag hunts were the chief amusements of the priestly caste. Apparently little mercy was shown, and the grisly collection of instruments of torture found in a nearby building known as the Tower were doubtless used upon the wretched animals. The rack was the favourite instrument for use on the bulls, who are often referred to as being "extended." But their fate was hardly worse than that of the other beasts, for the "squeezing" of the bears is the subject of many reports. The bears appear to have been hunted before their torture began, for they are often spoken of as "rushing to cover," and the many twisting alleys of the City were doubtless used to add to the excitement of the chase. (The alternative suggestion that these alleys were kept to assist fraudulent bankrupts in making a quick get-away is obviously the merest guesswork.) Not even the young animals were spared, for there was a large number of institutions known as "bucket shops" which were devoted to the fleecing of lambs; the buckets were obviously used to collect the blood of the sacrificed animals.

In this tale of cruelty to the animal world there is one outstanding exception. The guinea-pig seems to have been the recipient of special favours. We know that at a slightly

earlier period Caligula, Emperor of the neighbouring Roman tribe, made his horse a Senator. In the same spirit guinea-pigs were so cherished in the City that they were frequently nominated to the rank of director. Many were also given titles of nobility, and it is amusing to picture these unattractive animals solemnly attending a directors' meeting and sitting in their appointed places, well-fed, sleekly-groomed and completely uncomprehending.

The rank of director just mentioned serves as an introduction to one of the unique features of this religion. The whole populace seems to have been organised in so-called "companies." Some of these were known as "limited companies" and these were doubtless the most exclusive, to which it was an honour to belong. Each company had a central nucleus of priests, the chief being known as the Chairman and the others as Directors. We also come across the title of "Managing Director," applied probably to certain individuals who showed particular skill in managing to become directors. To each group (or "Board") of priests were attached a number of lay individuals known as "shareholders" or "investors." The functions, and, indeed, the identities, of these shadowy persons are obscure. One possibility is that they were ordinary citizens placed at the disposal of the directors for money-raising purposes. It seems to have been the convention to treat them with the utmost verbal deference, but rarely, if ever, to consult their wishes. This suggests that the investor may not have been an actual person, but some sort of stuffed image or idol. A number of mummified figures found in the ruins of a large building a mile or two from the City may have been kept to represent the investor on formal occasions.

Each company had an annual ceremonial known as a meeting. The chief event at a meeting was the exposure of the balance sheet, a sacred text placed under the care of a special caste of medicine men known as accountants, who appear to have spoken a language of their own. The balance sheet was a recital of the prowess of the company and it may be assumed that, as with other boastful epics, its items, though doubtless based on some reality, were translated by the recitative skill of the accountants into a form in which they conveyed little to the assembled multitude. Most primitive religions are a mixture of boasting and humility, and the balance sheet was no exception. Indeed, its name was derived from the extraordinary convention that the good and bad qualities of the company (assets and liabilities, as they were called) should be represented as being exactly equal. The accountant showed his greatest skill in attaining this objective and excited so much admiration by his performance that "making both ends meet" was proverbially reckoned an extremely difficult operation.

It may be supposed that many of the priests of the cult saw through its pretences, but fully realised their value in maintaining the high status of the priesthood. They were no ascetic caste of hermits. On the contrary, there are many mentions of banquets held by City companies. But it is doubtful whether the investor partook of these feasts. On the contrary, we have the record of a speech in which the Chairman of one of the largest companies refused his shareholders even the consolation of a ham sandwich. Other shareholders were apparently more fortunate, for there were occasions on which the directors of a company were known to slice a melon for the shareholders, and some of them even appear, though rarely, to have been granted a "dividend," a word from the Latin dialect, meaning "meat to be divided" . . .

At this point the article, perhaps fittingly, comes to an abrupt conclusion.

Topics of the Week

Negotiations with Eire.—It was announced in London and Dublin on Wednesday that Mr De Valera and three of his Cabinet colleagues are coming to London next week to initiate conversations with the Prime Minister, the Secretary of State for the Dominions and other members of the British Cabinet on "outstanding questions which affect relations between the two countries." This surprise announcement has met with general approval in both countries. Hitherto, since the inception of the unfortunate dispute between the two Governments in 1932, the prospects of a settlement have never seemed encouraging enough to the two Governments to warrant direct conversations. Moreover, since there has been least yielding in the past on the Irish side, it is encouraging to learn that the initiative for these conversations came from Mr De Valera—though a great deal of credit doubtless also belongs to Mr Malcolm MacDonald who has had several informal conversations with Mr De Valera in London and Geneva. In spite of these good reasons for hopefulness, the whole history of Anglo-Irish relations emphasises the foolishness of making any assumptions about the possibility of a settlement until it is an accomplished and very securely ratified fact. The passive British acceptance of the new constitution of Eire has removed one of the chief stumbling-blocks. The original dispute over the land annuities should not be impossible to compose after this lapse of time, and the Irish representatives may be correct in their belief that British anxiety to bring Ireland fully within the orbit of British defence plans will smooth the path to agreement. But the problem of Ulster still defies a give-and-take solution. The British attitude is that whatever may or may not be done about Northern Ireland, the wishes of the inhabitants of the province must be the deciding factor. The new Irish constitution, on the other hand, treats Northern Ireland as a rightful part of Eire. Since agreement on the question seems so remote, it would be wiser not to raise it. But Mr De Valera is not a man to refrain from raising awkward issues merely because they are of no practical urgency.

Anglo-American Trade.—The second stage in the laboured formalities which have to be gone through before it is possible for the President of the United States to conclude a trade treaty was reached on January 7th, when Mr Cordell Hull, the Secretary of State, issued formal notice of the American Government's intention to negotiate a trade agreement with the United Kingdom and with its Government on behalf of Newfoundland and the British Colonial Empire. At the same time February 19th was fixed as the closing date for the submission of briefs by interested parties, and March 14th as the opening day of the public hearings. To this notice was appended a list of products in regard to which the United States would consider the granting of concessions. This list, which is very lengthy, is not a precise guide to the commodities which will eventually be included in the agreement, but it may be assumed that the Secretary of State would not include any commodity on the list, thereby inviting protests from interested trade associations, unless there were at least a reasonable possibility of some concession on that commodity being actively considered. For this reason the length of the list has been taken as an indication that the agreement, when it is finally concluded, will be of a considerably wider scope than at one time seemed possible. It has been announced in London that Sir Ronald Lindsay, the Ambassador in Washington, and Mr A. E. Overton, of the Board of Trade, are to be the British representatives in the formal negotiations. It is certainly not without significance that, almost simultaneously with this announcement, President Roosevelt nominated Mr Joseph P. Kennedy to be American Ambassador to Great Britain. Mr Kennedy has a high and

deserved reputation both as a successful business man and as a gifted negotiator. He was the first Chairman of the Securities and Exchange Commission, and deserves a great deal of the credit for the fact that that body has, at least until recently, been regarded with favour by both sides of the great Government v. Business controversy in the United States. His appointment, together with the formal inception of preparations for a trade agreement, hold out the greatest hope that the recent substantial improvement in the relations between the two Governments may be not merely maintained but further extended.

Dissension and Unity in America.—President Roosevelt has made haste to correct the false impression that he was relaxing the hostility of the New Deal towards what he regards as the malpractices of some of the large corporations. At the annual Andrew Jackson dinner, on January 8th, he returned to the theme of these malpractices with a noticeably sharper intonation. He once more declared war against "abuses of power and privilege" by a "mere handful of the total of business men and bankers and industrialists" who fight to retain "such autocratic control over the industry and finances of the country as they now possess." Strangely, these bitter words have had very little effect upon Wall Street, for the belief is growing that the President intends to spend his way out of the current business recession, and Wall Street has a soft spot in its heart for heavy expenditures, even when they are undertaken by a President whose political philosophy is so antipathetic to its own. The domestic controversy is thus sharpened, but at the same time there is growing evidence of substantial unity of support in the country for the foreign policy of the Administration. The Ludlow resolution, the object of which is to amend the constitution in such a way that war could only be declared after a referendum of the people, came up in the House of Representatives on January 10th. The vote was taken on the question whether the resolution should be discussed, and it was turned down by 209 votes to 188. Even if the resolution had come to a discussion it would have been very far from enactment, but the vote is symptomatic both of the considerable body of opinion which still believes that peace can be assured by the legal enactment of isolation, and also of the growing realisation that such legislation in fact embarrasses the Administration in its conduct of foreign affairs. American public opinion on the question of war and peace is changing rapidly. Hitherto the President has contrived with great skill to retain the external leadership of the nation. It is greatly to be hoped that, in spite of the bitterness of domestic controversy, foreign policy will be left out of the arena of party hostility.

Crisis in France.—Since the irresponsible but happily short-lived strike in Paris at Christmas, stay-in strikes have been sporadic in France. The workers have tended to distrust the Government's policy of retrenchment. They resent the rising cost of living and suspect—not without cause—that certain employers are not willing to play fair with them in the observance of collective agreements. Accordingly, M. Chautemps called a conference of employers' and employees' representatives for last Wednesday to discuss the improvement of the working of the labour laws. The largest association of employers refused to attend unless, amongst others, the National Federation of Labour, regarded by the unions as little more than a Fascist body of strike-breakers, was invited on the workers' side. The employers also demanded that no control of the enlistment and dismissal of personnel should be contemplated. Without the fullest co-operation from both capital

and labour, however, the Government must fail to restore peace in industry. If a serious crisis results, the responsibility of the recalcitrant employers will be great indeed.

At the time of going to press, the troubles occasioned by the strikes and the employers' intransigence have deepened. Doubt has been expressed whether the Chautemps Cabinet is capable of averting a further collapse of the franc. On Thursday, the franc weakened seriously on the foreign exchanges, and a Cabinet meeting was called, at which the fate of M. Chautemps' administration was alleged to be in the balance. The formation of a third Popular Front Government, inclined still more to the Right, and including as Finance Minister M. Reynaud, M. Bonnet's vehement critic, was freely canvassed; but the meeting ended in complete unity without any resignations. After the Chamber's almost unanimous vote of confidence in M. Chautemps and M. Bonnet's successful piloting of his Budget, it is difficult to see why confidence in the franc should have broken. The upshot of any considerable change in the Popular Front administration is likely to be grave, and the obduracy of French industrialists no less than the restlessness of French workers is to be blamed for a situation which threatens the balance of forces in Europe as well as peace and order in France.

Japan Fights On.—The progress of the Japanese aggression in the Far East has to be watched on three separate fronts. The chief centre of actual fighting is now in the province of Shantung, where the Japanese have occupied the important port of Tsingtao, and are pressing southwards towards the Lunghai railway, which is of particular importance to the Chinese, as it is the chief railway running east and west and providing lateral communications for their armies. On the Shanghai front, where the Japanese enemy is ever more avowedly the Municipal Council of the International Settlement, and indeed foreigners in general, equally rapid progress is being made. There have been two flagrant cases in the last few days of manhandling of British police officers by the Japanese soldiery, and the growing confidence of the Japanese in their mastery of the city can be judged from the fact that the British protests about these incidents are apparently to go unanswered. An attempt has now been made to deny the Yangtze river to all save Japanese merchant shipping. This claim has been disputed by the British Government, but in fact British ships are prevented from going up the Yangtze because of the impossibility of providing protection for them, so that the Japanese attain their end *de facto* if not *de jure*. For the moment Tokyo is a more important centre of conflict than either Shantung or Shanghai. Since the fall of Nanking the latent conflict between the extremists and the moderates among the Japanese ruling authorities has come to the surface. The Imperial Council—the first since 1914—was held on Tuesday to solemnise the compromise that had been arrived at between the armed forces, who want to continue with the war until China is fully conquered, and the civilians, who realise far more clearly the enormous risks to Japan of any such far-reaching enterprise. Some mystery surrounds the precise nature of the Imperial Council's decision. A last chance is apparently to be granted to General Chiang Kai-Shek's Government to negotiate peace on the Japanese terms. The alternative, which provides the threat in the ultimatum, is the intensification of the conflict. A declaration of war would enable the Japanese Navy to blockade China, but it would also almost certainly bring into operation the American Neutrality Act, of which the Japanese are still afraid. But whether the conflict becomes a war or remains an "incident," it is apparent that the Japanese sword is to be pressed further and further into the body of China. There is apparently no equivalent for *hubris* in the Japanese vocabulary.

Italian Naval Building.—On the eve of the Budget meeting a new naval building programme was announced in Rome. The two Italian 35,000-ton battle-

ships that were launched the other day are to be reinforced by the laying down of another two capital ships of the same tonnage, as well as twelve "scouts" (i.e. large destroyers) and an unstated number of submarines. The publication of these plans at this moment was presumably intended as a reminder of Italy's determination to be a Great Power; but it may be doubted whether the actual impression made is the one that Signor Mussolini intended. The economic effort of constructing the two new monster ships will mean so much less Italian economic support for Austria and Hungary and so much less Italian land-power to balance that of Germany on the Continent. Nor, even from the technical standpoint of sea-power in the Mediterranean, is the construction of a grand fleet likely to be the best investment of Italy's straitened residual resources. We may conjecture that the British and French Admiralties would have taken the Italian naval programme more to heart if the whole of it had been devoted to lighter surface and submarine craft. The capital ships will only pull their weight if they can secure for Italy a definite naval preponderance; and it seems most improbable that this Italian ambition can be realised in competition with an evermore closely united Great Britain and France. As it is, these capital ships would appear to be a costly Mussolinian sacrifice on the altar of Italian prestige. What will be the end thereof? If the frog burst when he tried to puff himself out to the size of a single ox, what is likely to happen to him if he has taken two oxen, and not just a single behemoth, for his standard of emulation? No doubt a totalitarian batrachian can last longer than a democratic one before he bursts. The end of Signor Mussolini's adventure is not yet in sight.

Naval Strengths.—Nevertheless, the Italian naval building programme is, unfortunately, likely to cause a fresh spurt in the race for supremacy on the sea. Before it begins it may be of interest to record the state of the chief navies of the world. The following table gives figures for December 31, 1937, in which the new Italian programme (parts of which are believed to have been begun before the end of the year) is included. The second and italicised figure of each pair refers to ships building or authorised for early construction.

Country	Battleships and Battle Cruisers	Aircraft Carriers	Cruisers	Destroyers	Submarines
British Empire ...	15 5	5 5	59* 17	161 40	52 18
U.S.A.	15 4	3 3	29 10	196 38	84 22
Japan	9 3	5 2	35 2	102 10	60 2
France	6 3	1 2	19 2	60 16	75 16
Italy	4 4	Nil	22	64 24	86 30†
Germany	3† 5	2	6 7	22 12	36 25
Russia	3 2	1	4 2	20 5	112 37

* Including 2 fitted as anti-aircraft ships and 5 that may be so fitted.
† Of 10,000 tons each. ‡ May be slightly inexact.

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SKANDINAVISKA KREDITAKTIEBOLAGET

The Russian figures are necessarily unofficial, and those for Japanese ships building may well be less than the real total. There are, moreover, very great differences between individual ships of the same category in age, armament and speed. The figures serve only to illustrate the enormous superiority enjoyed in the naval arm by the democratic countries. The margin of superiority in the capacity to build is even greater. Study of the table makes it even more difficult than before to imagine what ultimate gain Signor Mussolini thinks he can derive from an intensification of the competition.

Talk in Budapest and Prague.—The outcome of the Italo-Austro-Hungarian talks at Budapest this week may throw light on the prospects of Signor Mussolini's Central European policy of running with the hare and hunting with the hounds. Central Europe has been the first point at which Italy has been forced to reveal the weakness that is the price of her unprofitable adventures in Africa and Spain. *Vis-à-vis* Austria, Italian diplomacy has been compelled to give ground steadily during the past year to the Third Reich's *Drang nach Südosten*. *Vis-à-vis* Hungary, Italy has felt herself constrained to conciliate two out of Hungary's three successor-States—partly in order not to be out-bidden by Germany in a competition for Yugoslavian and Rumanian good graces, and partly in order to cover her continental rear while she is girding herself for maritime trials of strength in the Mediterranean. At the same time, the economic support with which Italy has hitherto purchased Hungarian and Austrian clientage has been diminishing perforce on account of Italy's growing economic and financial difficulties. In these circumstances the Italian connection has come to seem distinctly less valuable to-day in the eyes of Italy's two Danubian *protégés*. Count Ciano succeeded in persuading Austria and Hungary to recognise General Franco, but the two smaller states are neither to leave the League of Nations nor formally to adhere to the anti-communist "Triangle."

Meanwhile talks have also been proceeding between three other Central European states whose relations seem to be less close than they have been in the past. M. Micescu, the new Roumanian Foreign Minister, has been to Prague in an attempt to convince the Czechoslovaks that in spite of the speeches made by the National Christians before the elections in favour of a Germanophil and Italophil policy, in spite of the fulsome exchange of telegrams with Signor Mussolini, in spite of the forthcoming visit to Berlin, Roumania, nevertheless, remains true to her alliances. There are three potent reasons urging Roumania to remain in the Little Entente: her fear of Hungarian irredentism; her fear for the Bessarabian frontier if Russia is too strongly antagonised; and her need of Czechoslovak and French armaments. But it may be supposed that M. Hodza, M. Krofta and President Benesh knew what discount to put on M. Micescu's protestations of friendship and that they are waiting to watch events, both in and outside Roumania. The situation in Central Europe is, indeed, in complete flux and none of the small countries is likely to commit itself beyond recall to any of the Great Powers.

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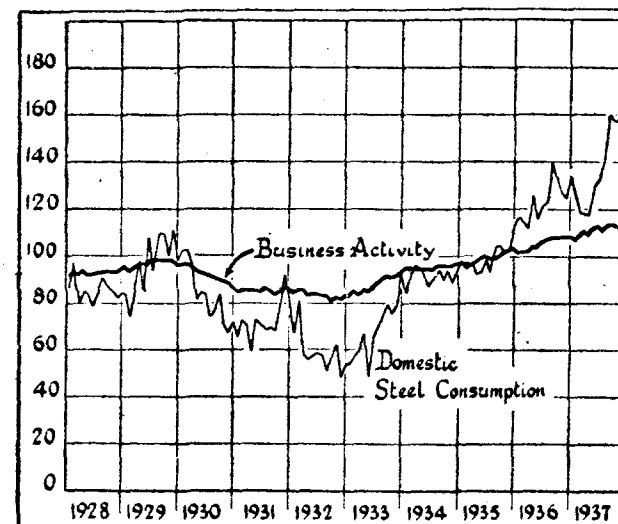
Co-ordination in Aircraft Manufacture.—The British aircraft industry has decided to follow the example of a lengthening list of other industries whose business brings them into close contact with the Government in appointing an eminent full-time chairman from outside the ranks of the industry itself. The Society of British Aircraft Constructors was born of the war-time necessity for co-ordination in production and for united representation before the Government. The Society's Chairman has hitherto been chosen from the heads of firms who composed its council, but the increasing stress of business associated with the R.A.F. expansion programme has made it difficult for any one man to represent both the industry as a whole and his own firm. Accordingly, Mr Charles Bruce-Gardner (on whom a knighthood was conferred in the New Year Honours) has been appointed Chairman of the reorganised Society. The announcement states that he will be "particularly concerned in interpreting to the Air Ministry and to the industry the views and wishes of one and the other." Mr Bruce-Gardner has been closely associated with the various schemes of industrial reorganisation which have been undertaken under the ægis of the Bank of England in recent years, and he has the useful combination of industrial and financial experience which will be necessary for this new post. There have been many disquieting rumours in recent weeks of a lack of co-ordination on the production side of the vast programme of re-armament in the air. The industry has done well to provide itself with a means of securing the smoothest efficiency in manufacture. But it is only one of the two partners in the enterprise, and it may be that the Air Ministry would be well advised to inquire whether its own established methods are not equally in need of renovation, if the very necessary speed in production is to be combined with the highest technical excellence.

London Traffic.—The annual report of the London and Home Counties Traffic Advisory Committee, which has been published during the past week, serves to call attention once again to the enormous difficulties in finding a satisfactory solution for the problem of passenger transport in a huge and crowded metropolitan area such as London. The crux of the problem is the rush hour, when every form of transport in the area tends to be crowded to much beyond its capacity, and almost to the limit of toleration by the passengers. To provide facilities—which would necessarily take the expensive form of new tubes—adequate to carry in comfort all the traffic which offers itself at the rush hour would be an extremely uneconomic proposition, since even the present equipment is inadequately used in the off hours—a state of affairs characterised by the Advisory Committee as "gross waste." A transport system which, like the L.P.T.B., is under statutory obligation to cover all its costs, including taxes and interest on capital, is thus incapable of solving the rush-hour problem. Within the limits of the problem laid down by Parliament, all that can be done is to suggest small alleviations in one part or another of the area. London Transport and the main-line railways are at present engaged on a programme which is to cost £40-£45 millions (of which perhaps 12 millions is to be spent this year) on the boring of ten new miles of tube, the rebuilding of stations, the provision of new rolling stock, and so forth. But these improvements will only affect comparatively small sections of the total area. There are only two complete solutions of the problem of metropolitan transport. One is such thorough "staggering" of working hours that the rush hour would be largely eliminated, and its burden of traffic spread evenly throughout the day. The other would be for the State frankly to accord a large subsidy to London Transport to enable it to institute new services which will never be fully remunerative. Either course involves the abandonment of tenacious social customs or political beliefs, but until one or the other is adopted the rush hour, with all its attendant discomfort, will remain.

Steel in Re-armament.—A striking feature of the past year has been the enormous expansion of British steel consumption. This development is emphasised by the accompanying chart, which compares the course of general business activity since 1928 with the trend of domestic iron and steel consumption on the basis of *The Economist* indices:—

BUSINESS ACTIVITY AND STEEL CONSUMPTION

(1935=100)



As the demand for capital equipment and therefore for steel fluctuates more than that for consumption goods, a marked increase in domestic steel consumption was to be expected during a period of industrial recovery. Since last April, however, when re-armament was expedited, domestic steel consumption has shown an enormous increase. Nor are there any indications of an early decline in consumption. The latest developments in the iron and steel industry are discussed on page 132.

An Institute of Economic Research.—The recent announcement that a National Institute of Economic and Social Research has been formed, and will shortly begin its activities, has received a very general welcome. Funds for the Institute have been provided by the Sir Halley Stewart Trust, the Trustees of the late Lord Leverhulme, the Pilgrim Trust and the Rockefeller Foundation. Sir Josiah Stamp has agreed to act as President of the Institute, and its organisation has been entrusted to a sub-committee of which Sir William Beveridge is chairman, the other members being Sir Percy Alden, Professor A. L. Bowley, Mr Henry Clay, Professor A. M. Carr-Saunders, Professor N. F. Hall, Mr H. D. Henderson, Mr D. H. Robertson and Sir Ernest Simon. Professor N. F. Hall, of University College, London, has been appointed full-time Director of the Institute, and will take up his duties on April 1st. It need not be said that the formation of such an institute, under such distinguished auspices, is a very welcome event of the greatest importance to all who are interested in the progress of the social sciences. It has long been recognised that the facilities for research in the social sciences are ridiculously inadequate compared with those for the natural sciences. At the Universities it has proved very difficult to free economic research from the heavy demands of teaching, and there is undoubted scope for a new national body whose energies can be single-mindedly devoted to research alone. The Institute is intended not only to serve as an independent centre of research, but to provide assistance and to collaborate in work of this character being carried on by other bodies both at home and abroad. From the terms of the announcement it appears that the new body will devote itself to what, without any hint of derogation, can be called the academic side of the social sciences. It is

to be hoped that its excellent example may lead to a similar improvement of the present deplorable state of knowledge on the more practical side of our economic affairs.

Trade Treaty-Making.—In a paper read to the Manchester Statistical Society on January 12th Mr Owe Jones expounded the principles and practice of commercial agreements between nations. Mr Jones defined and described the notions of reciprocity and most-favoured-nation treatment. Mr Jones found himself unable to support any serious modification of the most-favoured-nation clause, and urged that only by its general application could equal treatment in commercial matters be ensured. Mr Jones admitted that the prevalence of protectionist policies and the multiplication of extra-tariff restrictions, especially quotas and currency devices, had increased the difficulties and altered the implications of most-favoured-nation arrangements. Yet, in his view, discrimination was more dangerous than high tariffs, and the formation of low tariff groups of countries by the modification of the most-favoured-nation clause, would invite more loss in retaliation and fiscal conflict than would be gained in freer trade. In general, Mr Jones's survey was a plea for order, principle and stability in trade relations. In particular, it may have seemed to some who heard it an apologia for the British Government's policy since 1932. It remains true, however, that the strangulation of world trade by restrictive devices is harmful, and the modification of the most-favoured-nation clause by the British Government, which occupies a key position, may be clearly the lesser of two evils—if, as may well be the case, it proves to be the only means by which substantially freer trade can be achieved.

Accidents on the Road.—The monthly return of road accidents for December enables the complete figures for the year to be made up. The number of deaths in December, 1937, was 594, which was as much as 100 below the figure for December, 1936, although it showed the usual increase as compared with November. The number of injuries was also smaller than a year ago, though the proportionate reduction in this case is not so encouragingly high. During the year as a whole the total of casualties on the roads was 6,591 killed and 226,339 injured, against 6,551 killed and 227,813 injured in 1936. The deaths have thus increased by 0.46 per cent., while the number of injuries has diminished by 0.65 per cent. Since the number of vehicles on the roads has increased in the same period by over 13 per cent., the fact that the casualty roll has not shown a sharp increase is in itself a considerable achievement. But the figures are nevertheless enormously greater than any community can contemplate with equanimity.

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United States

Recession Continues

NEW YORK, January 4.—The business indices of the Federal Reserve Board for November confirmed the more pessimistic forecasts.

BUSINESS INDICES

1923-25 = 100 (Adjusted for Seasonal)

	Nov., 1936	Aug., 1937	Oct., 1937	Nov., 1937
Industrial production total	114	117	103	90
Manufactures	115	118	101	87
Minerals	112	112	113	108
Construction contracts total	58	63	52	53
Residential	40	40	36	34
All other	72	81	65	69
Factory employment total	96.2	102.4	98.4	94.1
Durable goods	89.9	...	96.7	91.3
Non-durable goods	102.9	...	100.2	97.0
Factory payrolls total	90.7	103.8	100.1	89.3
Durable goods	88.9	...	101.7	89.6
Non-durable goods	92.9	...	98.2	88.9
Freight car loadings	82	79	76	71
Department store sales	94	92	93	91
Department store stocks	71	...	77	77

In November, manufacturing output was about 25 per cent. below the level of August, 1937, or of November, 1936. Mineral production was scarcely down at all; and the indices of retail trade were practically unchanged.

The most surprising discrepancy is found in the contrast between manufacturing output on the one hand, and employment and pay-rolls on the other. Factory employment is about 2 per cent. below the level of November, 1936, and pay-rolls are about the same as last year, while there has been a 25 per cent. drop in factory output. There is some evidence that the available work is being spread out among the workmen. Actually, the greater decline was in the non-durable goods, although the contraction had seemed most severe in heavy industries. There is reason to believe that the December index of production will be below that of November.

The default of the Erie Railroad is a vivid reminder of the desperate condition of the railroads. Caught between falling rates and rising costs, their position was not happy before last summer's increase in wages. In the recovery between 1932 and 1937, no railroad that had gone into bankruptcy in the depression was able to emerge from receivership. With the latest recruits, a large proportion of the railroad mileage of the country is now in bankruptcy.

Since October 19th, the share market has passed through a number of brief but violent swings, without much that could be called a trend. The panic that characterised the

period between Labour Day and October 19th has slowly ebbed, and although liquidation has persisted, the markets have on the whole been inactive. The waning of the manifest panic in the stock market has been accompanied by some evidence that business itself is less nervous.

Counting the Unemployed

The figures of the unemployment census were given out on New Year's Day. This voluntary census was taken between November 16th and 20th, through the Post Office, and was then checked by a canvass of about 1½ per cent. of the population at the end of November. The census gave the following results:—

Employed on emergency public work	Total	2,001,877
of which : Male		1,662,444
Female		339,433
Unemployed, able to work and wanting work ...	Total	5,821,035
of which : Male		4,163,769
Female		1,657,266
Grand total		7,822,912
of which : Male		5,826,213
Female		1,996,699

The canvass suggested that the census was approximately 72 per cent. effective; and on this basis the total number of unemployed is estimated at 10,870,000. A large but uncertain number of persons who are at most only occasionally employed are, however, enumerated as unemployed. And this result does not compare readily with the census of employment taken in 1930, which showed 48,829,920 employed and resulted in an estimate of 3,000,000 unemployed employables.

The postal census figure is, however, remarkably close to the estimate of 7,585,000 made by the National Industrial Conference Board. The upper figure of over 10 millions is closer to the estimate of the American Federation of Labour. Considering the very limited appropriation made for the count, these figures are as good as could be hoped for. No provision was made for regular counts, and in all probability the number of unemployed is now materially greater than when the census was taken in November. Subsequent reports will throw some light on the age and occupational grouping of the November unemployed.

Silver and Currency

Portions of the silver programme expired at the end of the year, and were replaced by new arrangements. The Government has now accumulated about 2,000 million ounces of silver, of which about 1,400 millions were bought under the recent policy at a cost of about \$800 millions. Under the current arrangement, the Treasury will pay \$6464 per ounce for domestically mined silver, compared with the recent price of \$7757; but this price is subject to change by the President.

The Treasury will continue to buy silver under special arrangement from China, Mexico, Canada, etc., at a price in the vicinity of 45 cents; but this arrangement does not apparently cover the entire output. The silver bought has been and presumably will continue to be monetised at cost, although the law authorises monetisation at \$1.28, which is the so-called "monetary value."

The American currency system has always been complicated, but it has become somewhat simplified in recent years.

PRINCIPAL TYPES OF CURRENCY (\$000,000)

	Total Currency	Fed. Res. Notes	Natl. Bk. Notes	Gold Ctfs.	Silver Ctfs.
Dec. 31, 1929 ...	4,025	1,862	597	880	417
Dec. 31, 1932 ...	4,806	2,716	820	601	371
Nov. 30, 1937 ...	6,027	4,232	243	89	1,144

The most notable fact is the increase in total currency. During the depression, it was attributed to hoarding, and the increase was mostly in notes of large denomination. The more recent increase has been in notes of the hand-to-hand denominations. But it is not clear why so much more currency is in use than in the '20's.

France

New Social Conflicts

PARIS, January 12.—Endless social conflicts still hinder the revival of industrial production and business, which is needed to consolidate financial recovery. The Prime Minister has drawn up a new "social code" which he intends to put before Parliament after it has been approved by the representatives of employers and labour. The Trade Unions accepted the invitation to a conference on the labour proposals, but the employers refused.

The original Matignon Labour agreement of June, 1936, was accepted by both organisations before being voted by Parliament. Will the same dual approval be denied to the new proposals, which are designed to facilitate arbitration and smooth labour relations, to regulate recruitment and fix the status of strikes? If so, the new code would hardly be likely to promote collaboration between capital and labour. And it remains to be seen whether the Government would dare to enforce the code in the event of further troubles and the absence of the employers' consent.

Changes in Opinion

Public opinion has changed a great deal since June, 1936. Workers have been suffering from the steady rise in prices which the new social laws have encouraged and which the rise in wages does not cover. The policy of the Popular Front has been arrested, and the recent strikes were not very popular. Employers are discouraged by the perpetual social conflicts and by the diminution of profit due to the declining purchasing power of the public.

The key to the situation is held by the middle classes. In June, 1936, they voted against the deflation policy and for the Popular Front. To-day, like the peasants who are also friends of liberty, they think somewhat differently. The New Deal has indeed corrected many injustices, especially in the sphere of wages. But it has created new difficulties. Measures such as the introduction of the 40-hour week have led to continual disputes and a diminution in the yield of production.

The French people are still opposed to dictatorship, but there is now an opportunity for a strong National Government to take vigorous steps to restore order. For the time being, however, the political situation is too uncertain for the parties to adopt a definite line of action.

Increased Fiscal Receipts

Fiscal receipts in December, 1937, were 567 million francs in excess of the yield in December, 1936, and were 409 millions above the original estimates. In fact, the yield exceeds by 116 million francs the corrected estimates, after the increase in taxation made in the summer has been allowed for. In November receipts were still 70 million francs lower than the corrected estimates.

The monthly figures published by the Statistique Générale de la France and showing industrial production in France are as follows:—

	(1928 = 100)	Nov., 1936	Sept., 1937	Oct., 1937	Nov., 1937
General index	88	84	88	90	
Mines	84	87	94	100	
Chemical industries	103	96	100	105	
Paper	185	178	177	189	
Textiles	94	81	88	90	
Leather	77	70	78	68	
Iron and steel	76	83	88	91	
Engineering	83	83	86	88	
Automobile	96	81	82	86	
Building	65	58	56	55	
Gas and electricity	120	124	126	126	
Miscellaneous	115	110	112	110	

The index of production has previously been based on 1913 = 100, but for November it was calculated on the base 1928 = 100. On the former base of 1913 the index of production would have been 101 in November against 100 in October and 97 in September.

Unemployment on December 31st was 365,452 against 357,856 in the preceding week and 413,450 a year ago. In November, 12,414 motor vehicles were put on the road, compared with 11,439 in October and 9,417 in September.

Financial Difficulties

The financial situation is serious. After two devaluations, there is still no appreciable improvement in the national accounts. Between 1936 and 1938, total budgetary expendi-

ture has increased from 46,000 to 68,000 million francs. Of this, payments to the creditors of the State, that is to pensioners and holders of rentes, now represent only 32 per cent., against 40 per cent. two years ago. The expenses of the administration, however, swollen by increased wages and additional social credits, now represent 51 per cent. compared with 25; and the share of military expenditure has risen from 26 per cent. to 32.

Thus, the share of this increasing Budget which goes to the habitual subscribers of State loans is falling, while unproductive charges are rising. This redistribution of money is not expedient in the case of a State which is under the obligation of issuing huge loans and increasing the profitability of production. Indeed, the consequence of this renewed economic deflation is the same as it was before: a progressive paralysis of activity and savings which, if no change occurs, will lead the country to adopt drastic remedies. Yet France's attachment to liberty has been rendered more firm than ever by the sight of neighbouring dictatorships.

Germany

Transport Activity

BERLIN, January 11.—The first business week of the New Year witnessed an extraordinarily strong Bourse for both shares and fixed-interest securities. Money was plentiful; the Reich Loan so far as is known was well subscribed; and some of the provisional business reports for 1937—in particular for communications—were extremely good. The Reich Railway Company's return shows that traffic exceeded that of the best earlier year, 1929. The number of passenger-kilometres increased compared with 1936 by 16 per cent., and of ton-kilometres by 15 per cent.

Judged by earlier reports, the Four Year Plan is responsible for a good deal of the increase in goods traffic. Receipts from passengers rose by 8 per cent. to Rm.1,160 millions; from goods by 12 per cent. to Rm.2,960 millions; and the total operating receipts were Rm.415 millions more than in 1936. The average receipt per ton-kilometre, in spite of the increase of 5 per cent. in rates made in January, 1936, was lower than in 1935. Traffic on internal waterways in 1937 was also larger than that of the best previous post-war year, and exceeded that of 1936 by about 13 per cent.

The Plight of Farming

Considerable stir and controversy have been caused by an intimation from quarters closely in touch with the Food Ministry and the Reich Nutrition Corporation that agriculture is again in a bad way. The official food campaign, usually called the "Production Battle" (*Erzeugungsschlacht*), is as a rule represented to have been successful; and certainly both the absolute production (other than of grain and a few commodities) and the share of home-produced foods in total consumption has risen between 1932 and 1935, the latter from 75 to 84 per cent.

According to the authorities mentioned, however, this success has required a disproportionate expenditure of money and labour, which, since prices may not be raised, has hit farmers financially. As described by the Food Ministry, the law of diminishing returns has begun to operate. More has been produced but much more has been expended to produce it.

Since 1933-34 the total of agricultural wages has risen 18 per cent. This has fallen largely upon the farms producing cereals, which have not been able to increase their crops at all. At present, it seems, the cost of producing an additional

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quantity of food is double the selling value of the additional quantity. Thus, in 1937, the yield of farmers' sales rose by Rm.163 millions, but the operating expenditure of the farmers rose by Rm.335 millions.

Agricultural and Industrial Prices

Agricultural indebtedness, which had been declining, has again begun to increase, though so far only locally and on certain kinds of farms. The gross receipts of farmers have lately risen much less than the national income. In general, Herr Backe of the Ministry concludes that agricultural prices are too low, or, what is the same thing, industrial prices too high. This is the old question of the price "scissors"; and the scissors, it is alleged, have been opening to the disadvantage of farmers. As Herr Backe sees things, the evil is that while agriculture is a controlled industry—in the sense that not only are prices fixed by the State, but marketing is also in general conducted by state-created organs—industry is not.

"The simultaneous existence of two different economic systems," says Herr Backe, "is possible only in a time of transition. The question of adopting the controlled system for industry as well must therefore become ever more urgent." This is probably a Left Party point of view. The "binding" of industry would please the Socialist element in the Party. It would, however, create difficulties not met with in the regulation of agricultural products, which are limited in variety and quality.

Policy and Practice

The trouble could, no doubt, be temporarily overcome by changing the relation between agricultural and industrial prices; but the fact is that forcing crops to grow where they are not fitted to grow is fundamentally unprofitable. The facts about the "price-scissors" are, however, in dispute. Indeed, prices in the past twelve months have probably moved rather to the advantage of farmers, according to the Institute for Trade Research. Since October, 1932, the index of the prices of farm products has risen from 78 to 100 in October, 1937; and the prices of farm materials (other than oils and building) have remained stable or, in some cases, have fallen slightly.

The personal expenditure of farmers, apart from working expenses, has, however, risen more than food prices. In the index of wholesale prices for 1937, which as a whole rose only by about $\frac{1}{2}$ per cent., the agricultural component advanced from 103.6 to 104.6, while the index for "manufactured consumption goods" advanced from 130.5 to 135.8. The Reich Nutrition Corporation supports Herr Backe's theory that the movement of prices has been against the farmers.

It seems that either food prices will have to be raised, or reductions in price decreed for commodities required by farmers. The last such reduction was the enforced cut of potash and nitrate prices in 1936. The Nazi Government has been obliged several times to reverse its policy in regard to the relations between agriculture and the urban food-consumer. It began with the assumption that only measures to raise food prices were required; later it was compelled to take measures to check the increase; and now the problem has again arisen of securing to the farmer remunerative prices. The Party ideal of stable prices satisfactory to all interests has not been realised.

Industrial Activity

A veto has been imposed on the establishment of industrial undertakings that consume light metals. The Steel Trust (Vereinigte Stahlwerke A.G.) reports an output of pig iron in the October-December quarter of 1,627,000 tons, against 1,519,000 tons in the preceding quarter; and of ingot steel an output of 1,766,000 tons against 1,611,000 tons. The demand for bars and thick and medium sheets is still large; but it is stated that the different classes of consumers have recently received their full rations.

The rise in steel production in recent months was brought about by increased consumption of imported scrap iron. In November 37,770 tons of machinery were exported against 31,100 tons in October. Reports about the present state of orders in the exporting industries are rather less favourable, apparently as a result of the partial depression in some overseas countries. The cutlery branch, which is particularly sensitive, reports a decline in foreign business and an undesirable accumulation of stocks.

It is clear that exports in many industries are being hampered by the expansion of the home market and by the diversion of capital and energy to a few State-fostered trades. Since 1930 the German share in total world exports has fallen very considerably.

Switzerland

The Federal Budget

GENEVA, December 26th.—The Swiss Parliament recently approved the Budget of the Confederation for 1938. Expenditure is estimated at 542.8 million francs and revenue at 519.8 million francs, leaving an estimated deficit of 23 million francs. The Federal Government has been authorised to levy for another three years the Extraordinary Crisis Tax, introduced three years ago, and to increase slightly the rates of tax on high incomes.

These taxes will yield about 30 million francs in 1938. Customs duties are estimated to yield 209 million francs, the duty on petrol 53 millions, the duty and tax on tobacco 40 millions and the tax on drinks 12 millions. The yield of the stamp duty is forecast at 60 millions and of the military tax (paid by those who do not serve in the Army) at 4 millions. Another 6 million francs will be produced by the rise in the price of oils and fats.

Interest payments will absorb 97 million francs in 1938, while 83 millions will be used either for debt repayments or for increasing the various reserve funds. Unemployment insurance and public works will require an expenditure of over 61 million francs, while 96 millions will be devoted to national defence.

To the Budget deficit of 23 million francs should be added the deficit of the Federal railways, making 54 millions in all. Since, however, the Budget includes a payment of 43 million francs to adjust the finances of the Federal railways the real deficit is some 11 millions.

The Budget has not been received with much satisfaction in industrial and commercial circles. Despite the Government's promises, expenditure is still rising. It was, however, stated in Parliament that expenditure has not increased very much, since some 20 per cent. of expenditure during recent years has been devoted to the redemption of debt.

It was to repay debt that taxation had to be increased and new duties set up. Taxation is actually very heavy. In 1935 the total yield of Federal, cantonal and municipal taxes was 948 million francs, a rise of 200 millions since 1920. It now represents about 237 francs annually per head of population. And Customs duties bring in an annual total of nearly 200 million francs.

Public opinion has repeatedly pronounced against the steady increase in State subsidies. In 1938 they will reach about 200 million francs, against 105 millions in 1930, 245 millions in 1934 and about 220 millions in 1936.

"Hot Money" Measures

Meanwhile foreign funds, mostly French, continue to pour into Swiss banks, and the measures taken by the National Bank to check the influx have so far had little effect. These measures are intended to restrict sight deposits as much as possible. No interest can be paid in Swiss currency on sight deposits made by foreigners residing abroad unless the money is deposited for at least nine months. Deposits at sight will not be accepted, but only deposits repayable at three months' notice. These measures do not affect deposits up to 5,000 francs, or up to 20,000 francs when the depositor has securities in the bank.

The same restrictions apply to the accounts of foreign industries and companies, unless they are used for commercial operations in Switzerland or for meeting interest or repaying loans in Switzerland. This will help to reduce the enormous amount of foreign deposits at sight and minimise the risk of the National Bank in case these funds are recalled suddenly.

Committees at Geneva

The League of Nations Financial Committee, in its last session, considered the question of commercial credit. International credit operations have practically disappeared from banking practice, principally because lenders fear that repayment may be prevented by exchange restrictions. Security in that domain, it was argued, might be given in the form of an undertaking given by the authorities concerned that sums required for liquidating the credits would not be subject to exchange control.

The Economic Committee of the League has been asked by the Assembly to advise as to the best way of giving practical effect to the recommendations of the Raw Materials Committee. The Economic Committee dealt with the question of access and considered that there was no insuperable difficulty concerning access to raw materials. The Committee condemned the policy of the countries striving to be self-sufficing.

In the end the Committee recommended that raw materials should not be subject to any export prohibition or restriction, except in pursuance of an international restriction scheme or some other agreement between exporting and importing countries; that raw materials should not be subject to any export duties except those imposed at a uniform rate irrespective of country for revenue purposes, or to finance the improvement or marketing of raw materials; that foreigners should have the same rights and facilities as nationals for developing the natural resources of both sovereign countries and colonial territories; and that international regulation schemes should be framed to admit the effective association of consuming interests and should be administered to provide consumers with adequate supplies, while preventing excessive rises in prices and keeping prices as stable as possible. The Committee came to the conclusion that the League Council should leave it to the different Governments to consider whether the situation is favourable for taking international action.

Spain

Teruel and the Volunteers

ON THE SPANISH FRONTIER (UNCENSORED), January 7.—The surprise attack on Teruel has greatly encouraged the Government ranks, whose morale has never been low. Extreme mobility and surprise are the factors which the experts have deemed necessary for the defence of the Eastern front and for the advance into rebel territory. These are now considered to have been achieved. Within recent months great quantities of motor transport vehicles have been received; but the lack of heavy artillery continues to be the Achilles heel of the Government.

Just how far Germany will continue to support Franco seems in doubt. The withdrawal of Germany, with its 10,000 or so technicians, would be far more disastrous for Franco than the withdrawal of the 100,000 or so Italians, who have shown themselves poor fighting material. There is, moreover, considerable ill-feeling toward the Italians because of their arrogant attitude.

The Italians now seem to be furious with Franco for his more recently adopted attitude of complacency towards England, and the appointment of the Duke of Alba as the Franco representative in London. Italy's intervention in Spain has had as its object the domination of the Mediterranean, and Franco's new policy of trying to impress England with his friendliness towards her means a setback for Italy. The Italians are supporting the Spanish Fascist Party, the Falangistas, who are also angry with Franco because he is trying to absorb and so to suppress their organisation.

Government's Swing to the Centre

The firm policy which the Republican Government have pursued since May has attenuated that bitter dissension on their side which obtained until then. The Anarchists have been thrown out of both the Central Government and the Catalan Cabinet. They have been given to understand, even though they have considerable liberty of speech, personally and through their Press, they must toe the line.

The ex-Premier, Largo Caballero, whose alliance with the Anarcho-Syndicalists is well known, has likewise been "nullified" as a political factor. He and his followers may be considered to have only a certain "nuisance value."

The P.O.U.M., the Trotskyist Party, has been suppressed. The Republican Government is pursuing a new policy. The Communist Party is given its proper niche in the Popular Front Government, and not accorded undue prominence or licence. The Anarchists have no niche, because they never were of the Popular Front. It is General Rojo, hand-picked by the new Government, and not the Communist-backed General Miaja of Madrid, who is chief of the united Republican armies.

The aim of the Government is the preservation of the Republic. Certain "advanced legislation of the social order" may have to be conceded in the future because of the strong support which the opposition to Franco received from the Socialists and the minority Communist Party and because of the demand for such legislation by the workers and peasants. But the swing is towards what might be described as "an advanced bourgeois regime." This would mean the undoing of much of the "collectivisation" and even confiscation of property which the force of circumstances imposed in the early days of the revolution.

Courting the Right in Catalonia

It is interesting to note the real purpose of the recent visit to Brussels of Companys, the Catalan President. It was not, as was reported, to enter into peace negotiations with representatives of Franco, but to get into touch with "economic elements" who fled from Catalonia in the early days of the revolution and whose property was seized and collectivised. The Catalan Government would like to have an understanding with them for the salvaging of Catalonia's economic interests, chief among which are her industries.

Collectivisation has been disastrous, and detested by the majority of the workers, as well as by the middle class. This tendency of the Catalan Government, whose collectivisation decrees were the most extreme of any promulgated in Spain, bears out the charge made against them by the Anarchists and other extremists before the street fighting of last May, that the Catalan Government would really like to see the return of a bourgeois regime. The fact is that Catalonia, despite its working-class population, is essentially bourgeois.

The Catalan Government has maintained good relations with many leaders of the Catalan Right, and saved the lives of many of them who are now living in France or elsewhere. Indeed, some have now returned and walk the streets of Barcelona in perfect security.

The Role of Azaña

Several other important figures have recently returned to the Government side, among them Portela Valladares, who was the Prime Minister at the time of the 1936 elections and who was compelled to flee from Barcelona to save his life. The rôle played by President Manuel Azaña in this policy of regeneration is wholly underestimated. He has been pictured in the foreign Press as a figurehead, a nonentity, a virtual prisoner of the "Reds." Nothing could be farther from the truth. Azaña has been very much the power behind the scenes in the shaping of Governmental policy, working constantly with such leaders in the Cabinet as Negrin, the Premier, and Prieto, the War Minister. Azaña would like to see peace—to see an understanding with those on the other side except those like Franco, who are considered to be the criminal leaders of revolt. Azaña's viewpoint was expressed last July, when he said, "24,000,000 Spaniards must go on living together, and Republican Spain must know how to be generous to those who had erred."

It is doubtful, however, whether any reconciliation is possible with certain elements, which in Spain may be described as castes rather than classes, namely, the military the land-owning aristocracy and the clergy. The Government seems to recognise that dragging out the war to a stalemate would favour peace and preserve the Republic. It would probably welcome peace proposals from some friendly foreign Power. President Azaña would particularly welcome such proposals from President Roosevelt.

Food and Censorship

The food problem has not improved in recent months. Lack of organisation seems to be the principal difficulty. British relief organisations have been handicapped by the fact that the Government has insisted upon collecting duties on food sent into Spain for relief.

The censorship continues to be unduly severe and only

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results in harm to the Government cause. Newspapers, feeling they cannot obtain the truth from Spain, turn to other sources of information. The resultant picture is usually exaggerated and most unfavourable to the Government.

About the Government's financial position, little or nothing can be deduced from the Government's official or inspired statement. The Government's spokesmen are too prone to assume that foreigners are simpletons. Spanish mentality, whether governmental or insurgent, does not yet seem to have grasped the idea that the only way to establish confidence abroad is to lay its cards on the table.

Japan

War and the Budget

TOKYO, December 27.—The Budget estimates for the fiscal year, which begins on April 1, 1938, were approved by the Cabinet Council on November 30th. Expenditure in the new Budget was fixed at 2,868 million yen, compared with the current year's original estimates of 2,815 million yen. The increase is principally due to the growing debt services and the new Ministry of Health to be established next year.

The Army and Navy estimates amount to 1,241 million yen in the aggregate, or 43.3 per cent. of the total national expenditure, compared with 1,410 million yen, or 50 per cent., in the current year. The smaller defence votes, however, are merely a matter of book-keeping, since expenditure on the garrisons in North China, etc., is brought into the China Campaign Accounts, leaving the ordinary defence expenditure practically unchanged.

The revenue for the fiscal year 1938-39 was estimated at 2,174 million yen, an increase of 131 million yen, compared with the current year. There is again a huge deficit of 694 million yen compared with approved expenditure. The gap will have to be filled almost entirely by a new loan.

Any comparison of the Budget estimates for next year with the accounts of the current year, however, is practically useless, because expenditure on the China campaign is separately budgeted for. War estimates to date have totalled 2,566 million yen, and will have to be further supplemented during the remainder of the current year. Some 450 million yen per month will be needed as long as armed conflict continues.

Balance of Payments

According to tentative estimates of the balance of international payments in 1936, Japan had a credit balance of 59.3 million yen on her international transactions (excluding capital movements), compared with 136.5 million yen in 1935. While the visible trade balance and net Government payments made abroad totalled 363 million yen, or 160 million yen larger than in 1935, the official estimates of invisible exports were put at 422.3 million yen, or 26.5 million yen larger.

OFFICIAL CALCULATIONS OF BALANCE OF PAYMENTS (in thousand yen)

	1935	1936	Inc. or Dec. in 1936
Excess of imports of merchandise ...	14,758	130,176	115,418
Net Government's payments abroad...	188,203	232,855	44,652
Debit total	202,961	363,031	160,070
Estimated net income from overseas investments and business	159,815	170,261	10,446
Estimated net shipping and insurance premium income	188,057	209,367	21,310
Estimated net tourists' income, etc. ...	36,324	37,181	857
Estimated net income from other sources	11,602	5,556	-6,046
Credit total	395,798	422,365	26,567

As for capital movements, the net outflow in 1936 was placed at 269.3 million yen, compared with 371.6 million yen in 1935. The heavy decrease is accounted for mainly by smaller investments in Manchukuo.

Contracting Imports

Import figures for November show a continued contraction under the restriction scheme. Imports, valued at 210 million yen, decreased by 8 million yen, or 3.7 per cent., compared with the corresponding month of last year, while exports,

valued at 253 million yen, increased by 16 million yen, or 6.8 per cent. There was an export surplus of 42 million yen during the month. For the eleven months ended November, however, imports show an increase of 1,046 million yen (42.2 per cent.) to 3,525 million yen, and exports an advance of 506.6 million yen (21.1 per cent.) to 2,902.8 million yen. Thus the import surplus amounted to 622.6 million yen, compared with 82.9 million yen last year.

Wholesale prices have risen and the Bank of Japan's index for November recorded a rise of $\frac{1}{2}$ per cent. on the month. The price index of all shares listed on the Tokyo Stock Exchange advanced by 3.4 points during November. On the other hand, the output of textile yarns fell owing primarily to a shortage of raw materials. Most branches of the textile trades have drastically curtailed operations from the beginning of December.

The influence of the large-scale operations now being conducted in China has now been felt in all departments of the Japanese economy. Production, trade and finance have all been affected by the demands of war, and the determination of those in authority to prosecute the campaign until their objects have been achieved means that economic life will increasingly take on a war-time character.

Bulgaria

Favourable Economic Outlook

SOFIA, January 8.—The recorded improvement in the past twelve months, and the increased turnover in business at the end of the year suggest good prospects for 1938. The higher level of wholesale prices, which at the end of November was 13 per cent. above the level of the preceding year, is stimulating both industrial production and the export of agricultural products.

Stocks of tobacco and cereals for export, and the increase in animal products should guarantee a favourable development of foreign trade. The prices obtained for Bulgarian exports are high enough to justify hopeful forecasts. While the index of export prices was 15 per cent. more in November, 1937, than in November, 1936, that of imports was only 11 per cent. higher.

Higher Expenditure

The ordinary Budget for 1938 estimates revenue and expenditure at 7,200 million leva. This is 288 million leva or 5 per cent., more than last year. Revenue for eleven months of 1937 was 6,679 million leva, or 16 per cent. more than in the same period of 1936. The deficit for the eleven months was only about 50 million leva.

The accounts of the State railways have also been balanced, and receipts and expenses are estimated at 1,700 million leva. According to the provisions of the Budget, the biggest increases are for the War Ministry, the Ministries of Agriculture and Commerce, for Roads and the Home Department.

At the same time, expenditure on the Public Debt shows an increase to meet part of the cost of armaments which has been covered by borrowing. Armaments are paid for mainly through the ordinary Budget because of the lack of other extraordinary sources of revenue.

Surplus of Imports

The commercial agreements made in December with Germany, Italy and Austria are expected to improve the trade with these countries. The figures of foreign trade for 1936 and for eleven months of 1937 are as follows:—

	1936	1937 11 months
In million leva		
Imports	2,804	4,486
Exports	3,663	4,447
Surplus (+ = exports — = imports)	+459	— 39

The import surplus for nine months at the end of September was 326 million leva. This markedly decreased in October and November because of very large exports. The contrast between the figures of 1936 and those of last year is most marked. A quite considerable surplus of exports has been converted into a small surplus of imports.

Imports in the eleven months rose by about 60 per cent. compared with the figures of 1936. Exports showed only a rise of 37 per cent. An analysis of imports suggests that, of the increase of 1,682 millions compared with last year only about one-third is due to imports of armaments.

Eire

Depression in Agriculture

DUBLIN, January 8.—Agricultural prices have risen in recent months, but farming profits have not risen proportionately, if at all, because costs of production have advanced at least as rapidly. In spite of the rising price level, therefore, agriculture remains depressed; complaints are heard from farmers in all parts of the country; and the numbers employed on the land continue to fall. This rural unemployment is only partly reflected in the official unemployment statistics, for many of the displaced workers emigrate to Great Britain, where they have no difficulty in finding employment.

The area under tillage has decreased in spite of the subsidies on wheat and beet. Indeed, were it not for these subsidies, the tilled area would have declined much more. Unfortunately, the reduction in tillage has not been accompanied by an increase in the number of livestock, for both cattle and pigs have shown a decrease.

The Value of Livestock

The simultaneous decline of both branches of agriculture demonstrates the truth of the argument of Irish agricultural experts that tillage and livestock are mutually dependent. The presence of a large animal population helps to maintain the fertility of the soil, and tillage products are most profitably marketed by being fed to livestock.

Our new industrialists do not realise that every cow and every pig is a little "factory" which converts raw material into a finished product very efficiently and economically. These "factories" are superior to the newly erected factories in the protected industries in two respects: they are home-produced and do not necessitate capital imports, and they utilise home-produced raw materials. Their activities, there-

fore, do not upset the country's balance of payments, as many of the new industrial factories do, and may even add to the volume of exports, as the new factories certainly do not. It is regrettable that our most productive and efficient industry should be declining, with adverse reactions on the area of tillage, the volume of employment and the size of the national income.

The agricultural depression naturally increases the difficulties of the new industries, which depend almost exclusively on the home market. Owing to rising costs of production in the towns, caused in turn by the rising cost of living and the new industrial regulations, Irish manufacturers find it increasingly difficult to sell except in the sheltered home market, which depends for its purchasing power upon agricultural prosperity and, above all, on a flourishing export trade in agricultural products.

The New Tribute

The smaller the domestic purchasing power, the more slender will be the possibilities of realising those economies of large scale production on which industrial efficiency depends, and the greater will be the danger that Irish consumers, who are for the most part farmers, will be asked to pay unreasonably high prices for native manufactures. It has been said that the new industrialists may prove in time to be as great a burden on the Irish farmer as the old landlords were, and that the tribute that used to be taken in rack rents may be taken in future in artificially high prices for urban products.

The depression in agriculture has also produced a deterioration in the balance of payments, which has become increasingly passive. There is no doubt that external investments were liquidated during 1937 to pay for part of the imports. In a country whose standard of living depends to so large an extent on its creditor status it is most desirable that new investment should be financed by current domestic savings.



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Condensed Statement of Condition as of December 31, 1937

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS	
Cash and Due from Banks and Bankers	\$ 516,778,466.96
United States Government Obligations (Direct or Fully Guaranteed) ..	482,958,933.69
State and Municipal Bonds	76,494,888.89
Other Bonds and Securities	130,806,876.67
Loans, Discounts and Bankers' Acceptances	609,441,409.92
Customers' Liability Account of Acceptances	13,315,994.07
Stock in Federal Reserve Bank	3,652,500.00
Ownership of International Banking Corporation	8,000,000.00
Bank Premises	50,543,249.33
Other Assets	7,324,112.42
Total	\$1,899,316,431.95
LIABILITIES	
Deposits	\$1,711,552,123.76
Liability as Acceptor, Endorser or Maker on Acceptances and Bills	\$48,350,791.66
Less: Own Acceptances in Portfolio	15,079,116.77
	33,271,674.89
Items in Transit with Branches	4,303,780.05
Reserves for:	
Unearned Discount and Other Unearned Income	4,232,502.65
Interest, Taxes, Other Accrued Expenses, etc.	6,792,271.69
Dividend	3,100,000.00
Capital	\$77,500,000.00
Surplus	44,250,000.00
Undivided Profits	14,314,078.91
Total	\$1,899,316,431.95

Figures of Foreign Branches are as of December 24, 1937.

\$106,855,446.93 of United States Government Obligations and \$33,231,693.91 of other assets are deposited to secure \$113,186,887.51 of Public and Trust Deposits and for other purposes required by law.

Letters to the Editor

Tariffs and Prosperity

TO THE EDITOR OF THE ECONOMIST

SIR,—The letter under the above heading by Mr T. W. M. Whitson made a number of suggestions as to the causes which led to the accumulation of gold in the United States.

The initial great accumulation took place during the war when the capacity of the Allied countries to export goods was extremely limited and when the necessity to import many things was accentuated. The only means of payment were by borrowing from the United States or by the shipment of gold, and both took place to a great extent. The gold accumulation reached in the United States in 1923 was the heaviest for many years.

It was not until the beginning of 1931 that the 1923 level of gold stocks in the United States was again reached. Accordingly during that period she was, on balance, not an importer of gold. During the next few years there was only a moderate increase in the gold stock, and it has been since the end of 1933 that the really large increase has taken place. Yet, during that period, the imports of goods into the United States have increased more rapidly than the exports of goods from that country, and in 1936 her imports slightly exceeded her exports. Clearly the movement of gold to the United States is not due to payment instead of goods but is almost entirely the result of financial operations.

Yours truly,
HERBERT G. WILLIAMS.

Victoria Street, S.W.1.

France: Re-armament and Democracy

TO THE EDITOR OF THE ECONOMIST

SIR,—In the Fascist States the cost of re-armament has been met by inflationary financing and a policy of self-sufficiency. Political and economic dictatorship has enabled their programme so far to be successful. The non-Fascist States cannot wait for the collapse of autarky. They must re-arm in their turn. Already the balancing of Budgets has become difficult, and expenditure on armaments has had to be covered by loans.

Which system can more readily cope with excessive spending on armaments: Liberal or Fascist? Fascism has shown certain advantages. Rigid foreign exchange control has so far averted monetary breakdown and internal purchasing power has been kept more or less stable. Fascist States can lower the standard of living without encountering any opposition. Even capital is regimented.

Democratic States cannot enforce a lowering of the standard of living to pay for armaments, or ignore social unrest. Exaggerated state interference is contrary to liberal principles. Confidence plays an important part in democracies, and is undermined by inflationary finance and state control. The results—the flight of capital and currency deterioration—are illustrated by France's experience.

In this light, the proposals of French Socialists and Communists for exchange control seem not ill-founded. Monetary control and Fascism do not necessarily go together, but in France, once exchange control were applied, an authoritarian regulation of the whole economic and political life would have to be adopted. But this would be no solution, for it would violate the Tripartite Agreement and alienate France politically from her friends. Internally, it would probably lead to revolution.

Only immediate help can save France from an inflationary breakdown. Would not the best way for Great Britain's own protection be to give France sufficient economic help to enable her to keep pace in the armaments race? France herself has helped her allies in Central Europe to re-arm by credits and long-term loans, and it was not easy for her to do so. How could Great Britain and/or the United States help France in turn?

Sir Robert Kindersley has shown that Great Britain needs foreign investments. Here would seem to be an opportunity. A large long-term loan on a purely commercial basis would not be practicable in France's present position, and small short-term loans on onerous conditions would do more harm than good. Help would have to be generous and on a large

scale; but the millions spent on British re-armament would be wasted if France were to break down.

Any loan to France would have to be guaranteed by the British and American Governments, and would be a gilt-edged investment for subscribers. It would then be the duty of France to set her house in order. The loan need not be fantastically large. The net deficit on the French balance of payments in 1937 has been estimated at £35 to £40 millions. If we suppose that France needs a breathing space of two years, a loan of £100-£200 millions would be sufficient to meet the deficit during that period and provide a margin to cover any further outflow of capital. A return of refugee capital might be expected to set in, and the danger of currency depreciation would vanish. Such a loan could easily be floated in London and New York, and the future of all democracies, no less than France, would be safeguarded.

Zurich.

Yours faithfully,
WERNER BAR.

Gas and Electricity

TO THE EDITOR OF THE ECONOMIST

SIR,—In your second article on "Gas and Electricity," you make a perfectly fair comparison of the consumer's choice between two kinds of "fuel-on-tap." You consider also the national interest—"which fuel makes the more economical use of the country's coal resources?" In this comparison electricity is balanced against gas alone, with a rider that "many valuable by-products" must be thrown into the scale for gas. I think your argument here loses reality for the reason that one of these by-products is of far too great importance to be included in any such rider. Coke represents up to 50 per cent. of the original potential energy in the coal from which it is made.

In considering the efficiency of coal treatment this recovery of heat in the form of coke must be included, bringing the relation of the two industries at the production point to 20 per cent. for electrical and (at a conservative estimate) 75 per cent. for gas works treatment. Moreover, this advantage in potential heat is carried through to the final stage of useful heat. Taking coke as about 25 per cent. efficient in use, it will provide from one ton of coal a quantity of useful heat equal to that given by gas obtained from the same ton.

While, on your argument, after the three stages of production, distribution and utilisation efficiency have been taken into account "from the general economic standpoint . . . the balance may incline slightly on the side of gas," the scale will sink with a crash if coke is thrown in. The community not only has the extra supply of heat. It is given what may prove of inestimable value, a smokeless domestic solid fuel as a substitute for the burning of raw coal in the domestic grate with its attendant clouds of smoke.

The short point is this. From the consumer's standpoint it is perfectly fair to compare two types of fuel on tap. When the interests of the community are considered, i.e., when the efficiency of two industries is compared as producers of domestic fuel, coke cannot be omitted.

One small point is worth noticing. Your article says: "From the purely technical point of view, the consumer is better served by electrical equipment for these purposes" (space heating, water heating, hot-plate cooking). If this sentence means that electric appliances have a higher conversion efficiency from potential to useful heat, this superiority has already been taken into account. If it means that electricity is a better technical instrument for these jobs, no three less favourable instances could have been chosen. Instantaneous water heating by electricity is not practicable; hot-plate cooking is the outstanding weakness of the electric cooker; space heating is efficient, but without the advantage of ventilation which gas can give. These are no less "technical" points than questions of thermal efficiency, the first two being a reflection of the difficulty of giving intense heat quickly by electricity without disproportionate loading. Technique includes speed and form as well as simple heat output.

Yours faithfully,
D. MILNE-WATSON.

Westminster, S.W.1.

Books and Publications

The Royal Mint

THERE is more in the Mint than money. Ever since Sir Isaac Newton, theologian, scientist and mathematician, superintended its operations, the interests of the Royal Mint have gone beyond mere coins and their content. The grateful receipt by the Departmental Library of the Newton Papers, sold at Sotheby's in 1936 and presented to the Mint by Lord Wakefield, was no mere gesture of institutional loyalty.

The latest report of the Deputy Master and Comptroller for the years 1935 and 1936* is in an appropriate vein, traversing artistic and sociological no less than statistical themes. The review of coinage designs occasioned by the advent of two new Kings set the Mint and its advisers by the ears. Argument arose between the sponsors of heraldic and pictorial art, but the advocates of British fauna on British coins were chastened to find only the Red Grouse peculiar to Britain. A series of Royal Animals was projected, but only the Wren survived, represented on the new farthing, the companion to Drake's "Golden Hind" now enshrined on the halfpenny.

Heraldry thus survived the movement to bestrew British coinage with cattle or corn or aeroplanes, and the Secretary of the Treasury was left to ruminate on the mysterious dispensation which has ordained that it should be "only the extreme poles of political thought that can afford to express these through the vehicle of Art." A lively and sympathetic conservatism triumphed in the designing of the new coins, with only the grossly thickened and twelve-sided threepence to excite by its novelty.

Speculations about ornithology and the origins of myth and legend jostle in this report with astronomical figures of coins struck and in circulation. Here, it is explained why the Wren is a Royal bird of undoubtedly Nordic origin; and why the Scotsman cleaves with affection to the elusive silver threepence. There, it is stated that 244 million coins were struck in 1935 and a record number of 334 millions in 1936.

Yet even these figures are more than mere statistics. In 1936 they included 150,000 Maria Theresa thalers, dated 1780, inscribed *Justitia et Clementia* and destined for the Sudan and Arabia. Even where the writ of the Duce now runs the effigy of Maria Theresa is still sought in trading transactions, and the Roman Mint is doing for Abyssinia what London has done for the Red Sea region.

The coins struck for foreign countries tend to decline in number, as economic nationalism throws up Mints in the new post-war countries. But in 1935 and 1936 the Royal Mint was working overtime. A Silver Jubilee, two Accessions and one Coronation taxed its men and machines to the utmost, and raised acute problems of personnel.

In all the Mint's output, however, year after year, Coronation or no Coronation, bronze coins predominate. In January, 1936, some £9,500,000 of bronze coin was in circulation, representing some four shillings' worth for every man, woman and child. About 1,355 tons of bronze coin were issued in 1936; and the traffic receipts of the London Passenger Transport Board for a single year included 6,000 tons of bronze.

These bronze coins, as the report admits, are needlessly large and heavy. They were first introduced in 1860 after the style had been set sixty-nine years before in France when the brazen spoils of church belfries were melted and coined. The British examples are now obsolete and the heaviest in Europe. But to recoin between two and three thousand million pieces would take ten years, be prohibitively expensive and dislocate all the automatic machines in the country.

The thin end of the reform wedge is the new bronze threepence. Over thirty millions of these coins have left the Mint—only to vanish from sight under a new species of Gresham's Law for hoarding "as novelties in waistcoat pockets and money boxes."

* Sixty-sixth and Sixty-seventh Annual Reports of the Deputy Master Comptroller of the Royal Mint. His Majesty's Stationery Office. 4s. 6d.

Shorter Notice

Survey of International Affairs, 1936. By Arnold J. Toynbee. Assisted by V. M. Boulter. Oxford University Press (Milford). 1006 pages. 38s.

Dr Toynbee is an idealist, and his view of history is dramatic. Now and then, in consequence, the customarily keen edge of his judgment is blunted by his fervour. Far more often, however, in his story of 1936 as in all his other writings, he speaks with insight no less than with authority and lucid elegance. This Survey is the authentic tragedy of 1936 classically narrated: from "the crowded and confusing tale of diplomacy and propaganda and re-armament" there emerges the failure of law-abidingness. The state of war has returned, though the major sorrows of Spain and China have yet to come. Dr Toynbee shows the smaller powers of Europe running to cover, sceptical now of collective security and afraid of commitments, ready to commend their services to a patron in return for protection but anxious, as in the case of Belgium, merely to stand aside from the hurly-burly. So the powers, great and small, jockey for places. Germany presses upon the Danube; and in the Baltic the diplomacy of the Reich and the Russian Soviets meet. Germany reoccupies the Rhineland with troops; and the future of Austria becomes a problem of central importance for the peace of Europe. Over all broods the shadow of re-armament; but, against its menace, there is the beacon of world economic recovery. Mr Hodson, with balance and knowledge, depicts the economic scene—the alignment of currencies, the rise in prices and the boom—while Miss Duff, Mr Hubbard, Mr Routh and Mr Beeley round off a notable work of record and comment by their contributions on America, the Far East, the Straits Convention and on Palestine. Dr Toynbee's Surveys, shot through with learning and high principle, are still unique—and indispensable.

Books Received

- Morocco as a French Economic Venture.* By M. M. Knight. (London) D. Appleton-Century Company. 244 pages. 8s. 6d. net.
- International Short-term Capital Movements.* By C. P. Kindleberger. (London) A. Milford. 262 pages. 15s. net.
- The Economist's Handbook Supplement.* Gerlof Verwey and D. C. Renouvi. H. J. Pars, Amsterdam. 79 pages. Price 1 franc.
- Industrial Relations in Urban Transportation.* Emerson P. Schmidt. University of Minnesota Press, Minneapolis. Humphrey Milford, 264 pages. 14s.
- Milk Investigation Scheme. Costs of Milk Production in England and Wales. Interim Report No. 1. November 1, 1934, to September 30, 1935.* Agricultural Economics Research Institute, Oxford. 87 pages. 2s. 6d.
- Consumers' Credits and Unemployment.* By J. E. Meade. (London) H. Milford. 115 pages. 5s. net.
- Recueil des Accords Intellectuels.* League of Nations. (Paris) Institut International de Coopération Intellectuelle. 232 pages. 9s. net.

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THE BUSINESS WORLD

English Bank Profits

BANK profits are dependent upon so many factors that it is always difficult to forecast them. Fundamentally, they depend on what the banks can earn on their various classes of assets, less the interest payable on their deposits and their general working costs. They are struck, however, after various adjustments for bad and doubtful debts, and for changes in the value of securities, and after making undisclosed allocations to (or from) contingencies account. These adjustments are mainly a matter for judgment, and as they necessarily vary with changing circumstances they preclude exact comparisons between the disclosed earnings of one year and of another. Nevertheless, certain well-marked trends can usually be discerned, and in the following article we propose to consider some of the tendencies disclosed, or confirmed, by the figures of the great English joint stock banks for the year 1937.

Our first table shows the profits and dividends of the "Big Five," together with those of three banks located mainly in Lancashire:—

ENGLISH BANK PROFITS AND DIVIDENDS

	1929	1931	1932	1934	1935	1936	1937
Barclays:—							
Net profit (£ thous.)	2,332	1,795	1,574	1,708	1,784	1,894	2,134
Dividends { "A" & "B" & "C" }	10% 14%	10% 14%	10% 14%	10% 14%	10% 14%	10% 14%	10% 14%
Lloyds:—							
Net profit (£ thous.)	2,542	1,927	1,551	1,652	1,643	1,744	1,833
Dividends { "A" & "B" }	16% 5%	13% 5%	12% 5%	12% 5%	12% 5%	12% 5%	12% 5%
Midland:—							
Net profit (£ thous.)	2,665	2,057	2,019	2,292	2,353	2,468	2,508
Dividends	18%	16%	16%	16%	18%	16%	16%
National Provincial:—							
Net profit (£ thous.)	2,160	1,747	1,593	1,644	1,665	1,770	1,875
Dividends	18%	16%	15%	15%	15%	15%	15%
Westminster:—							
Net profit (£ thous.)	2,160	1,602	1,495	1,525	1,403†	1,732	1,751
Dividends { "A" & "B" & "C" }	20% 12% 12%	18% 12% 12%	18% 12% 12%	18% 12% 12%	20% 12% 12%	18% 12% 12%	20% 12% 12%
District:—							
Net profit (£ thous.)	503	424	416	430	420†	490	519
Dividends { "A" & "B" & "C" }	18% 10% 10%	16% 10% 10%	16% 10% 10%	16% 10% 10%	16% 10% 10%	16% 10% 10%	17% 10% 10%
Martins:—							
Net profit (£ thous.)	836	703	637	672	693	770	854
Dividends	16%	14%	14%	14%	14%	14%	16%*
Williams Deacon's:—							
Net profit (£ thous.)	298	275	268	274	279	294	311
Dividends { "A" & "B" }	13% 12%	12% 12%	12% 12%	12% 12%	12% 12%	12% 12%	12% 12%

* Includes special centenary bonus of 2 per cent. † After providing for the centenary bonus to staff, pensioners and widows. ‡ Before 1935, net profits were shown after deducting income tax other than income tax on dividend. The 1935 net profits are shown after making provision for all income tax, including that on dividends. In actual fact there was an increase in net profits. § Includes cash bonus of 2 per cent.

Note.—The profit figures are given in the forms in which they have been published by the banks. In the majority of cases, they are struck after allowing for income tax, and as rates of tax have varied during the period under review, the comparability of the figures is affected. In round figures, the 1937 profits of individual banks before income tax (but after N.D.C.) may be put as follows: (in thousand £s)—Barclays, 2,840; Lloyds, 2,440; Midland, 3,340; National Provincial, 2,030; Westminster, 2,330; District, 690; Martins, 920; and Williams Deacon's, 340.

The past year's profits are the best since the depression, and earnings have at last reached the point where in some cases shareholders are being allowed to reap the benefit. The Westminster Bank is paying a cash bonus of 2 per cent. on the £4 shares. In effect, this restores the 1929 dividend of 20 per cent., but the expression "cash bonus" carries the implication that the restoration is not necessarily permanent. The District Bank has raised the dividends on its "A" and "C" shares from 16½ to 17½ per cent. Martins is paying a centenary cash bonus

of 2 per cent. The centenary actually fell in the troubled year 1931, and its financial commemoration has had to be deferred until more spacious times. Bank dividends are still in most cases below their 1929 level, but their incipient recovery is welcome, nevertheless.

Apart from dividends, Barclays, Lloyds and the National Provincial have all restored a further £500,000 to their disclosed reserve fund. The heavy depreciation of the banks' investments in 1931 forced many of them to draw upon their disclosed reserves, and these withdrawals have during the past few years been partially made good. Barclays and the National Provincial Banks have found this year's allocation out of current profits, though to some extent at the expense of the amount carried forward. Lloyds Bank has drawn upon internal reserves, but has simultaneously increased its disclosed allocation to contingencies from £250,000 to £400,000. There is not necessarily any connection between the two operations. The general impression left by these decisions is that the banks had ample inner reserves in hand out of which to meet the past year's moderate fall in gilt-edged prices. Other allocations out of the year's profits take a familiar form. In some cases rather more is placed to premises account and in others there are increases in the appropriations to the banks' pension funds.

How has the further improvement in bank profits come about, at a time when certain assets, such as call and short loans and Treasury bills, are hardly earning their keep? The following table throws some light on the answer to this question:—

PERCENTAGE RATIO OF NET PROFITS—(a) TO CAPITAL AND RESERVES. (b) TO TOTAL LIABILITIES. (c) TO ADVANCES.

	1929	1931	1932	1933	1934	1935	1936	1937†
Barclays	(a) 8.9 (b) 0.61 (c) 1.33	6.9 0.48 1.04	6.0 0.38 1.03	6.1 0.39 1.08	6.5 0.41 1.09	6.8 0.40 1.11	7.3 0.41 1.06	8.2 0.46 1.07
Lloyds	(a) 9.8 (b) 0.59 (c) 1.27	8.3 0.49 1.08	6.2 0.35 1.02	6.0 0.33 1.01	6.8 0.37 1.13	6.8 0.36 1.10	7.0 0.37 1.11	7.4 0.40 1.09
Midland	(a) 9.9 (b) 0.60 (c) 1.25	8.0 0.50 1.03	7.9 0.44 1.18	8.8 0.50 1.38	8.9 0.50 1.40	9.1 0.48 1.33	9.6 0.46 1.30	9.7 0.46 1.16
National Provincial	(a) 11.5 (b) 0.71 (c) 1.40	10.0 0.60 1.21	9.1 0.50 1.30	9.2 0.51 1.43	9.4 0.51 1.45	9.5 0.51 1.48	10.1 0.51 1.53	10.7 0.56 1.55
Westminster	(a) 11.6 (b) 0.65 (c) 1.46	9.5 0.52 1.22	8.9 0.44 1.42	8.7 0.42 1.42	8.2 0.42 1.38	7.5* 0.38* 1.23	9.3 0.42 1.38	9.4 0.43 1.28
District	(a) 12.0 (b) 0.85 (c) 2.07	10.1 0.75 2.12	9.9 0.66 2.36	10.0 0.66 2.44	10.2 0.69 2.61	7.0* 0.49 1.68	8.2 0.54 1.79	8.7 0.55 1.70
Martins	(a) 9.6 (b) 0.85 (c) 1.90	10.1 0.86 1.95	9.1 0.65 2.08	9.1 0.70 2.21	9.3 0.71 2.14	9.5 0.69 2.25	10.3 0.70 1.79	11.4 0.79 1.92
Williams Deacon's	(a) 10.3 (b) 0.83 (c) 1.77	10.2 0.82 1.98	9.9 0.71 2.36	10.1 0.70 2.51	10.2 0.71 2.40	10.3 0.69 2.38	11.0 0.70 2.26	11.6 0.77 2.26

* See footnotes to previous table † Percentages calculated from November averages.

The table suggests that, broadly speaking, net profits have borne during recent years a fairly steady ratio to total resources, whose upward trend has had a helpful effect on earnings. The ratio itself, however, has improved during the past year, mainly because of the rise in the proportion borne by advances to total resources. Advances are the most remunerative of assets; the more the banks lend, the more they earn. The ratio of advances to deposits, however, is still well below that of 1929, and in the meantime general interest rates have fallen.

While resources have been steadily expanding in recent years, capital and reserves have on the whole remained stationary. There has, it is true, been restoration to disclosed reserves, and last year the Midland Bank increased its capital. These increases, however, have been far from proportionate to the expansion either in total resources or in net profits. Consequently, the banks are earning more to-day, in proportion to their capital and reserves, than they were a few years ago, which is an encouraging feature from the shareholders' point of view.

Inspection of the ratio of profits to advances, shown in our table, conveys a somewhat indeterminate impression. As a result, mainly, of the fall in interest rates (including those on advances), the present ratio, outside Lancashire, is still well below its 1929 level, though it is higher than in 1931–32, when provisions for bad and doubtful debts, etc., made large inroads upon bank earnings. The ratio

was actually lower in 1937 than in 1936, and last year's big increase in advances appears, for the time being at least, to have outstripped the expansion in profits.

Taking the year as a whole, however, the banks have once more shown that they can earn profits sufficient to satisfy the reasonable expectations of their shareholders and to provide an adequate cushion to protect their customers. It is reasonable also to assume that full provision has been made against the consequences of a possible trade recession. The majority of the Big Five banks have still some way to go before regaining the level of profits in 1929. Few commentators, however, would contend that banking profits were unduly low, to-day, from the viewpoint either of proprietors or of depositors. We hope to discuss, in a subsequent article, the nature and import of recent changes in the banks' assets and liabilities, as shown by their published balance sheets.

Prices and Costs

THE course of commodity prices intimately affects the trend of industrial profits and production, and the violent movements in prices during 1937 have naturally aroused much concern. Recent discussion has, for the most part, concerned itself with changes in the prices of primary products, such as copper, rubber and wheat. Changes in the relationship between domestic and import prices in Britain's cost and price structure have thus received less intensive study than they deserve. To some extent, neglect of this aspect of price movements is due to lack of precise information. For example, most of the well-known indices of wholesale prices are based mainly on raw materials and semi-manufactured products, and contain few quotations for manufactured goods. But in view of the recent hesitancy of business activity an examination of past and probable changes in the British price structure is of particular interest.

The United Kingdom derives a large proportion of its requirements of raw materials and crude foodstuffs from other countries. British costs, therefore, are more sensitive than those of many other industrial countries to changes in world prices. Essential features in the trend of prices of primary products are shown graphically in the first of the two charts reproduced on the next page. The annual indices of world production of primary products are those of the League of Nations. The quarterly changes in world stocks of primary products are shown on the basis of the League's index, which includes 12 raw materials and 12 foodstuffs. *The Economist* index of the prices of primary products, recalculated to January, 1930, indicates the trend of prices.

The diagram clearly brings out the nature of the relationship between the prices and production of primary products. It reveals the comparative inelasticity of output in the face of changes in demand (which was discussed in detail in *The Economist* of December 4th, pages 459 to 462). Consequently, heavy stocks accumulated between 1929 and 1932, with disastrous effects on prices. As a result of the improvement in demand and the inception of restriction schemes, stocks showed a downward trend, and prices took an upward course, between 1932 and 1937. By the middle of last year the ratio of stocks to the current level of demand again approximated to that of 1929. And, as demand between the middle of 1936 and March, 1937, was expanding more quickly than production, prices rose with great rapidity. Production, however, was stimulated, and, when it became evident that a shortage of supplies was unlikely, prices took a sharp downward turn. This downturn was subsequently accelerated by a check to international industrial recovery, which appears to have originated in the United States. Thus, *The Economist* index of primary products fell as fast between March and December, 1937, as it had risen in the earlier months and finished at a considerably lower level than at the beginning of the year. Moreover, after reaching their nadir in the middle of 1937, stocks of primary products resumed their upward trend, and, at the end of last September, were

slightly higher than at the corresponding date in 1936. It is impossible to obtain a clear view of the future trend of the prices of primary products at the present moment. So far, the position of most primary products remains fairly strong. Most of the advance between the middle of 1936 and March, 1937, due partly to fears of a coming shortage of supplies, has since been cancelled. Moreover, the level of stocks, though slightly higher than a year ago, is still comparatively low. With the exception of a few commodities, such as coffee and cotton, the current level of output is little higher than that of current demand. In the case of many raw materials, output is now fairly effectively controlled and has already been brought more or less into line with current consumption. In general, therefore, any improvement in demand should find a fairly ready response in a resumption of the upward trend of prices. In the last analysis, the future course of demand may well be determined by the trend of business activity in the United

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security offered publicly by a society should not be limited to a similar amount? Such restrictions would tend to curtail opportunities for making large profits, and thus to limit resort to industrial societies for the floating of large-scale ventures.

Again, extensive reforms relating to advertisements and accounts seem desirable in the case of property societies. On the first matter we may borrow a principle enunciated by the Anderson Committee, which distinguished between unit trust advertising intended to interest the reader in a general way by "describing and commending" a particular class of investment, and advertisements purporting to give adequate information as a basis for subscribing for such investments. It recommended that the first type of advertisement should be strictly limited in scope, and should state that full information could be obtained at a given address. The second type, however, was to contain the fullest information regarding the composition of the trust, its managers and trustees. The parallel is clear. If similar rules were made for industrial and provident societies, they would only affect the small number which issue securities to the public. Their advertising would either be limited to a strictly factual summary or it would represent the equivalent of a company prospectus. And no application for securities would be valid without the fullest prior disclosure of these facts—with suitable penalties for suppression.

The prompt filing and circulation of accounts, moreover, is essential. But an appreciable improvement in the treatment of asset values of property societies seems desirable. In general, the investment of 80 per cent. of a society's funds in properties should be regarded as decidedly an outside figure. But on what basis are the properties to be valued? Our article last week showed that they could, to a certain extent, be arbitrarily determined. The security of the investor would be strengthened if a regular valuation were to be carried out, and certified by a valuer on the same lines as the corresponding statement in a

company prospectus. Much is made, in property society publicity, of the fact that audits are conducted by a public auditor appointed by the Treasury. The function of the public auditor to-day, however, has lost much of its former relevance. His inspection was designed to protect the members against unqualified accountants; it is in danger of becoming a snare for those who wrongly assume that the Treasury has a direct control over a society's affairs.

There remains, finally, the question of the Chief Registrar's powers. As matters stand, official supervision of industrial and provident societies is confined to examination of their rules and their annual returns. In both respects a society's standing could be impeccable, and yet its securities might be a highly undesirable holding for the small investor. Experience has shown that elasticity in regulation is essential if the over-ambitious financial mind is to be checked, for methods are almost invariably found to avoid the most carefully drawn statute. At present the unique experience of the Registrar cannot be used in time to prevent abuse, owing to limitation of powers and to the inevitable delays of legislation. New legislation, therefore, could achieve two ends. It could give the Registrar increased powers on the lines we have indicated to ensure that the requirements of the Industrial and Provident Societies Acts are brought into line with the Companies Act. And, secondly, it might well make possible an experiment in financial legislation, through the appointment of a small permanent commission, whose personnel might include the Chief Registrar and various representatives of the legal, financial and accounting professions. Such a body could make administrative regulations from time to time as soon as abuses began to show themselves. Subject to proper safeguards, delegated legislation on these lines would provide the essential weapon of flexibility. And this is the one thing lacking in the fight against the small minority of unscrupulous persons who abuse facilities whose continued existence is indispensable in the interests of the community generally.

Finance and Banking

The Franc's New Relapse.—Once more the pendulum has swung against the franc. The trouble began this time with the Goodrich strike and subsequent developments, which made the foreign exchange market think that the Government was not prepared or able to enforce the law against sit-down strikers. Then came the revelation on January 6th that the Government had borrowed in the last week of the year a further Frs. 5,000 millions from the Banque de France. The position here is that under the Vincent Auriol convention of June, 1936, the previous concealed Government borrowings of Frs. 12,098 millions from the Banque de France were regularised as provisional advances, while further borrowing facilities of Frs. 10,000 millions were arranged. These were exhausted, and the convention of June, 1937, arranged fresh facilities up to Frs. 15,000 millions, making a total limit of Frs. 37,098 millions. The latest borrowing raised the Government's actual borrowings to Frs. 31,909 millions, leaving a margin in hand of only Frs. 5,000 millions. Actually the margin is believed to be about Frs. 7,000 millions, as the Minister of Finance is thought to have about Frs. 2,000 millions in hand. Anyhow, the narrowness of this margin has shaken the market. During the closing months of the year the French Exchange Account is believed to have recovered the equivalent of £100 millions in gold, but rather optimistically some £40 millions of this was transferred to the Banque de France and cannot be withdrawn again without a serious shock to public confidence. Thus the Exchange Fund only retained some £60 millions, and it is calculated that up to the evening of January 12th it had lost £25 millions during the present adverse swing of the pendulum. Thus on this side too the margin is very narrow. Movements in rates are discussed in the Foreign Exchange Note, but while the initial causes of the weakness were the labour troubles, at present the market is influenced mainly by the precarious financial position.

American Banking Trends.—Recent American banking statistics suggest that the autumn business recession has been accompanied by a shrinkage in bank resources. As recently as last October, total deposits at the reporting member banks showed an increase of \$46 millions over the preceding year, but the returns for December 15th show a decrease of \$789 millions. This contraction has been accompanied by a switch from demand to time deposits. Thus, during the year to December 15th time deposits rose by \$161 millions. These returns cover the whole of the country. The change in the position of four leading New York banks during the year to December 31st, 1937, is shown below:—

	Deposits	Cash	Government Securities	Loans
			(\$ millions)	
National City ...	— 2	+ 53	— 44	+ 21
Guaranty Trust ...	— 285	— 182	— 50	— 46
Chase	— 217	+ 39	— 177	— 44
Bankers Trust ...	— 91	+ 37	— 105	— 7

The drop in deposits is not wholly due to any decrease in the cash held by these banks either in their own vaults or with the Federal Reserve system. It has, of course, forced them to reduce their earning assets, and all four banks show a contraction in their holdings of "Governments." On the other hand, the Bank of Manhattan's holdings of "Governments" are unchanged, while its cash and deposits are higher than a year ago. Loans are lower in three cases in the above table, in contrast to the general position of all reporting member banks last October, when "Governments" showed a decrease of \$1,519 millions and loans an increase of \$1,172 millions. As recently as December 15th loans showed an increase of \$431 millions, but it looks as if the business recession has upset the previous tendency for loans to expand at the expense of "Governments." Both are now contracting under the influence of the recession.

Gold Output in 1937.—Sufficient data are now available to make it possible to arrive at a rough estimate of gold production in 1937. The exact figure for the Rand was announced this week, and at 11,741,000 fine ounces creates a new high record. It shows an increase of 401,500 ounces, or 3.5 per cent., on the 1936 figure. Substantially accurate data are also available for Canada, where the 1937 output of gold amounted to 4,055,000 ounces, against 3,735,000 ounces in 1936, and for Australia, where the respective figures are 1,290,000 ounces and 1,160,000 ounces. As usual in estimates of this kind Soviet Russia provides the main difficulty. The only official statistics on gold production in the U.S.S.R. are indications of percentage increases which look magnificent in the form of a graph, but which without absolute data regarding the base year mean extremely little. The best that can be done therefore is to take the careful estimates of the Union Corporation for 1936, and to adjust them to the 25 per cent. increase in output which official Soviet sources give as a reasonable measure of the 1937 expansion in gold production. This would give a figure of 9,200,000 ounces for the past year, against 7,350,000 for 1936. In the United States output has been expanding with great regularity for the past four years, and it is estimated that for 1937 the total will closely approach the Canadian figure.

For the miscellaneous section of small producing countries the best that can at present be done is to assume that the rate of increase, which for this group has been extraordinarily consistent over a period of five years, will have retained that consistency during 1937. The resulting estimates may be summarised thus:—

	(Thousand fine ounces)	
	1936	1937
South Africa	11,339	11,741
U.S.S.R.	7,350	9,200
Canada	3,735	4,055
U.S.A.	3,714	4,000
Australia	1,160	1,290
Other Countries	7,650	8,200
Total	34,948	(say) 39,500
Value at £7 an ounce	£244,636,000	£276,500,000

It will be seen that while, on this showing, the output of South Africa rose by a further 3½ per cent. in 1937, that of the world as a whole rose by something like 13 per cent.

Gold and Silver in the United States.—During 1937 the United States Treasury increased its silver reserve by 317 million fine ounces, thus bringing its total stock of silver to 2,177 million ounces. At the Mint parity of \$1.2928 per ounce, this holding was valued at \$2,815 millions. The gold reserve at the end of last year stood at \$12,760 millions. In order, therefore, to attain the 3:1 ratio of gold to silver aimed at in the Silver Purchase Act, the gap to be bridged by further acquisitions of silver (or by losses of gold) at the end of the year was \$1,438 millions, equivalent to 1,115 million ounces of silver. At the present moment the gap is being narrowed both from the gold and the silver sides of the equation.

A Bank for Ceylon.—Ceylon will soon have its own indigenous bank. Satisfaction will thus be given to a demand which in recent years has been acquiring the stature of a major issue in local politics. The demand for the creation of a bank serving solely the interests of the island was pressed by a trade delegation which visited this country at the time of the Coronation. The matter was referred by the Secretary of State for the Colonies to an expert committee presided over by Sir John Caulcutt, and after considerable hesitation the required permission was given. The legislation which will bring the Bank of Ceylon into existence is now being passed by the State Council of Ceylon. The new bank is likely to be a somewhat hybrid

institution combining certain of the functions of a central and a commercial bank. In conjunction with the creation of the new bank proposals are now being considered for the amendment of the existing currency regulations in Ceylon. These proposals would involve the sale to the Reserve Bank of India of the silver reserve of 14,158,063 rupees now held at the Treasury in Colombo and the investment of the proceeds in sterling and other securities. For the time being, however, the Ceylon currency would continue to be based on the Indian rupee.

New Life Assurance in 1937.—The amount of new life assurance business, excluding industrial assurances, transacted by British Offices in 1937 (as published in their preliminary, and in certain cases approximate, statements) is given in the following table:—

Office	1936	1937	Increase
Alliance	3,526,000	3,835,000	309,000
Atlas	4,315,000	4,375,000	60,000
Britannic	3,865,000	3,594,000	— 271,000
British Equitable	829,000	835,000	6,000
British General	871,000	897,000	26,000
Caledonian	2,039,000	2,167,000	128,000
Clerical Medical and General	2,843,000	2,845,000	2,000
Commercial Union	5,533,000	6,077,000	544,000
Co-operative	3,459,000	3,460,000	1,000
Eagle Star	5,734,000	10,465,000	4,731,000
Equitable	1,708,000	1,930,000	222,000
Equity and Law	4,659,000	4,661,000	2,000
Friends' Provident	2,718,000	2,825,000	107,000
General	2,854,000	2,844,000	— 10,000
Gresham	3,759,000	3,526,000	— 233,000
Guardian	1,760,000	1,890,000	130,000
Legal and General	2,746,000	2,606,000	— 140,000
Law Union and Rock	16,898,000	18,517,000	1,619,000
Liverpool and London and Globe	3,211,000	2,880,000	— 331,000
London	2,824,000	2,956,000	132,000
London and Scottish	1,933,000	1,892,000	— 41,000
National Mutual	903,000	1,038,000	135,000
National Provident	1,882,000	2,116,000	234,000
Norfolk	5,635,000	5,635,000	—
North British and Mercantile	11,091,000	11,500,000	409,000
Norwich Union	8,802,000	8,664,000	— 138,000
Pearl	4,859,000	4,900,000	41,000
Prudential	30,761,000	29,500,000	— 1,261,000
Refuge	8,766,000	8,685,000	— 81,000
Royal Exchange	4,323,000	4,660,000	337,000
Royal	4,924,000	5,157,000	233,000
Scottish Amicable	2,073,000	2,122,000	49,000
Scottish Equitable	1,595,000	1,920,000	325,000
Scottish Life	2,389,000	2,214,000	— 175,000
Scottish Provident	3,166,000	3,313,000	147,000
Scottish Temperance	1,524,000	1,604,000	80,000
Scottish Widows	4,849,000	5,047,000	198,000
Standard	4,576,000	5,134,000	558,000
United Kingdom	4,621,000	5,021,000	402,000
University	289,000	284,000	— 5,000
Wesleyan and General	1,714,000	1,650,000	— 64,000
Yorkshire	2,780,000	2,840,000	60,000
Total	189,616,000	197,978,000	8,362,000

* Includes decreasing term and group assurances.
† Ten months only.

The aggregate new business of these offices shows further increase, and almost exactly one-half of the offices succeeded in obtaining new record figures. It will be noticed that in the case of the offices which also transact industrial assurance, namely, the Prudential, Pearl, Refuge, Britannic, Wesleyan and General, and Co-operative, the new business in every case, except the Co-operative, was smaller than in the previous year. Too much importance should not be attached to the comparison of figures for different offices as, apart from variation in the type of business transacted, different methods are followed in computing the sum assured under certain special low-rated plans.

Brazilian Exchange Control.—After abolishing the official quota of 35 per cent. of export exchange in the middle of November, the Brazilian Government has recently announced a new system of control. All foreign exchange has now to be sold compulsorily to the Bank of Brazil, which now becomes the sole authority empowered to provide exchange. Public requirements, presumably meaning Government and other official remittances, have the first claim, and foreign exchange will then be issued to importers and other remitters on payment of a tax of 3 per cent. In allotting foreign exchange, payments for goods imported and export freights will have first preference, then remittances by public utility companies, then dividends and profits generally, and finally other remit-

tances. Initial cables hinted at the canalisation of exchange allotments country by country, according to the size of Brazil's exports to each country. If so, the United States, as the chief buyer of Brazilian coffee, would gain an obvious advantage. Under the new system the Bank of Brazil has announced buying rates of Rs. 17\$300 per dollar and Rs. 86\$460 per pound sterling, but it has not yet announced the rates at which it is prepared to sell foreign exchange. On the contrary, a new decree has been issued blocking foreign-owned milreis balances for the time being. The only exception is the minor concession that exchange

will be provided within sixty days to cover milreis deposited against bills for collection in Brazilian banks prior to December 31st. A good deal depends upon how much exchange the Brazilian authorities think they may require for the external debt service and other official needs, and also upon the amount of foreign exchange available. Coffee shipments in December showed signs of recovery, following the decision to place the coffee export trade upon a competitive basis, but those for the six months to December 31st compare badly with those of the previous season.

MONEY MARKET NOTES

Foreign Exchanges

FOR reasons given in a Financial Note, the franc has developed extreme weakness. Dealings became very active in the middle of the week, and on Thursday the spot rate depreciated from under Frs. 148 to Frs. 151½. Three months' francs widened to Frs. 10 discount, and one month's francs to Frs. 7½ discount. The wider margin on the shorter date indicated the nervousness felt as to the immediate outlook. On Thursday the French Control only intervened intermittently, but is estimated to have lost in gold a further £5 millions. There has been some French demand for Consols, but not much demand for British currency. The latest Banque de France return shows that none of the further Frs. 5,000 millions borrowed by the Government during the previous week has yet been repaid. Belgas weakened in sympathy with the franc, the spot rate rising from Bel. 29.47½ to Bel. 29.55 (offered), and the three months' rate from 7 to 11 cents discount. The Swiss franc was in demand on Tuesday, as a result of the new flight of funds from France, but has since come on offer at Frs. 21.63. There is a profit to be made on sales of Swiss francs against gold purchases in London, provided that the gold can be re-sold to the Swiss National Bank. Guilders and dollars have been very quiet, with the New York rate under control at \$5.0075 to the pound.

The Money Market

As was to be expected from the unusual size of bankers' deposits, money has been exceptionally easy, and some houses have been able to obtain night money from lenders other than the clearing banks at ½ per cent. The plethora of funds has made the market reluctant to sell bills, but the banks bought a few March and early April Treasury bills at ½ per cent. Three months' bank bills are unobtainable at anything better than 1½ per cent.

	Jan. 14, 1937	Jan. 6, 1938	Jan. 13, 1938
Bank Rate	2	2	2
London Deposit Rate...	½	½	½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	½	½	½
Discount Rates:			
Treasury bills	17½	17	17
Three months' bank bills	18	17½-18	17½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 1½ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

The seasonal contraction in the quantity of Treasury bills issued by tender has now begun, and this week the tender issue has fallen from £622 to £612 millions. Treasury bills paid for on January 15th mature on Good Friday, and as they are repaid the day before, they are a 89-day bill. For this reason they went at 1d. over the minimum rate, and so were not taken by the market. Easter also means that bills paid for on Monday and Tuesday of next week are odd maturities, which are not likely to appeal to the market. Thus, with no bills to be paid for, money is likely on those days to be even more plentiful than it is at present.

The Bank Return

A further large quantity of notes have returned from the public, and the circulation is now back to the level ruling prior to the Christmas expansion. It is, therefore, reasonable to expect the fiduciary note circulation to be reduced from £220 to £200 millions at an early date.

	Jan. 13, 1937	Dec. 29, 1937	Jan. 5, 1938	Jan. 12, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	455.0	505.3	492.6	482.1
Banking Dept.				
Reserve	59.0	41.9	54.5	64.9
Public Depts.	12.4	11.4	14.4	13.2
Bankers' Depts.	106.7	120.6	129.2	123.4
Other Depts.	38.3	36.6	37.4	36.8
Govt. Secs.	83.2	114.6	108.3	90.2
Discounts and Advances	12.5	9.2	15.1	15.8
Other Secs.	20.8	20.9	21.1	20.5
Proportion	37.4%	24.8%	30.1%	37.4%

In the banking department, the return of currency has added £10.4 millions to the Reserve. This increase, however, has been more than neutralised by a reduction of £18.1 millions in Government securities, so that there has been a net contraction in the banking department's total resources. The current excess of Treasury bill maturities over payments explains the small drop in public deposits, but the main brunt of the reduction in the Bank's resources has fallen on bankers' deposits, which are 5.8 millions lower than a week ago. Nevertheless, they remain at a very high level.

The Bullion Market

Last week's dealings in gold were limited, and on January 4th the premium over the American shipping price rose to 9½d. per ounce. As the supply of gold is entirely in official hands, it is suggested that for the moment the authorities wished to discourage any new demand for gold. During the past few

days, however, more gold has been released, and the premium has narrowed to 5½d. One possibility is that the authorities found that the existence of a high premium would suggest that there was a big hoarding demand from France, which might have an unfortunate psychological effect upon the franc.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count	Amt. dealt in	Cash	Two Mths.
Dec. 31 ...	139 6	d. 4½	£337	d. 19½	18½
Jan. 1 ...	139 6	d. 4½	382	19½	19½
" 3 ...	139 5	5½pm	202	19½	19½
" 4 ...	139 6	9½pm	461	19½	19½
" 5 ...	139 9	9½pm	224	19½	19½
" 6 ...	139 8½	7½pm	298	19½	19½
" 7 ...	139 9	8pm	306	19½	19½
" 8 ...	139 9½	9½pm	200	19½	19½
" 10 ...	139 9	9½pm	610	19½	19½
" 11 ...	139 8	8½pm	585	19½	19½
" 12 ...	139 7½	6½pm	640	19½	19½
" 13 ...	139 7	5½pm			

* Above or below American shipping price.
The New York price of silver remained at 45 cents per ounce -999 fine during the week.

The negotiations between the United States and Mexico caused some temporary nervousness in the silver market. Mr Morgenthau's statement, however, shows that in buying 35 million ounces from the Bank of Mexico, the United States is only relieving Mexico of past accumulations of silver, which otherwise might have been offered elsewhere. Moreover, the further decision to buy 5,000,000 ounces from Mexico during January is not intended to set the pace for future months, and this disposes of the fears that the United States intended to buy over the current year an inadequate quantity of Mexican silver. These explanations have stiffened the market during the past few days, especially as Mr Morgenthau added that it was the intention of the American Government to keep the world silver price on an even keel. There are still a number of uncovered bears about, and the price may stiffen still further.

APPOINTMENTS AND PERSONAL

Sir John F. R. Reynolds has been elected to the general board of Martins Bank.

The Hon Evelyn Baring has been appointed a director of The London Life Association.

The London Assurance announce that Mr Richard Evelyn Fleming has been appointed a director.

The directors of the Atlas Assurance Company, Ltd., announce the retirement on December 31st of Mr Percy E. Walsh, secretary and assistant manager. The following appointments took effect on January 1, 1938: Mr J. W. J. Leven to be secretary, and Mr F. E. Huggins to be assistant secretary.

Investment

President and Wall Street.—Since the beginning of the year American stock prices have risen, on the average, by over 10 per cent. Operators have apparently concentrated their attention upon news of actual and potential industrial improvement, and have largely ignored Washington, whose celebration of the opening fortnight of another New Deal year was not conspicuously friendly to Wall Street. The President's Message to Congress granted the honesty of most business men, but offered no quarter to the plutocratic few—a sentiment which, expressed without the epithets of Messrs Ickes, Jackson and Cummings, was therefore found temperate and reasonable by a large part of the Press. The Budget Message, again, reached a difficult compromise between determination to balance expenditure and revenue, and equal determination to maintain relief expenditure, if necessary, and to increase armament appropriations. The Administration hopes that this dilemma will be solved by a rise in the national income, but its inflationary implications are apparently welcome to business, which was fully in favour of balancing the budget until recently. At the Jackson Day celebrations, Mr Roosevelt drove home his perpetual devotion to the New Deal principles, and gave little hope of any softening of the pressure against economic royalism. Yet three days later he had conferred, to Wall Street's satisfaction, with five prominent business leaders.

Despite this equivocal attitude of the Administration regarding business conditions and economic co-operation with its leaders, market operators have again put up prices, encouraged by a slight improvement in steel mill activity and more particularly by signs of rising employment in the automobile industry. The prospect of increased naval expenditure in the distance is used as a pretext for speculative buying of common stocks and essential war commodities. The railroads, now in chronic difficulties, are hoping for friendly help from the I.C.C. There is evidence of some criticism of the deflationary measures adopted last year by the Federal Reserve Board, and in a Congressional election year it is anticipated that inflationary steps will be found politically expedient. Such are the bases for Wall Street's improvement, but there is not yet sufficient evidence to prove that a substantial industrial recovery is on the threshold. It might easily be generated by a national change in sentiment, but for the time being the outlook is still uncertain, and caution should be the rule.

Sino-Japanese Credit.—A statement was made this week by Dr Ho, Chinese Minister of Economics, that the Chinese Customs revenue had almost gone, and that, although China would do her best to maintain the debt service, she might be forced to discontinue payment. Though the announcement was a blow to the foreign bond market, it is difficult to imagine what alternative the investor could envisage, short of an arrangement, under Japanese direction, for the service of the external debt, in return for some political *quid pro quo*. If that was the market's main calculation, it has been frustrated by China's evident determination to fight on. Comment in London, however, still appears to attach importance to the view that the existing returns from the Customs are sufficient to serve the debt. The 1937 report of Sir William Maze, Inspector-General of the Maritime Customs, shows that revenue collections under all categories amounted to 342.9 millions of Chinese dollars, equivalent to approximately £20,716,875 at the official rate of exchange. But receipts during the first seven months of the year (before hostilities became widespread) represented some 76 per cent. of the year's total. On the basis of the remaining five months' figures, the maximum

annual total to be anticipated during the first twelve months of war conditions would be 197 million dollars. This total would barely suffice for both the internal and external debt secured on the Customs, although the latter alone would, on paper, be covered 2½ times.

The disturbing effect of Dr Ho's statement is shown in the following table, which also gives a record of the fall in Japanese issues, following the decisions reached at the Imperial Conference on Monday:—

	1937				1938		
	High	Low	June 30	Sep. 30	Jan. 7	Jan. 12	Jan. 13
Chinese Customs							
4½%, 1898	104½	82½	103	91	84½	75	76
5%, 1913	101½	59	101½	64	60	48½	50
Japanese							
4%, 1899	66½	38	64½	48	38½	32	31
5%, 1907	84½	48½	83	60	50	42	43½
4%, 1910	61½	38	61	47	38	32	32½
6%, 1924	94½	57½	94	71	59½	47	51
5½%, 1930	88½	53	88	66	56½	44	46

Mid-week dealings in the best Chinese issues were extremely difficult. The further fall in Japanese issues has brought the bonds, which still receive interest in full, close to the quotations for Brazilian issues, which are in complete default. We can only repeat our view, expressed early in December, that China's ability to pay, under conditions of war, has been jeopardised. China's trade in October was 60 per cent. lower than in July. Shanghai's trade during the same period fell by 82 per cent., Tientsin's by 60 per cent. and Swatow's by 47 per cent. The southern ports showed relatively large increases, but their communications have recently been severely attacked. It is difficult, therefore, to argue that the downward adjustment of Chinese bond prices is necessarily complete.

London Transport Traffic.—This week's traffic return from Broadway House has given welcome firmness to London Transport "C" stock. An increase of no less than £21,200 has been recorded for the week to January 8th—some £5,300 more, in itself, than the gross advance for the first twenty-six weeks of the current financial year. At present, there is no clue to the source from which additional revenue must come if the Board is to fulfil its obligation to pay a 5½ per cent. "C" stock dividend for 1937-38, and so avoid the possibility of an application for receivership. Total traffic for the period amounted to £14,622,110—an increase of no more than £15,900 for the half-year. By the end of December, 1936, it will be recalled, an aggregate increase of £460,200 had been registered during the preceding twenty-six weeks. It is plain, in fact, that London Transport traffic is no longer showing a satisfactory trend. The bus strike interrupted the progress in weekly receipts and it has not yet been resumed. So far as this trend results from a diversion of traffic to other undertakings in the London pool, the "C" stockholder will obtain some indirect benefit. But he will not be able to count on such substantial but fortuitous advantages which the pool provided last year as a result of the bus strike. Indeed, he must recognise the effect of



increasing costs, and in particular, increases in wage costs, to which the bus settlement has brought its due quota. Lord Ashfield last week referred to the complex problems which face the Board in 1938. Some of them are profound operating problems, which we discuss on page 108. But the short-term revenue problem is no less intractable.

* * *

Bank Capital Reorganisation.—The directors of the National Provincial Bank are submitting to the forthcoming annual meeting proposals for the splitting of all classes of the bank's shares into units of a smaller denomination. To-day, the issued capital of the bank is as follows:—

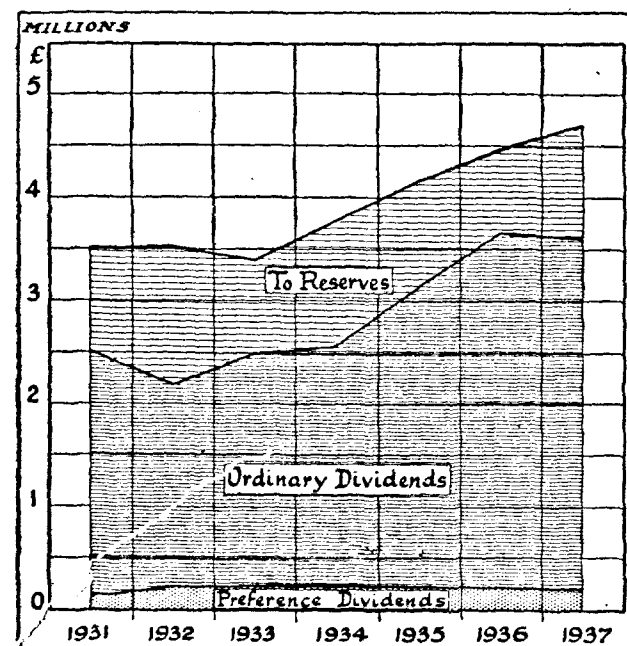
	Number issued	Amount per share		
		Paid-up	Callable	Reserve liability
£25 shares...	120,000	£3 10s.	£4 16s. 8d.	£16 13s. 4d.
£20 shares...	1,972,354	£4	£2 13s. 4d.	£13 6s. 8d.
£5 shares...	234,000	£5	Nil	Nil

The proposal is to split the £25 shares each into five "A" shares of £5 each, 14s. paid-up; the £20 shares each into four "B" shares of £5 each, £1 paid-up; and the £5 shares each into five £1 shares, fully-paid. The amount callable and the reserve liability (the latter only exercisable in the event of the winding-up of the bank) will be reduced in proportion. The proposal is of interest for two reasons. First, it will make the bank's shares more marketable. This point will be appreciated, in view of the fact that the current quotations are 13½ for the £25 shares, 15½ for the £20 shares, and 20½ for the £5 shares. Secondly, the proposal marks a further movement in the general trend towards the popularisation of bank shares. Only as recently as 1919, the original £75 and £60 shares were split, respectively, into the present £25 and £20 shares, and the National Provincial is not the only bank to have taken a similar step since the war. Two generations ago only the rich man could invest in bank shares, but to-day they are within the reach of even the smallest investor. The one anachronism which remains is the liability to a further call. This was a real protection to depositors in the early days of joint-stock banking, especially when bank shares were in wealthy hands. To-day this "protection" has become largely an anachronism.

Company Notes

New Woolworth Record.—A year ago there were two reservations in the mind of the Woolworth shareholder. Would rising food and commodity prices affect the demand of the average purchaser? And would the company's range of merchandise be curtailed for the same reason? The latest accounts for 1937 provide a brilliantly reassuring answer on both counts. Net profits, after charging £291,189 for depreciation, and £100,000 each to Staff Fund and Buildings Reserve, but before taxation, have reached the new record figure of £6,490,014, compared with £5,854,335 in the previous year. The fears, which the chairman expressed at the last meeting, that the company might be compelled to raise its traditional selling price limit owing to rising costs of merchandise are thus dispelled. The amount earned for the ordinary capital is equivalent to 81.2 per cent., compared with 76.4 per cent. in 1936. The balance sheet gains in strength each year. It now shows cash holdings of £7,214,930, compared with £6,710,349 at the end of 1936, while freehold properties have been substantially increased. Indeed, the company's record during the past seven years since its formation is an object lesson in steady expansion. In the accompanying chart—the first of a new series for important industrial concerns—we show the course of net profits, after all

WOOLWORTH PROFITS SINCE 1931



charges, and their division between preference and ordinary dividends and free reserves. Since profits in this instance are struck after full tax provision, the dividends are shown net, and appear to be slightly reduced. In fact, the gross amount, both for preference and ordinary dividends, has remained unchanged during the past year. The actual rate declared on the ordinary capital is 60 per cent.—effectively the same rate as in 1936, when adjustment is made for the 100 per cent. capital bonus. The 5s. ordinary shares offer a return of £4 10s. 9d. per cent. on dividend and £6 2s. 9d. on earnings at the present price of 68s. 6d.

* * *

Leyland Motors' Profits.—The latest results of Leyland Motors show that even greater progress has been achieved than in 1935-36. The preliminary statement discloses gross profits for the year ended September 30th last of £746,951, against £557,390, while net profits, before tax and contingencies, are some £168,500 higher at £631,597. Gross earnings are thus only a little below the record level of 1928-29. The dividend has again been increased to 25 per cent., compared with 20 per cent. for 1935-36 and 17½ per cent. for the previous year. But it would appear that this distribution is still conservative, for, although the reserve allocation has been maintained at £150,000, the balance carried forward is raised by the substantial amount of £35,288 to £86,819. The commercial vehicle industry has been faced in recent years with problems which may, in part, have checked the natural growth of commercial motor transport. The imposition of speed limits and other restrictions under the Road Traffic Acts and the increased heavy oil duty have affected the demand for particular classes of vehicles. Moreover, the stationary tendency of "A" and "B" licences, as distinct from the "C" category, is, on the whole, unfavourable to makers of heavy vehicles. Such a background only emphasises the excellence of the Leyland results. They suggest that the company has enhanced its competitive position during a period when costs were rising and the field of competition was tending to narrow. The industry has profited by the replacement of trams by trolley buses, whose importance for Leyland was stressed at last year's meeting. Quite recently it was announced that orders for 300 vehicles had been received from London Transport. Whether last year's excellent results will be followed by a similar advance this year is open to debate. At the moment, the commercial motor industry appears to be maintaining a position of equilibrium—rather uneasily, perhaps. Leyland shares, at the current price of 86s. 3d., to yield £6 3s. per cent., are probably fairly valued, even if the earnings yield is double this figure.

British-American Tobacco Meeting.—Shareholders in B.A.T. must look to the annual meeting rather than to the published accounts for guidance upon the development of their undertaking. But Sir Hugo Cunliffe-Owen, in his address last Monday, was compelled to be somewhat inconclusive in his review, for his confidence in the company's prospects and in its increasing efficiency was subject to the important proviso of "reasonable stability in world affairs." The satisfactory profits for the latest year had, in fact, been achieved in the face of considerable difficulties. Floods in the United States had caused indirect losses to certain subsidiaries of roughly half a million dollars, while losses in China had been quite substantial. Damage in China, however, had been less than was feared, and losses had so far been provided out of the income of the companies affected. Apart from these material consequences of war, the volume of sales had suffered owing to transport and other difficulties. The situation in China is so uncertain that problems must be tackled *ad hoc*. The accounts for the year to September 30th last, which Sir Hugo discussed in some detail, give no hint of the consequences of a prolonged war in China for the company. Shareholders may find due consolation in the widespread nature of the company's interests and in the chairman's reiterated belief that the company's increasing efficiency should, under normal conditions, maintain the satisfactory record of the past.

Oil Company Results.—For a time last week the oil share market seemed to gain increased confidence. The Royal Dutch and Shell interim dividends, somewhat despaired at first, obtained a more favourable second reading. The effective increase in each distribution by one-fifth—the Shell interim, formally maintained at 7½ per cent., tax free, is payable on a capital increased by last year's 20 per cent. scrip bonus—must be associated with the fact that the most conservative estimates for the total dividends put the shares on a satisfactory yield basis. Meanwhile, it has been left to a comparative newcomer—Petroleum Storage and Finance—really to impress the market this week. This company's profits for the year to October 31st last are spectacular. After charging N.D.C. and two years' income tax, profits amount to £574,817, compared with £266,152 for the previous year. The amounts earned for ordinary and deferred dividends have jumped from £211,910 to £551,726. The company has an unusual capital structure. The £400,000 of preferred ordinary shares receive 50 per cent. and the deferred capital (£75,000 in 1s. shares) receives 344 per cent., compared with 72 per cent. for 1935-36. Here is an instance of the shilling ordinary share which has made good. The company's recent strides follow the successful establishment of Cleveland Discol in the British market. Whether British petrol prices will be maintained in the long run is perhaps more questionable than their present

BANK OF THE MANHATTAN COMPANY NEW YORK



Statement of Condition as of December 31, 1937

ASSETS		
CASH AND DUE FROM BANKS AND BANKERS		\$207,898,389.86
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED		80,748,314.16
OTHER PUBLIC SECURITIES		5,604,937.90
OTHER SECURITIES		11,482,739.39
DEMAND LOANS AGAINST COLLATERAL		54,182,023.71
LOANS AND DISCOUNTS		168,337,007.84
REAL ESTATE MORTGAGES		7,184,352.69
BANKING HOUSES OWNED		14,888,592.11
OTHER REAL ESTATE OWNED		3,866,888.39
CUSTOMERS' LIABILITY FOR ACCEPTANCES (LESS ANTICIPATIONS)		7,950,070.53
OTHER ASSETS		4,128,172.74
		\$566,271,489.32
LIABILITIES		
CAPITAL	\$20,000,000.00	
SURPLUS	20,000,000.00	
UNDIVIDED PROFITS	5,862,263.12	
		\$45,862,263.12
RESERVE FOR CONTINGENCIES		2,011,517.89
DIVIDEND PAYABLE JANUARY 3, 1938		750,000.00
DEPOSITS		469,671,032.23
CERTIFIED AND CASHIER'S CHECKS		35,129,892.95
ACCEPTANCES OUTSTANDING		8,482,281.25
OTHER LIABILITIES, RESERVE FOR TAXES, ETC.		4,364,501.88
		\$566,271,489.32

On December 31, 1937, of the above assets, \$52,105,746.48 are deposited to secure public deposits and for other purposes required by law.

Member Federal Reserve System : Member Federal Deposit Insurance Corporation

London Representative :

T. GRAYDON UPTON, 4, Adams Court, E.C.2

stability, although, behind the façade of an unchanged retail price, the distributors have recently conceded an increased profit margin to the retailers. An 8 per cent. dividend yield on so highly geared a share as Petroleum Storage ls. deferred, now standing at 42s. 6d., is thus readily explainable.

Other Company Results.—Our usual analysis of profit and loss accounts which appears on page 151 gives the results of 25 companies in all, including six bank and discount reports, and a number of substantial miscellaneous industrial companies. The banking results are discussed in a leading article on page 118. Industrial results are discussed on page 150 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings commence in this issue on page 139. The favoured position of Canada to withstand any temporary recession of trade was emphasised by Mr A. E.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
JANUARY 18 JANUARY 20

THIS week's market record is an essay in personalities—Mr Roosevelt, as always, Dr Ho, the Chinese Minister of Economics, and MM. Chautemps and Bonnet in Paris. At first, Mr Roosevelt having levelled Wall Street's difficult patch, helped London too, for the new wavelet of inflationary sentiment which followed the re-armament reports in the United States also helped commodity prices and equity shares in London. Later, however, the Far Eastern and French troubles made for market caution, and the first Account of 1938 closed quietly on the defensive.

Gilt-edged stocks opened firm, though the prospect of new borrowing tended to reduce activity. On Tuesday, new reports of Government operations coincided with a general setback, partly due to profit-taking. Business continued on a reduced scale, though conditions became steadier. *Home corporation scrips* were dull, in sympathy with gilt-edged, and New Zealand issues continued depressed.

The feature of the *foreign bond market* was a collapse in Japanese and Chinese issues. In both groups, dealing became a matter of considerable difficulty in mid-week. A review of possibilities which the bondholder must face in connection with the Far Eastern hostilities appears on page 125. Brazilian issues also registered disappointment at the absence of a definite offer of payment, while the increase in the Chilean debt service was accounted modest.

Home rail stocks were dominated by fears of the effect of rising costs, although this is by no means a new factor. It was reflected, however, in revised estimates of dividend possibilities and the indifferent traffics—well short of the nominal increase due to the 5 per cent. freight advance—further depressed the market. Argentine and Brazilian rails were also weak.

Business tended to fall off in the *industrial market*, and the price record thus appears irregular, though without

any special changes. Shipping shares and certain motor issues provided some early features, but their gains were not entirely held. Few price changes were recorded in the steel list, although Indian Iron fell rather sharply. Mid-week prices were slightly firmer. Improving coal conditions did not assist the shares. Electricity supply shares enjoyed little business, and there was no real trend in the equipment section.

The motor registration figures checked the improvement in selected motor issues, but aircraft issues continued reasonably firm, with Rolls Royce tending slightly to improve. Investment support for brewery shares maintained an appearance of steadiness, but tobacco issues were less certain. In the shipping group, good support followed the further rise in freights, and although the best prices were not held, many shares made net progress on Wednesday. The course of miscellaneous leading industrials was easier at first, but fractional improvements were recorded in mid-week. Building shares were quiet, and both Westinghouse and Consolidated Signal fell on the former's dividend.

Oil shares remained quiet, the little business that was reported being dominated by American and Continental influences. On Monday one of the few active spots was the Royal Dutch-Shell group, but a firm start on Tuesday was followed by a duller tendency under the lead of New York and when the Continent turned sellers. Business continued quiet later in the week.

In the *rubber shares* market, the tendency was more cheerful than of late, though the volume of business scarcely expanded. Quotations were stimulated by a rally in the commodity on news of higher employment in the American automobile industry, and many shares remained firm despite the later reaction in Mincing Lane. *Tea* shares were a disappointing market, business if anything shrinking still further.

While the behaviour of different sections varied, the mining markets passed a satisfactory week. *Kafirs* started rather more brightly, professional support for the developing mines being

Arscott, at the *Canadian Bank of Commerce* meeting. The company's decision to pursue a more active development of the pharmaceutical section was announced by the chairman of *Joseph Nathan and Company*. Sir Hugo Cunliffe-Owen's address to *British-American Tobacco* members is discussed in a note on page 126. Mr Horace Boot, at the *Central and District Properties* meeting, referred to increasing competition from many new blocks of flats recently built. Sir Edmund Davis informed members of *Fanti Consolidated Investment* that the market value of investments at the end of December exceeded book cost by £70,452. Mr Walter MacLachlan reported at the *Apex (Trinidad) Oilfields* meeting that they were extending operations in the southern area. Mr H. Eric Miller disclosed that *Langen (Java) Rubber Estates* had sold 385,880 lbs. of the current year's crop at an average price of approximately 9½d. per lb. At the *Turner and Newall* meeting Mr G. S. Newall declared that the increased profits were attributable to the larger volume of business obtained. Mr S. C. Black reported to *Transvaal and Delagoa Bay Investment* shareholders that the collieries were being actively developed.

evident. The market became easier as the week progressed—not through any weakness, but rather from a little profit-taking and, more particularly, the diversion of attention to other sections. After many dull weeks, *base metals* became the centre of interest on rallies in metal prices. Continental support was transferred from Kafirs to Rhodesia copper shares, which gained on American influences and, after some recession, continued in active demand. Tin and lead-zinc shares started poorly, but provided interest later.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 7	6,645	14,134	97.1	129.5
Jan. 10	7,185	12,994	97.0	129.6
Jan. 11	7,215	12,108	96.9	129.5
Jan. 12	6,660	12,441	97.2	129.6
Jan. 13	6,375	12,441	97.2	129.6
1938 High...	...	...	97.2	129.6
Low ...	...	...	95.7	129.2
			Jan. 3	Jan. 3

† Approx. total recorded in S.E. List. * July 1, 1935 = 100. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

Changes in the composition of the Actuaries' Investment Index prevented its publication in last week's issue of *The Economist*. In the table on page 129, we give usual extracts from the index, together with a comparison of the yield figures referring to January 4th, both before and after revision of the index. This comparison will provide an indication of the extent of discontinuity in the yield figures arising from revision. The price indices, of course, are fully continuous. On Tuesday last, January 11th, the total index, now reduced to 151 industrial shares, stood at 74.2, compared with 73.4 for January 4th, and 73.0 on December 14th, when it contained 177 securities. The yield figures are 4.81 per cent. for the latest week, 4.86 per cent. last week on the revised index, 4.94 per cent. last week before revision, and 4.96 per cent. on December 14th.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Dec. 14, 1937	Jan. 4, 1938	Jan. 11, 1938
Insurance (10) ...	120.4	119.9	121.5
Cotton (6) ...	35.9	35.7	37.1
Iron and Steel (17)	63.7	65.5	66.4
Motors (6) ...	37.8	37.8	38.5
Oil (4) ...	81.4	83.4	84.9
Home Rails (4) ...	69.3	71.0	68.0
Shipping (6) ...	18.1	18.1	19.5

(a) Before revision of list. (b) After revision of list.

New York

The marked rise which began last week-end continued during the first half of the current week, until a very slight setback occurred on Wednesday. Automobile shares, and Chrysler in particular, led the recovery, on plans for increasing output; the industry has found higher prices a failure, and Hudson and Packard are planning production of

New York Prices

Close Latest		Close Latest		
Jan. 13,	1938	Jan. 13,	1938	
1938	1938	1938	1938	
1. Rails & Transport		4. Manufactures		
Atchafalpa ...	387 41	Briggs 23	24 1/2	
Balt. & Ohio ...	95 10 1/8	Chrysler 53	54 1/2	
B.M.T.	91 1/2	Elec. Autolite ...	19 20 1/2	
Can. Pacific ...	73 7/8	Gen. Motors ...	33 34 1/2	
Ches. & Ohio ...	34 3/8	Hudson Mtr.	91 92 1/2	
G.N. Ry.	25 1/2	Nash Kelvint ...	11 12 1/2	
Illinois Cent. ...	10 1/2	Packard Mtr. ...	5 5 1/2	
N.Y. Central ...	18 1/4	Bendix Avtn. ...	13 13 1/2	
Northern Pac. ...	11 1/2	Boeing Airplan ...	33 33 1/2	
Pennsylv. R. ...	22 1/2	Douglas Air. ...	42 43 1/2	
Southern Pac. ...	21 1/2	United Aircraft ...	26 26 1/2	
Southern Ry. ...	12 1/2	Air Reduction ...	31 31 1/2	
Union Pac. ...	85 7/8	Allied Chem. ...	171 172 1/2	
Greyhound ...	9 1/2	Col. Carbon ...	70 71 1/2	
		Dupont 116	117 1/2	
		Un. Carbide ...	75 76 1/2	
		U.S. Ind. Alc. ...	21 21 1/2	
		Allis Chalmers ...	43 44 1/2	
		Gen. Electric ...	43 44 1/2	
		West. Elec. ...	104 105 1/2	
		American Car. ...	79 80 1/2	
		Adams Express ...	20 21 1/2	
		Caterpillar ...	51 52 1/2	
		Cont. Can. ...	42 43 1/2	
		Ingersoll Rnd ...	80 81 1/2	
		Int. Harvester ...	66 67 1/2	
		Johns-Manville ...	80 81 1/2	
		Arm. Radiator ...	13 13 1/2	
		Corn Prods. ...	59 60 1/2	
		J.I. Case & Co. ...	91 92 1/2	
		Glidden ...	22 23 1/2	
		G. Am. Trans. ...	44 45 1/2	
		Allied Mills ...	13 14 1/2	
		Celanese of A. ...	16 17 1/2	
		Ind. Rayon ...	18 19 1/2	
		Colgate Palm. ...	10 11 1/2	
		Eastm'n Kdk. ...	167 168 1/2	
		Gillette ...	97 98 1/2	
		Lambert Co. ...	11 12 1/2	
		Loews ...	48 49 1/2	
		20th Cen. Fox ...	21 22 1/2	
2. Utilities and Communications		5. Retail Trade, &c.		
Am. W. Works ...	124 13 1/2	Mont. Ward ...	34 35 1/2	
C.W.I. & S. ...	1 1/2	J. C. Penney ...	66 70	
Con. Edison ...	23 25 1/8	Sears Roebuck ...	62 63 1/2	
Col Gas & Elec	8 1/8	United Drug ...	59 62	
El Bond & Sh	9 1/2	Am. Tob. Trans. ...	9 10 1/2	
Nat Pwr & Lt ...	21 1/2	Woolworth ...	39 40 1/2	
N. American ...	21 1/8	Borden 181	193 1/2	
N. American ...	28 27 1/2	Gen. Foods ...	31 32 1/2	
Pac. Lighting ...	38 39	Kroger Grey. ...	16 17 1/2	
Pub Serv N.J. ...	35 35 1/8	Nat. Biscuit ...	19 20 1/2	
Stan Gas & El	4 2	Nat. Dairy ...	14 15 1/2	
United Corp. ...	3 3/2	Stand. Brands ...	9 10 1/2	
Un. Gas Imp. ...	1 1/2	Am. Tob. B. ...	69 71 1/2	
Amer. Tel.	149 14 1/2	Lif. Myers B. ...	94 101 1/2	
Internat. Tel.	26 26 1/2	Lorillard ...	16 17 1/2	
Western Union	63 64	Reyn. Tob. B. ...	45 45 1/2	
Radio ...	6 1/2	Nat. Disilluters ...	22 22 1/2	
"B. Pref. 48%	51	Schenley Dis. ...	27 27 1/2	
3. Extractive and Metal		6. Finance		
Am. Kol. Mill ...	20 1/2	21 21 1/2	Gen. Credit ...	37 38 1/2
Beth. Steel ...	63 64	21 21 1/2	Atlas Corp. ...	8 9 1/2
Beth. Steel Pf	94	98	Can. Inv. Tr. ...	39 43 1/2
Republic St. ...	18 1/8	19 1/8		
U.S. Steel ...	59 1/8	59 5/8		
U.S. Steel Pf. ...	111 1/2	113 1/2		
Alaska J. Reef ...	11 1/8	11 1/8		
Am. Metal ...	35 1/2	36 1/2		
Am. Smelting ...	33 1/2	34 1/2		
Am. Smelt. ...	33 1/2	33 1/2		
Bahn Alum. ...	23 1/2	29		
Cerro de Pass. ...	24 1/2	44		
Ind. Nickel ...	48 1/2	50		
Kennecott ...	40 1/2	41 1/2		
Patino Mines ...	11 1/2	11 1/2		
Tex. Gif. Sul. ...	29 1/2	28 1/2		
Am. Smelt. ...	66	68		
Vanadium ...	17 1/4	19 1/4		
Atlantic Refg. ...	22 1/2	21 1/2		
Phillips Petr. ...	42 1/2	40 1/2		
Shell Union ...	17 1/2	18		
Shell Un. Pf. ...	98 1/2	100		
Socony Vac. ...	15 1/2	15 1/2		
Stan. Oil Cal. ...	30 1/2	30 1/2		
Stan. Oil N.J. ...	50 1/2	50 1/2		
Stan. Oil ...	42 1/2	43 1/2		

6. Finance
Comcl. Credit 37 38
Atlas Corp. ... 8 9 1/2
Com. Inv. Tr. ... 39 40 1/2

cheap-priced cars. It had been anticipated that steel mill activity might step back slightly, but *Iron Age* estimates the current week's level at 28 per cent. of capacity against 25.5 per cent. for last week. Steel shares consequently gained some slight benefit. Utilities recorded temporary gains on the ruling of the Wisconsin Supreme Court that the Wisconsin Act setting up a regional T.V.A. scheme was unconstitutional. Armament shares were better in anticipation of a big navy programme, and railroads improved slightly. There is renewed talk of inflationary expenditures during the year, and some market value was put on the talks between business leaders and the Administration. Technical encouragement was given by the shrinkage in dealings whenever prices turned down, and by the higher turnovers on rising prices during the past two weeks.

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):—

	WEEKLY AVERAGES			
	1938		1937	
	Low	High	Low	High
347 Ind's ...	94.2	101.5	90.0	94.2
32 Rails ...	28.2	31.4	28.2	31.4
40 Utilities ...	76.9	78.8	73.7	76.9
419 Stocks ...	80.7	86.4	77.3	80.7
Av. yield %*	8.29	7.63	8.71	8.29

* 50 Common Stocks.
DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

Jan. 6	Jan. 7	Jan. 8	Jan. 10	Jan. 11	Jan. 12
111.4	110.3	113.3	116.1	116.9	115.4

High: 116.9 January 11th. Low: 101.9 January 3, 1938.

1938	Stock Exchange		Curb Shares
	Shares	Bonds	
	000's	000's	000's
Jan. 6	1,210	8,120	210
Jan. 7	1,050	7,000	177
Jan. 8	1,050	3,990	110
Jan. 10	1,840	6,590	293
Jan. 11	1,510	6,910	248
Jan. 12	1,210	7,600	230

* Two-hour Session.

Capital Issues

THE first public issue of 1938 comprised the 6 per cent. £1 preference and 5s. ordinary shares (offered at 7s. 6d.) of *Bullin's, Limited*, and it enjoyed a good response. This amusement catering and "holiday camp" business has shown a steep rise in profits during the past three years. Whether the character of its business, which has scarcely had time to claim immunity from changing tastes, justifies an earnings yield of "over 10 per cent." on the ordinary shares, taking account of their 50 per cent. premium, may be open to argument. This return, it will be noted, requires adjustment for the incidence of N.D.C. Particulars "for information only" have been published by *Alexander Shipping Company*, which has in issue 120,000 of £1 6 per cent. preference shares and £300,000 in 10s. ordinary shares.

CAPITAL ISSUE TOTALS

Week ending Jan. 15	Nominal Capital	Conversions	New Money
To the Public ...	145,000	...	145,000
To Shareholders ...	1,266,000	...	1,975,000
By S.E. Introduction ...	233,256	...	530,651
By Permission to Deal ...	1,217,070	...	2,331,030
Sav. Certs. w/c Jan. 8	...	...	600,000

Year to date—	Including Conversions		Excluding Conversions
	£	£	
1938 (New Basis) ...	8,165,648	8,165,648	
1937 (New Basis) ...	24,100,327	19,151,967	
1938 (Old Basis) ...	2,902,500	2,902,500	
1937 (Old Basis) ...	16,175,719	11,277,239	

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

Year to date	Destination (Excluding Conversions)		
	U.K.	Brit. Emp. exc. U.K.	Foreign Countries
1938 (New Basis) ...	6,845,648	1,320,000	Nil
1937 (New Basis) ...	16,281,658	2,870,309	Nil
1938 (Old Basis) ...	2,902,500	Nil	Nil
1937 (Old Basis) ...	10,418,418	858,841	Nil

Nature of New Borrowing

Year to date—	Deb. Pref. Ord.		
	£	£	£
1938 (New Basis) ...	2,162,610	851,250	5,151,788
1937 (New Basis) ...	11,913,880	2,186,801	5,051,286
1938 (Old Basis) ...	477,500	330,000	2,095,000
1937 (Old Basis) ...	8,251,000	423,718	1,602,541

PUBLIC OFFERS
Butlin's, Ltd.—Issue of 100,000 6 per cent. cumulative £1 preference shares at par and 180,000 5s. ordinary shares at 7s. 6d. Operates amusement parks, etc.; proceeds for extending holiday camps. Profits, before directors' salaries, leasehold amortisation, depreciation, interest, etc., years to end September: 1935, £39,508; 1936, £55,785; 1937, £70,259 (or £52,011 net). Net assets, £255,263 (after £100,482 5½ per cent. debenture stock and interest). Lists closed 9-5 a.m., January 12th. Ordinary shares heavily oversubscribed. Preference shares just oversubscribed.

Alexander Shipping Company.—Particulars of 600,000 10s. ordinary shares. Incorporated 1914; made public end 1937; works in co-operation with Houlder Brothers and Company. Profits, after depreciation, years to March 31: 1935, £19,178; 1936, £24,528; 1937, £67,517; these include subsidies of £4,255, £19,434 and £15,108. A total of £120,000 6 per cent. cumulative redeemable £1 preference shares are in issue. Total assets, £828,083 (steamships, £404,527). Valuation of steamships, £750,000.

ISSUES TO SHAREHOLDERS ONLY
Edmundsons' Electricity.—Issue of 750,000 £1 ordinary shares at 30s. (one new share for every £5 stock held on January 1st).

UNIT TRUST CONVERSION
Fifth Conversion Investment Trust.—Offer to sub-unit holders of Selective Fixed Trust Units "A" and "B" to exchange into 3 5s. ordinary shares (maximum 2,700,000) per sub-unit. Every 3 shares represents assets of 16s. 7½d. (Unit A) and 16s. 9d. (Unit B). In adjustment, "B" unit holders to receive 1½d. per share on allotment. Investment Managers and Secretaries, Ltd., provide management services to 1950, for proportion of escrow fund; they receive usual return commission from stockbrokers to agents. Directors' remuneration limited to ½ per cent. of capital, etc. (or ½ per cent. if over £1,000,000).

LONDON ACTIVE SECURITY PRICES AND YIELDS

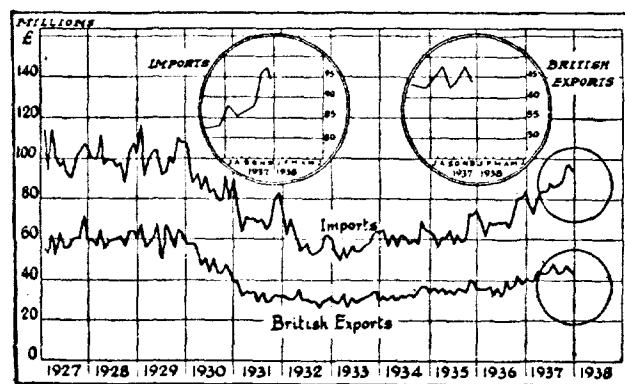
In calculating yields of fixed interest securities allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1937				Prices, Year 1938				Prices, Year 1938				Prices, Year 1938			
High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est	
Jan. 1 to Jan. 12, inclusive		Jan. 1 to Jan. 12, inclusive		Jan. 1 to Jan. 12, inclusive		Jan. 1 to Jan. 12, inclusive		Jan. 1 to Jan. 12, inclusive		Jan. 1 to Jan. 12, inclusive		Jan. 1 to Jan. 12, inclusive		Jan. 1 to Jan. 12, inclusive	
Change since Jan. 5, 1938		Change since Jan. 5, 1938		Change since Jan. 5, 1938		Change since Jan. 5, 1938		Change since Jan. 5, 1938		Change since Jan. 5, 1938		Change since Jan. 5, 1938		Change since Jan. 5, 1938	
Yield Jan. 12, 1938		Yield Jan. 12, 1938		Yield Jan. 12, 1938		Yield Jan. 12, 1938		Yield Jan. 12, 1938		Yield Jan. 12, 1938		Yield Jan. 12, 1938		Yield Jan. 12, 1938	
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		British Funds		British Funds		British Funds		British Funds		British Funds		British Funds		British Funds	
841.26	73.3	75.1	74.3	Consols 2 1/2%	75	...	£ s. d.	13.12	12.72	o 31.5 b	o 31.5 a	Com. Bk. of Aus. 10/-	13.12	...	£ s. d.
111	105.4	109.56	109.4	Do. 4% (aft. 1957)	109.12	...	3 6 8	52.72	52.3	5 a	5 b	Dist. B. £1 1/2 p.	52.6	...	3 18 1
101.6	94.8	98.6	98.16	Conv. 2 1/2%, 1944-49	98.4	+14	2 14 9	87.6	85.6	3 1/2 a	3 1/2 b	En. S. & Aust. £5 1/2 p.	87.6	...	4 16 0
103.6	97.8	102.4	101.8	Do. 3%, 1948-53	102	...	2 18 6	103	103	10 b	8 a	Hambros £10, £2 1/2 p.	103	...	3 18 0
106.2	99	103.6	102.4	Do. 3 1/2%, after 1961	103	+14	3 7	107.2	107.2	£2 1/2 a	£2 1/2 b	Hong. and S. £12.5	107.2	...	6 14 2
108	105	106.6	106.6	Do. 5%, 1940-44	106.6	...	2 7 9	64.6	60.6	6 a	6 b	Lloyds £5, £1 p.	61.6	-2/-	3 19 9
117.1	111.4	114.6	114.16	Do. 5%, 1944-64	114.4	+14	2 15 10	93.4	93.6	9 a	9 b	Martins £20, £2 1/2 p.	91.2	...	3 14 0
92.2	89	93.4	89.8	Fund. 2 1/2%, 1956-61	90	-14	3 3 0	89	86	8 a	8 b	Midland £1, 1/2 p.	88	+1/-	3 13 0
96.2	89.8	95.6	95.6	Fund. 2 1/2%, 1952-57	95.4	...	3 2 3	63.8	61.8	5 a	5 b	Nat. Dis. £2 1/2 p.	61.8	...	4 9 6
101.6	92.8	98.8	97.8	Fund. 3%, 1959-69	98.2	+12	3 2 0	38.2	37.4	11 b	4 a	Nat. of Egypt £10	38.12	...	3 19 0
116.2	109	113.6	112.16	Fund. 4%, 1960-90	113	...	3 3 0	45.4	43.4	9 a	9 b	N. of Ind. £25, £12 1/2 p.	40.2	...	5 10 0
99.6	96	99.8	99.4	Nat. D. 2 1/2%, 1944-48	99.2	+12	3 2 0	14.4	14.4	14.4	14.4	N. Prov. £20, £4 p.	14.4	...	3 10 0
115.1	107.8	111.6	111.4	Victory Bonds 4%	111.2	...	3 12	48.3	47.3	8 1/2 a	8 1/2 b	Roy. Bk. of Scotland	48.2	+7	3 10 0
105.6	99.8	102.6	101.16	War L. 3 1/2% af. 1952	101.2	...	3 8 10	14.3	14.2	9 b	5 a	Scot. S. A. £20, £5 p.	14.4x	+18	4 14 0
96.2	84.6	87.4	87.4	Local Loans 3%	88	...	3 8 2	51.3	50	3 1/2 a	6 1/2 b	Union Dis. £1	51.3	...	4 0 0
102	99.2	101.4	100.2	Austria 3%, 1933-53	101.8	...	2 18 5	98.6	91.12	9 a	11 b	West. £4, £1 p.	96.6	-1/-	4 2 0
72	62	67.4	66.6	India 2 1/2%	67	...	3 14 8	...	...	...	...	...	...	...	...
85.4	74.4	80.8	79.8	Do. 3%	80	-12	3 15 0	...	...	...	...	...	...	...	...
98.4	87	93.4	92.8	Do. 3 1/2%	93.2	...	3 14 10	...	...	...	...	...	...	...	...
119.2	112.4	115.4	114.4	Do. 4 1/2% 1958-68	115	...	3 8 11	...	...	...	...	...	...	...	...
109.6	105	107.8	107	Dom. & Col. Govts.	107.2	+12	3 15 1	28.8	27.8	50 b	40 a	Alliance £1, fully pd.	28	...	3 4 3
103.6	101	101.6	101.6	Austr. 5%, 1945-75	101.2	...	2 15 6	15.16	14.16	14.16 b	13.6 a	Atlas £5, £1 1/4 p.	15	...	2 13 3 1/2
118	114.2	113.4	113	Canada 4%, 1940-60	104	...	3 14 3	10.16	9.16	20 b	20 a	Com. Un. £1, 1/2 p.	10	...	4 0 0
110	104.4	107.2	106	Nigeria 5%, 1950-60	113x	...	3 14 3	51.2	51.2	2 b	1.6 a	Gen. Acc. £1, 5/ p.	53	...	3 5 0
107.8	103.4	106.6	106	N. Zealand 5%, 1946	106	-1	4 2 2	31	30	25 b	25 a	Lon. & Lanc. £5, £2 p.	31	+1	3 4 6
114.2	110.2	111.8	111	Queens. 5%, 1940-60	106	...	3 2 5	11.12	11.12	3/2 a	3 1/2 b	N. Brit. & Mer. £1 1/4 p.	11.12	+18	2 13 0
103	93	96.2	92.4	S. Africa 5%, 1945-75	111	...	3 8 2	20.16	19.8	22.6 a	22.5 a	Pearl (£1), 1/2 p.	20	...	3 13 0 1/2
105.2	97.8	100.4	98.4	Foreign Governments	94.8	-2	4 15 9	16	15.8	6 a	6 b	Phonix £1, 1/2 p.	16	...	3 15 0
91.4	84.4	86.2	83.4	Arg. 4 1/2% Stg. Bds.	100x	...	7 0 0	19	18.8	£2 1/2 a	£2 1/2 b	Pontifical £1, 1/2 p.	19	+1	2 16 0
102.6	95.4	96	95	Austria 7%, 1957	84	...	5 16 9	103.9	101.3	103.9	101.3	Do. £1, with 4s. pd.	102.6	...	2 0 0 1/2
33.1	24.2	33.2	31.2	Do. 4 1/2% 1934-59	84	...	4 4 5	8.4	8.4	19 b	15 a	Royal Exchange £1	8.4	...	3 1 6
89.4	37	37.2	27.2	Belg. 4% red. by 1970	96	...	7 9 3m	16.2	16.2	3 1/2 b	3 1/2 a	Royal £1, 10/- pd.	9.5x	+18	3 15 0
24	15	19	17.2	Bulgaria 7 1/2%	33.2	...	8 12	6.6	6.6	6.6 a	6.6 b	S.U. & N.I.A. £20, £1 p.	16.2	...	3 19 6
95.4	51.2	60.2	40.2	Brazil 5% Fd. 1914	27.2	-8.12	11 2 0	87	82.6	1 3 a	1.5 b	Sun. £1, fully pd.	85	+2/6	3 2 0
101.4	59	62	43	Chili 6% (1913)	18.2	...	10 0 0	8.16	8	11 a	11 b	Sun. L. Ass., £1 1/2 p.	8	...	2 10 0 1/2
108.8	101.2	105.4	104.8	Cina 5% (1913)	45	-11.12	12 0 0	260	260	8 1/2 b	4 a	Investment Trusts	265	-2	4 14 4
100	92.2	97	97	Do. 5% (1913)	45	...	11 2 0	65.12	65.12	2 1/2 c	3 c	Anglo-Celtic Ord.	65.12	...	4 11 7
106.2	100.2	102.2	101.8	Czechoslovakia 8%	105	...	7 12 5	10.3	10.3	7 1/2 c	7 1/2 c	Brit. Assets Trust 5/-	11.3	...	3 6 9
18.1	13	13.4	11.4	Denmark 3%	97.8	+12	3 10 7	23.2	23.2	4 a	6 b	Debtenture Corp. Sdk.	23.2	...	4 6 0
66	52.4	57	54.4	Egypt Unified 4%	102.2	+12	3 17 0	75	71.4	2 1/2 b	12 a	For. Amer. & Co. Def.	75	...	5 6 8
49.4	35	41.2	39.2	French 4% (British)	13	...	5 2 0	136	136	4 b	2 1/2 a	Guardian Investment	137.12	...	4 14 6
40.4	30	32.2	30.2	Ger. 7% Dawes Ln.	56.2	+12	12 8 0	25.2	25.0	7 1/2 a	4 b	Ind. and Gen. Ord.	250	...	4 12 0
62	47.8	57.8	56.2	Do. 5 1/2% Young Ln.	41	...	6 12 9	8.8	8.8	8.8	8.8	Invest. Trusts	27.4	...	4 15 0
88.4	53	60	38	Greek 6% Stab. Ln.	32.2	...	7 3 0	15.72	15.72	2 1/2 a	2 1/2 a	Lak. View Inv. 10/-	248	...	4 12 9
94.4	57.2	64.2	43	Hungary 7 1/2%	56.2	...	6 12 9	248	248	8 b	3 1/2 a	Mercantile Inv.	248	...	4 17 9
121.4	110.2	115	115	Japan 5%, 1936-65	42x	-16	13 1 9	153	153	4 1/2 b	3 a	Merchants Trust Ord.	153.12	...	4 16 9
61.2	40.4	45	40	Do. 6% (24 red. 1959)	44x	-16	13 12 9	248	248	7 b	5 a	Metropolitan Trust	248	...	4 17 9
81.4	56	72	70	Norwegian 4% 1911	115	...	3 10 0	5	5	2 1/2 c	4 c	Scottish Inv. 5/-	5	...	4 0 0
101.6	101.2	105.4	104.8	Peru 7 1/2% 1922	45	...	7 14 11.2	21.8	21.8	7 b	3 1/2 a	Scottish Mort., &c.	21.8	-2	4 18 7
90.4	88.4	92	91	Poland 7%	71.2	...	11 0 0	19.2	19.2	6 b	4 a	Trustees Corp. Ord.	219.12	...	4 11 1
118	111.2	114.2	113	Roum. 4% 1922	71.2	...	11 0 0	...	...	...	...	United States Deb.	19.2	...	5 3 1 1/2
118.4	112.4	115.8	115	U.K. & Arg. C. 3%	91.2	...	3 5 6	11.9	10.9	2 1/2 c	4 c	Financial Trusts, &c.	11.3	...	3 11 0
95.4	82.2	86.8	85.4	Corporation Stocks	114	+1	3 1 0	35	30	6 1/2 c	10 c	Argentine Land, &c. 10/-	34/-	+2/3	5 18 6
101	93	96.2	96	Birm'ham 5%, 1946-56	114	...	3 4 3	22.6	22.6	10 c	10 c	Brit. Afr. 15/- 1/2 p.	23.9	...	8 8 5
104.2	100.8	104.4	103.2	Bristol 5%, 1948-58	115	...	3 4 3	16.10	16	2 b	2 a	Charterhouse Inv. £1	16.10	...	4 14 6
114	113	114.2	113	L.C.C. 3%	85.2	...	3 10 3	33.3	30.9	12 1/2 a	18.8 a	C. of Lond. R. Pty. £1	33/-	+1/9	6 16 0 1/2
101.6	101.2	105.4	104.8	Liverpool 3% 1954-64	96	...	3 5 0	22.6	22.6	3 1/2 a	4 1/2 b	Daily Mail & Gen. £1	33/-	+1/9	5 19 3
104.2	100.8	104.4	103.2	Middx. 3 1/2% 1957-62	104	+12	3 4 3	25.12	25.12	2 a	4 b	Falgers £2, £5 p.	25.12	-14	5 19 3
114	113	114.2	113	Public Boards	113	...	3 16 8	20	19.42	2 a	4 b	Financial Trusts, &c.	20/-	...	6 0 0
119	117.2	121.2	121.2	C. Elec. 5%, 1950-70	121.2	...	3 16 8	5.8	4.8	Nil	Nil	Argentine Land, &c. 10/-	11.3	...	3 11 0
129	127.2	131.2	131.2	Lon. Pass. Transport	131.2	...	3 16 8	10.6	9.9	3 c	3 c	Brit. Afr. 15/- 1/2 p.	34/-	+2/3	5 18 6
80	79	112.4	112.4	5% "A" 1985-2023	118.12	+1	3 13 6	17.3	17.3	7 1/2 c	7 1/2 c	Charterhouse Inv. £1	23.9	...	8 8 5
90.4	89.8	112.4	112.4	5% "B" 1965-2023	120.2	...	3 16 0	34.10	33.3	10 c	10 c	C. of Lond. R. Pty. £1	16.10	...	4 14 6
116.8	116	124	124	"C" 1956 or after	79.2	-12	6 11 43	23	22.6	3 1/2 a	4 1/2 b	Daily Mail & Gen. £1	33/-	+1/9	6 16 0 1/2
64.2															

Industry and Trade

Overseas Trade in December.—Both imports and exports declined between November and December last year. The value of imports fell by £3.0 millions and domestic exports declined by £1.3 millions. The trend of total British imports and domestic exports from January, 1927, is shown in the accompanying diagram:—

TOTAL IMPORTS AND DOMESTIC EXPORTS



The diagram clearly indicates that the improvement in exports during the first half of 1937 has not been maintained in the second half of the year, though imports continued to advance steeply until November. The downward trend of exports since last summer is reflected in the returns for the year as a whole. Thus, while total imports in

(£ thousands)				
	1935	1936	1937	Change between 1936 and 1937
December				
Total imports	74,412	83,543	94,328	+ 10,785
British exports	34,917	40,516	43,892	+ 3,376
Re-exports	5,432	6,200	4,979	- 1,221
Total exports	40,349	46,716	48,871	+ 2,155
Excess of imports over exports	34,063	36,827	45,457	+ 8,630
Transshipments under bond	2,482	2,906	2,911	+ 5
Twelve Months				
Total imports	756,041	847,752	1,029,065	+ 181,313
British exports	425,814	440,605	521,594	+ 80,989
Re-exports	55,303	60,769	75,167	+ 14,398
Total exports	481,117	501,374	596,761	+ 95,387
Excess of imports over exports	274,924	346,378	432,304	+ 85,926
Transshipments under bond	25,471	28,960	37,295	+ 8,335

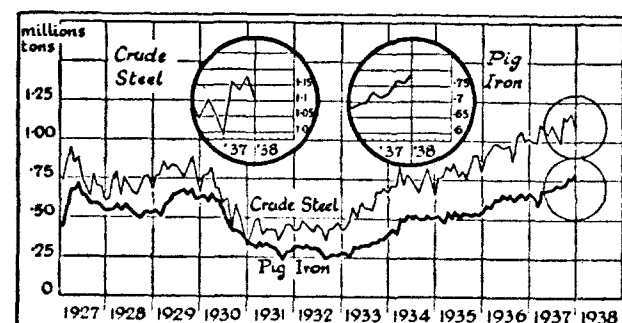
1937 were 21.4 per cent. higher than in 1936, British exports showed an increase of only 18.3 per cent. As a result, the excess of imports over exports rose by £85.9 millions to £432.3 millions during the past year.

Falling Automobile Sales.—The November motor registration figures issued this week cannot be viewed complacently. For some months past, falling security prices, rising costs of living and uneasiness about the business outlook have been unfavourably affecting demand for motor vehicles. Home sales of private cars in September and October were 5.7 per cent. and 12.4 per cent. respectively below the comparable totals for 1936. The November figures—20,645, against 23,801—show a drop of 13.3 per cent. Meanwhile, sales of goods vehicles, which were down by 4 per cent. and 11 per cent. in September and October, suffered a reduction of over 17 per cent. in November, the total being 5,224, against 6,312. The detailed figures for November show that registrations in the 8-horse power class have risen from 5,619 to 6,715, but that this gain has been outweighed by losses in most of the remaining categories—especially in cars of 10, 12 and 14 horse power. Demand, in fact, has shifted from the more to the less expensive type of car. The tendency in the trade circles to attribute the decline in total sales to temporary factors thus seems unconvincing.

Textiles and the Forty-Hour Week.—Two International congresses, one of employers and the other of operatives, will discuss the 40-hour week in the textile industry at the last of this month. The employers will be attending the World Cotton Congress which opens at Cairo on Wednesday, January 26th, and a paper by M. R. A. De la Beaumelle, managing director of the French Cotton Spinners and Manufacturers' Association, will explain the effect of the 40-hour week on output and cost of production in the French cotton industry. On the following day, at Blackpool, a meeting of the Council of the International Federation of Textile Workers, will discuss steps to secure the ratification of the 40-hour week Convention secured at Geneva last June. Germany, France and Italy already work a 40-hour week in their textile industries, but in France a double shift system is permitted which the Lancashire operatives will not countenance. The English employers are strongly opposed to any shortening of working hours, on the grounds that it would increase costs of production and therefore impair Lancashire's competitive position in world markets.

Steel Developments in 1937.—The expansion of the iron and steel industry proceeded apace during the past year. According to the latest returns of the British Iron and Steel Federation, the output of crude steel in 1937 was 13.0 million tons, against 11.7 million tons in 1936 and 9.6 million tons in 1929. The trend of pig iron and steel production since 1927 is shown graphically in the accompanying diagram. The output of pig iron continued to increase in December, when it was 783,800 tons, against 762,300 tons in November. The decline in the output of crude steel, from 1,178,300 tons in November to 1,103,800 tons in December, is a seasonal phenomenon. Despite the rise in output last year, domestic supplies were insufficient to meet the expanding demand, due partly to the speeding-up of re-armament last spring. The extent of the expansion of domestic requirements is revealed by our index of home consumption of iron and steel, which rose by no less than 33 per cent. during the twelve months ended November, 1937. The extension of

IRON AND STEEL PRODUCTION

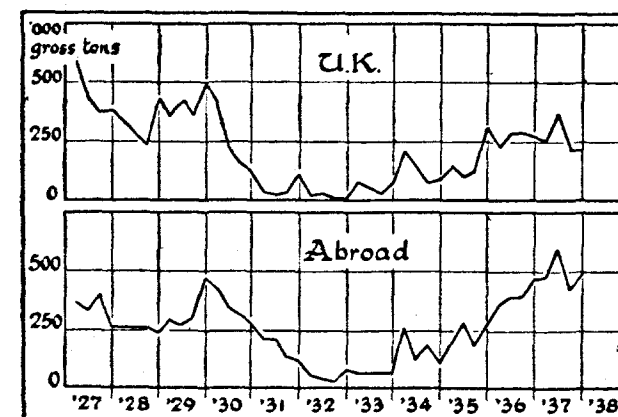


the capacity of the British iron and steel industry necessitated by the unprecedented expansion in demand involved heavy expenditure on plant. The British iron and steel industry has estimated that its capital expenditure amounted to £20 millions during the past two years, compared with £2.3 millions in 1929. Moreover, the process of re-equipment and extension of capacity is by no means finished; on the contrary, it will involve expenditure exceeding £10 millions during the current year. As a result of these extensions the steel-making capacity of the industry at the end of this year will exceed 14 million tons, compared with 13.5 millions at the end of 1937 and 11.0 millions at the end of 1929. Despite the recent shortage of materials, however, it remains to be seen whether demand at the end of this year will be sufficient to absorb the full output of the enlarged capacity of the industry.

Electricity Consumption in 1937.—The official returns of the Electricity Commissioners show that the amount of electricity generated by authorised undertakers last year was 22,905 million units, against 20,221 million units in 1936. This represents an impressive increase of 2,684 million units, or 13.3 per cent. There is, moreover, no evidence that the peak of consumption has yet been passed, for 2,500 million units were generated last month, against 2,180 million units in December, 1936, the increase of 14.7 per cent. thus appreciably exceeding the year's average. These movements are reflected in *The Economist* index of the daily consumption of electric power by industry. This is adjusted to eliminate the effect of seasonal fluctuations and of changes from private to public generation and excludes the current used for traction, public lighting and domestic purposes. The index, which is one of the constituent series of our index of business activity, rose from 117½ in December, 1936 (1935 = 100) to 128½ in November, and to 131½ (a new high record) in December, 1937.

Decline in Shipbuilding Contracts.—In view of the collapse of freight rates during the last quarter of 1937 the decline in the volume of new orders for mercantile shipping tonnage, revealed by the returns issued by *Lloyd's Register* this week, is scarcely surprising. The tonnage commenced during October-December was 217,500 gross, against 218,600 gross in the preceding quarter and 272,500 gross during the corresponding quarter last year. As a result of the downward trend of new contracts since last June, the volume of work on hand has declined from 1,184,600 gross tons at the end of September to 1,125,400 gross tons at the end of last year.

MERCHANT SHIPPING COMMENCED AT HOME AND ABROAD



The chart reveals a steady decline in the relative importance of the shipbuilding industry in this country. This unsatisfactory tendency was continued during the last quarter of 1937, when a fall in the volume of tonnage commenced in this country was accompanied by an increase abroad.

Agricultural Production in 1937.—Revised estimates of agricultural output in England and Wales last year have now been issued by the Ministry of Agriculture. The latest figures, which differ materially from earlier forecasts, are as follows:—

	Total Production ('000 tons)		Yield per Acre (Cwt.)		Average 1927-36
Wheat	1,378	1,393	16.2	16.1	17.7
Barley	663	576	16.2	14.0	16.3
Oats	1,080	938	15.2	15.3	15.8
Mixed corn	75	75	15.4	16.2	15.6
Seeds hay	1,674	2,141	25.0	29.2	26.4
Meadow hay	4,733	4,967	20.3	21.2	19.5
Beans*	93	83	15.3	17.2	16.3
Peas*	31	25	13.4	14.6	14.7
Potatoes	2,814	3,126	6.2	6.9	6.5
Turnips and swedes	5,579	4,739	12.5	10.9	11.5
Mangolds	4,684	3,668	19.1	17.8	18.5

* For stockfeeding or seed.

The area under wheat, barley, seeds and meadow hay showed a rise between 1936 and 1937, but the area under other crops was reduced. Total production was larger in the case of wheat, potatoes and hay, but lower in the case of all other items shown in the table.

Wheat Prospects.—Following a period of quietude, the wheat markets have recently been firmer. The rise began on Tuesday of last week, when a sudden improvement in the demand for Australian wheat, coupled with a temporary shortage of contracts, caused the March future in Liverpool to advance by 3½d. to 7s. 6½d. per cwt. Is there any prospect of a further sustained advance? On the supply side, the Argentine crop has been officially estimated at 192 million bushels and the Australian at 162 millions, against 245 millions and 150 millions, respectively, last season. On the demand side, Italian requirements are estimated by Broomhall at 16 million bushels for the whole season, against 64 millions last season—a reduction which will approximately counterbalance the smaller crop in the Southern Hemisphere. Oriental demand for Australian wheat, however, has recently been disappointing, and it is suggested that the British market may be called upon to handle larger quantities than usual. The possibility of an unforeseen improvement on the demand side—e.g. from Germany—cannot be ruled out of account; but adequate supplies are assured and a new price advance seems unlikely.

Slump in Platinum.—Platinum has opened 1938 with a new reduction in the official price from £7 12s. 6d. to £7 per ounce. Within the last three months the price has declined by £3 5s. per ounce and since February last its price has been exactly halved. The official platinum price has now fallen to the gold price level, and as the wholesale price is about £1 below the official quotation, platinum is now some 14 per cent. cheaper than gold. The serious decline in platinum in the past ten months was largely due to the fact that the unfavourable relation between the prices of gold and platinum had adversely affected the industrial consumption of the latter metal. At the same time, the high platinum prices have increased the offer of old platinum substantially. The change in the relation between gold and platinum prices is likely to stimulate the industrial use of platinum, but in view of the recent decline in the world's industrial activity, it is doubtful whether any absolute increase in consumption will take place within the next few months. In 1937 the world's platinum output exceeded consumption by 500,000 oz., while consumption has probably not been much above 400,000 oz. Under these conditions the uncertain prospects of consumption may well enforce a new reduction in the price of the metal, although even to-day's level represents only one-fourth of the platinum price ruling until twelve years ago.

BOVRIL
FOR A
HEALTHY
TONE
IN THE HOUSE

INDUSTRIAL REPORTS

ACTIVITY in the heavy industries is well maintained. The pressure of the delivery of steel, a good indicator of activity in these trades, remains as strong as ever, but new business remains small in volume. Despite the heavy intake of coal by domestic consumers before the holidays, demand remains as strong as ever and exceeded anticipations, especially in Wales. New export business, however, remains small, partly owing to the high level of prices. The firmer tendency of raw material prices has given a fillip to the cotton industry, but business in jute goods and wool textiles remains at a low ebb.

Coal

Cardiff.—The Cardiff coal market was exceptionally firm this week. The collieries are so heavily committed under long-period contracts that buyers have found it extremely difficult to obtain prompt supplies of any class of coal, and for all grades quotations are very firm. The strength of the market has surprised many buyers, who had been anticipating a renewal of the easiness in the prompt market which was so marked a feature prior to the pre-Christmas holiday pressure. Shipments during the first week of the New Year, however, were below the autumn weekly average, but, at 382,000 tons, they were 24,000 tons greater than in the first week of 1937.

*

Sheffield.—The domestic demand for coal is strong and prices are steady. Collieries are working full time and have relatively heavy order books. Household coal is in good request, and there is a steady call for gas fuel. Industrial steam coal is moving freely. Small coal enjoys a good market, the requirements for electricity generation and coke-making being unusually heavy. A slight improvement in the export section has taken place, but forward inquiries are not numerous. The chief interest of shippers is delivery under old contracts. The prosperity of the inland trade hampers foreign business, prices being the chief obstacle. Washed nuts and small coals are the best feature in the export market, but bunker trade is limited. Prices remain unchanged.

*

Newcastle-on-Tyne.—The Northumberland steam coal market for prompt delivery is steady, with a better home inquiry for large coals, but the forward position is quiet, there being little inquiry from abroad. The Durham market is firm under a steady export trade and a brisk home demand. The market in gas coals is very active, whilst coking and steam coals are cleared without difficulty. Patent oven coke is enjoying a steady sale in the home market, but overseas business is quiet and prices are inclined to ease.

*

Glasgow.—With normal business conditions now restored it is found that home demand is no less brisk than before the holidays. If anything, the stoppage has accentuated the rush for supplies in certain directions, house coal

and washed smalls for public utility and industrial use being in heavy request. In some cases delivery dates for house coal have lengthened to about three weeks. In the circumstances there is little in the way of floating supplies available for new export business. The latter is not very active, but the stringency is so pronounced that exporters find difficulty on occasion in securing fuel for delivery under contracts.

COAL OUTPUT AND EMPLOYMENT

District	Week ended December 25 1937		Week ended January 1 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	000 tons	000's	000 tons	000's
Durham	280.8	45.4	261.2	45.4
Yorkshire	650.2	116.9	598.1	117.2
Lancs, Cheshire and N. Wales	856.4	142.1	502.6	142.0
Derby, Notts & Leicester	336.8	69.2	248.0	69.2
Staffs., Worcs., Salop & Warwick	646.5	98.2	467.0	98.2
South Wales and Monmouths	383.0	67.5	243.0	67.5
Other English districts*	696.7	137.5	471.3	136.4
Scotland	105.3	22.5	75.5	22.5
Scotland	673.6	91.3	564.2	91.4
Total	4,629.3	790.6	3,430.7	789.8

* Including Cumberland, Westmorland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that activity in the iron and steel industry has been well maintained since operations were resumed after the holidays. Users are pressing to obtain deliveries against existing contracts. New business, however, is quiet in most departments, for consumers appear to have covered the bulk of their requirements for the next few months and producers are well sold for the first half of this year.

Supplies of pig iron are now adequate to meet the demands of the consuming industries, although in most descriptions of iron there is little surplus for export. Deliveries are being made with greater regularity than for some time.

In the semi-finished steel section of the market conditions are much better than a month or two ago, and there are prospects that the supply position will become progressively easier. Consumers, however, are still receiving somewhat limited supplies, but fewer complaints are now heard regarding the difficulty of maintaining full operations owing to the scarcity of raw materials.

Business in the finished steel market has been rather restricted, as producers are only able to accept orders for far forward delivery owing to the congested state of their order books. Consumers seem to have largely covered their future requirements and neither they nor the makers seem anxious to commit themselves to distant delivery dates.

*

Sheffield.—Although business has been only moderate this week, the undertone of the iron and steel market is firm, and there is quiet buying in most sections. Consumers of forge and foundry pig iron are well contracted

over the first quarter, but are ready to take up any odd parcels which come on offer. Generally speaking, supplies of iron from home sources are more in accord with users' requirements than for a long time past, and there is not much demand for the imported material now available. Deliveries of finished iron show improvement and bar makers are more disposed to accept new business.

The pressure for supplies of basic and acid steel billets is unrelieved, and despite constantly expanding output it is impossible to meet users' requirements to the full. There is a heavy call for stainless steel sheets, wire rods, bars and strip. Orders for special steels are a feature. It is reported that a Norwegian firm is contemplating the establishment of an electric steel-making works in this district.

*

Middlesbrough.—Foreign ore continues to arrive on the same scale as during the last two months. Odd cargoes of North Spanish ore continue to change hands, the last freight Bilbao/Middlesbrough having been fixed at 9s. There is a steady demand for heavy steel scrap, and no difficulty arises in disposing of any local supplies.

Cleveland foundry pig iron is less scarce than for some time. The demand for foundry iron is being met to some extent by deliveries from the Midlands. East Coast hematite is now sufficient to meet the heavy needs of home consumers at the stabilised prices. Small quantities are being released for export, the prices for foreign trade being uncontrolled.

Imports of Continental semi-finished steel and locally-produced supplies are enabling re-rollers to operate almost at capacity. Finished steel makers are heavily booked over the first half of 1938.

*

Glasgow.—A good start has been made, with prospects of continuous employment for many months in most branches of the iron and steel trades. Supplies of raw materials are now satisfactory. Users of semis, while not quite so happily placed as the steelmakers in this respect, have supplies on hand to enable them to put a good proportion of plant into operation, and they anticipate that regular supplies are likely to be available to meet their requirements. At the Clyde shipyards and marine engineering shops work is proceeding on a large number of vessels, and it is understood that work will commence shortly on a number of recently-placed contracts. Not a great deal of new business has been placed locally since the beginning of the year.

*

Cardiff.—Normal working conditions have now been restored in the tinplate industry, and prices have been ruling steadily at from 22s. 6d. to 23s. per basis box f.o.b. In the last week of December many mills were idle, and production amounted to only 47.9 per cent. of capacity. Shipments in the week ending January 6th totalled 8,532 tons, compared with 3,861 tons in the corresponding period last year, and stocks have been reduced to 4,859 tons.

Black sheets are also a good market for inland supply, but galvanised sheets are quiet at £17 15s. per ton f.o.b. Pig iron, ingot steel, and bars are in very active demand and firm at the fixed prices.

Textiles

Cotton (Manchester).—Inquiry has increased and some spinners and manufacturers have booked more orders. The improvement is due to the rise in raw cotton prices, quotations for the American staple now being $\frac{1}{4}$ d. a lb. above the lowest point reached this season. It is reported that the Washington Government is aiming at a reduction in the area under cultivation from 33,930,000 acres last year to 26,000,000 acres this season. It is being suggested that the maximum yield may be about 10½ million bales, compared with nearly 19 million bales in 1937.

The yarn market has been firm. Sales of American counts have shown a slight improvement. Conditions in the Egyptian branch remain unsatisfactory, especially for spinners of the finer numbers. In all directions there is determination to maintain minimum prices under the legalised agreements. Cloth inquiry has shown some expansion. Most manufacturers have been tested in price on a freer scale than for some little time back. A development of interest has been the increased demand for India.

RAW COTTON delivered to Spinners (Million bales)

Variety	Week ended		Total Deliveries	
	Dec. 31, 1937	Jan. 7, 1938	Aug. 1, 1936-7, 1937	Aug. 1, 1937-7, 1938
American	23.2	30.0	536.0	579.6
Brazilian	4.3	4.3	160.0	154.3
Peruvian, etc.	2.2	2.3	74.0	63.1
Egyptian	4.9	9.4	158.0	152.1
Sudan Sakel	2.4	2.8	69.0	76.9
East Indian	1.9	5.0	159.0	122.3
Other countries	2.5	2.5	93.0	91.3
Total	41.4	56.3	1,249.0	1,239.6

*

Jute (Dundee).—The accumulation of orders for jute yarns and cloth over the New Year holidays has been disappointing, and spinners and manufacturers have returned to find conditions as depressed as they were in December. There may be a little more interest shown by buyers, but purchases are confined to trifling lots at unsatisfactory prices. Raw jute recently declined to some extent, but a good recovery has been made, and spinners have lost their opportunity, at least for the time being, of purchasing slightly cheaper than earlier this season.

Calcutta goods have remained quiet, with little change in prices during the past fortnight, and the Indian mills go on producing on the same basis, in spite of the fact that they are losing money. Competition for the disposal of their output is very keen, and the unsatisfactory situation in India is reflected on other producing centres. Dundee manufacturers cannot compete with Calcutta, and large quantities of goods from India are still being imported into the United Kingdom, being sold at about $\frac{1}{4}$ d. per yard cheaper than Dundee manufacturers can accept. The latter are bound to pay certain rates of

wages under the Jute Trade Board. No further progress has been made by those who have vigorously protested against these goods coming in free of duty, requesting a quota system or tariff to protect the home industry.

THE COMMODITY MARKETS

THE upward trend of the prices of primary products at home and in the United States, which began after the turn of the year, has since gathered momentum, largely as a result of the more optimistic view prevalent in the United States concerning the future of business activity in that country. The firmer tendency of the commodity markets was reflected in an improvement of shipping freight rates.

Commodities sensitive to changes in market psychology, such as non-ferrous metals and rubber, all registered substantial rises in price during the past week. Moreover, the rise in prices was accompanied by a marked expansion of turnover, especially in the case of metals.

The upward movement of prices in the United States is reflected in the advance of Moody's daily index of staple commodity prices, from 149.3 (December 31, 1931 = 100) on January 5th to 152.1 on January 12th. A month ago the index stood at 148.4, and a year ago at 209.8.

Metals

Copper.—The market was strong and the standard cash quotation put on £3 3s. 9d. per ton, to close at £44 2s. 6d. on Wednesday. There was a substantial demand from both consumers and speculators, and turnovers were consequently higher than at any time since last spring. In anticipation of a larger re-armament programme, American demand was more active and the United States domestic price was advanced from 10.25 to 11 cents per lb. Since American consumers' stocks are low the possibility of a major buying movement in that country must be reckoned with if the general improvement in sentiment is maintained. Any rally in New York would certainly be reflected on the London market.

*

Tin.—Tin rose by £4 10s. per ton in the week ended Wednesday and turnovers in the latter part of the period were substantial. The improvement was enhanced by the resumption of buying on United States account; but since American consumers are fairly well stocked the maintenance of their demand is dependent on a genuine improvement in business activity across the Atlantic.

*

Lead and Spelter.—In response to a substantial demand by consumers, lead rose by £1 16s. 3d. to £17 11s. 3d. per ton. Spelter improved by 18s. 9d., mainly owing to reports that the Belgian Vielle-Montagne concern is restricting sales in consequence of the low level of prices. Meanwhile, American lead markets have benefited somewhat from an announcement that the St.

Joseph Lead Company will restrict its output. In response to the general improvement, American spelter prices also advanced, although the December statistics of the Zinc Institute were bearish.

Deliveries in America fell from 32,221 short tons to 29,545 short tons, the lowest since June, 1935. Meanwhile, production advanced from 49,388 to 51,787 short tons, while stocks consequently rose from 42,984 to 65,226 short tons. Since the end of August, United States zinc stocks have risen nearly sixfold and are now over 20,000 short tons larger than at the end of 1936.

*

Nickel.—World consumption of nickel, according to a statement of the President of the International Nickel Co., amounted to 100,500 short tons in the first ten months of 1937. Consumption during the whole of last year probably amounted to as much as 125,000 short tons—25 per cent. more than in 1936 and the highest level ever attained. The price of the metal was reduced from £200 to £180 per ton on January 1, 1937, which greatly stimulated consumption; and the metal therefore suffered little from the general slump in commodities last year.

*

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
	Tons	Tons	Tons	Tons
1937	600	100	600	600
December 31 ...	750	150	350	925
1938	1,200	300	1,100	800
January 3 ...	2,050	330	1,050	750
" 4 ...	1,550	200	1,050	900
" 5 ...	2,200	350	2,300	1,400
" 6 ...	3,200	525	1,850	1,900
" 7 ...	4,200	575	2,900	2,700
" 10 ...	3,350	600	3,400	2,900
" 12 ...				

U.K. STOCKS

	Jan. 1, 1938	Jan. 8, 1938
Copper (Br. official w/houses):	Tons	Tons
Refined	9,851	11,116
Rough	21,561	21,560
Tin (London and Liverpool)...	2,438	2,523

Grains

A feature of the wheat markets has been the continued strong demand for Australian. The tone has been generally steady, except for a reaction on

WORLD SHIPMENTS OF WHEAT AND FLOUR

From—	Week ended	
	Jan. 1, 1938	Jan. 8, 1938
	'000 Qrs.	'000 Qrs.
N. America	365	466
Argentina and Uruguay	139	132
Australia	396	101
Russia	...	202
Danube and district	116	101
India	20	...
Total	1,056	1,002
To—		
U.K.	332	187
Orders	295	125
France	5	69
Belgium	20	62
Holland	43	46
Italy	51	27
Greece	11	93
Scandinavia	19	61
Austria, etc.	49	49
Other European countries	58	106
Ex-European Countries	173	177
Total	1,056	1,002

Source: The Corn Trade News.

SALES OF BRITISH CEREALS

	Week ended	
	Jan. 1, 1938	Jan. 8, 1938
Wheat	189,385	181,016
Barley	154,156	115,779
Oats	31,320	26,822

Wednesday, and prices are practically unchanged. Wheat prospects are discussed in a Note in the Industry and Trade Section.

Meanwhile, demand for home-milled and imported flour for future delivery has been active, though prices have been below spot quotations. In sympathy with Argentina and in response to a sharp drop in shipments, maize was firm. The reserve of Argentine sellers is attributable to the uncertain prospects for the new crop. Imported feeding barley also remained a firm market. Better qualities of English remain exceptionally scarce and dear.

Other Foods

Provisions and Meat.—On the London Provision Exchange bacon prices were reduced and the market was quiet; butter, however, was firm, with Colonial makes dearer and Danish rather cheaper on the week; Colonial cheeses were also slightly higher in price. Eggs were a seasonably weak market, but a better demand has been experienced at the lower level. Most classes of meat were cheaper at Smithfield Market and trading was on quiet lines generally.

Colonial Produce.—The London spot market in raw sugar was quiet to dull, with prices showing an easier tendency. The spot market in coffee was quiet but steady. Accra cocoas were a firm market, with other sorts almost unchanged in price. At the week's tea auctions Indian grades were in active demand and prices were generally steady at last week's level. Ceylon teas up to 1s. 3d. per lb. were fully firm to occasionally dearer; other grades were generally higher in price.

Fruit.—At Covent Garden, according to *The Fruitgrower*, trade was rather quieter, but the market was generally steady. Apples sold steadily in response to a regular inquiry, with supplies of home-grown rather short. Pears also continued in demand. Demand for South African fruit improved, but prices for plums remained moderate owing to the large supplies available. Hothouse grapes were firm on a shorter supply. Oranges were a more active market, but grapefruit was plentiful and cheap. Lemons, however, were generally firmer.

Vegetables.—At Covent Garden during the past week forced asparagus was in demand according to *The Fruitgrower*. House-grown beans were steady, while cucumbers, endive and lettuce were firmer. Mushrooms, however, were easy. All lines of kitchen vegetables sold well, with cauliflowers and sprouts dearer. Celery encountered a good demand, while onions and leeks were dearer. Meanwhile, the potato trade at London markets remained active, with quotations showing little alteration. At the Borough on Tuesday best siltland and light soil King Edward again realised from 6s. 6d. to 7s. per cwt., ex market.

OTHER FOODS: STATISTICS

	Week ended	
	Jan. 1, 1938	Jan. 8, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,599	13,412
Canadian	7,575	8,293
Dutch	1,967	1,678
Lithuanian	1,518	1,695
Polish	3,272	3,229
COCOA:		
Movements in Lond. (bags):		
Landed	7,734	795
D. d. for home consumption	8,303	3,467
Exports	4,831	210
Stocks, end of week	130,094	127,212
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	38	...
" D. d. for home consn.	151	80
" Exports	...	...
" Stocks, end of week	2,043	1,959
Central and S. American:		
Landed	1,270	2,273
D. d. for home consumption	822	2,145
Exports	536	803
Stocks, end of week	60,068	59,393
Other kinds—Landed	4,117	11,733
" D. d. for home consn.	1,755	3,797
" Exports	515	141
" Stocks end of week	59,525	67,320
MEAT:		
Supplies at Smithfield (tons):		
Total	7,377	9,480
Beef and veal	3,416	5,016
Mutton and lamb	2,321	2,564
Pork and bacon	542	929
Poultry, etc.	1,098	971
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	...	19
" Delivered	6	1
" Stocks, end of week	1,966	1,984
White—Landed	35	...
" Delivered	87	38
" Stocks, end of week	11,135	11,097
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	36,449	5,741
Deliveries	3,440	14,105
Stocks, end of week	282,970	274,606
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	46,144	...
S. India	7,858	...
Ceylon	24,323	...
Java	3,619	...
Sumatra	1,722	...
Africa	4,131	...
Total	87,797	...

* Week ended January 6.

Miscellaneous Commodities

Furs.—An important silver fox sale of the Hudson's Bay Company opened on Monday and will probably last until well into next week; some 120,000 skins are to be offered. The sale is well

attended and buying on foreign account is much better than of late. Prices at the opening were from 5 to 10 per cent. higher than those of December, which had, in turn, exceeded the low levels touched in November by some 10 per cent. If the tone of other markets remains cheerful, a further advance in silver fox prices may well occur. The tendency established at the present sale will doubtless have an important influence on the Australian auctions, which open in London on January 27th, and on the general London fur sales which begin on January 31st.

Oilseeds and Oils.—A steady to firm tone rules in most sections, though trade is not particularly brisk. Linseed on spot and near at hand is scarce, owing to the late commencement of the shipment of the new Argentine crop, but this should soon be remedied. Shipments from the River Plate last week were 44,200 tons, and the quantity afloat for Europe has increased to 110,000 tons (including 3,100 tons from India). A year ago the total quantity afloat was 155,500 tons. Shipments from India continue very small, and last week were no more than 500 tons. The first official estimate of the area under linseed in Argentina puts the total at 2,948,000 acres, which is less than the first forecast last year, and only 46,000 acres short of the final estimate. The Argentine crop is reported to be in fairly good condition, but it seems unlikely that India will have more or even as much available for export than in the season now drawing to a close. The reduced crop in Argentina gives strength to the market, which is looking to the United States being a buyer on a larger scale even than last year. New crop Plate January shipment to Hull has been sold at £12 15s. plus duty, and continues in good demand both here and on the Continent.

Egyptian cottonseed is firm and in good request at advancing prices. A substantial trade is reported, £6 7s. 6d. having been paid for seed afloat and £6 5s. in all positions to April, though prices have since eased a little.

Linseed oil is difficult to obtain for early delivery, and supplies are being supplemented by imports. Quotations have hardened and raw oil ex Hull is 20s. per ton higher than at the beginning of the month.

Rubber.—The tone of the market has improved in sympathy with Wall Street, and in response to the news that certain motor manufacturers in the United States were increasing their labour force; prices consequently advanced. Meanwhile, the view is apparently gaining ground in the market that the International Committee will take

no action regarding the quota at its meeting on January 25th, but will postpone the decision until its February meeting.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ending	
	Jan. 1, 1938	Jan. 8, 1938
Landed	2,361	2,026
Delivered	558	1,048
Stocks, end of week	57,818	58,796

SHORTER COMMENTS

Alvis, Ltd.—Loss on motor-car trading for 19 months to July 31, 1937, was £28,303 (against profit of £27,377 for year 1935). Net loss is £29,970, or £47,741 after £11,285 to development and £6,477 for subsidiary's loss. After transferring £50,000 from reserve and adding credit balance brought in of £13,380, balance is £15,639; 18 months' preference dividend absorbs £8,531, leaving £7,107 to go forward.

Henkeys, Ltd.—Net profits for the year to October 18, 1937, £54,218, against £54,420. Allocations of £7,500 (against £10,000) to general reserve, £2,632 (against nil) to Debenture sinking fund, £1,000 (unchanged) to pension fund, and £2,250

tax and N.D.C. Final dividend, 8 per cent. and a bonus of 4 per cent. on the "A" ordinary and ordinary shares (again making for year, 19 per cent.); balance forward reduced £12,082 to £10,218.

William Timpson, Ltd.—Trading profit for 1937 £160,310, against £146,438. To taxation provision, £50,000, against £35,000; reserve £37,500, against £50,447. Ordinary dividend 15 per cent. absorbing £56,250, against £55,419. Carry forward raised from £1,632 to £4,670.

Michael Nairn and Greenwich.—Revenue for 1937 was £259,208, a decrease of £26,402. Ordinary dividend and bonus 15 per cent., as before. Carry forward reduced from £66,371 to £64,478.

The Royal Bank of Canada

(Incorporated in Canada in 1869 with Limited Liability)

General Statement, 30th November, 1937

LIABILITIES		ASSETS	
	\$		\$
Capital stock paid up	35,000,000.00	Gold held in Canada	12,280.65
Reserve fund	20,000,000.00	Subsidiary coin held in Canada	1,286,131.09
Balance of profits carried forward as per Profit and Loss Account	2,325,176.14	Gold held elsewhere	323,188.46
		Subsidiary coin held elsewhere	2,277,708.65
Dividends unclaimed	15,378.87	Notes of Bank of Canada	10,528,282.75
Dividend No. 201 (at 8% per annum), payable 1st December, 1937	700,000.00	Deposits with Bank of Canada	58,548,733.36
		Notes of other chartered banks	1,407,589.39
		Government and bank notes other than Canadian	19,032,282.59
Deposits by and balances due to Dominion Government	6,637,546.08	Cheques on other banks	28,076,674.22
Deposits by and balances due to Provincial Governments	10,191,871.80	Deposits with and balances due by other chartered banks in Canada	2,669.35
Deposits by the public not bearing interest	305,179,751.97	Due by banks and banking correspondents elsewhere than in Canada	47,149,387.68
Deposits by the public bearing interest, including interest accrued to date of statement	420,402,615.88	Dominion and Provincial Government direct and guaranteed securities maturing within two years, not exceeding market value	95,745,198.13
Deposits by and balances due to other chartered banks in Canada	1,082,825.11	Other Dominion and Provincial Government direct and guaranteed securities, not exceeding market value	149,861,176.76
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries	12,595,085.73	Canadian municipal securities, not exceeding market value	9,127,673.57
Notes of the bank in circulation	28,644,831.14	Public securities other than Canadian, not exceeding market value	25,927,482.06
Bills payable	414,706.70	Other bonds, debentures and stocks, not exceeding market value	35,907,386.75
Acceptances and letters of credit outstanding	26,055,369.87	Call and short (not exceeding 30 days) loans in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover	19,392,906.77
Liabilities to the public not included under the foregoing heads	292,953.48	Call and short (not exceeding 30 days) loans elsewhere than in Canada on bonds, debentures, stocks and other securities of a sufficient marketable value to cover	10,070,583.59
			514,671,335.81
		Current loans and discounts in Canada, not otherwise included, estimated loss provided for	185,406,955.62
		Loans to Provincial Governments	4,590,097.99
		Loans to cities, towns, municipalities and school districts	10,566,673.62
		Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	101,147,198.10
		Non-Current loans, estimated loss provided for	2,986,428.63
			304,697,353.96
		Bank premises, at not more than cost, less amounts written off	14,995,187.31
		Real estate other than bank premises	2,581,017.64
		Mortgages on real estate sold by the bank	788,834.19
		Liabilities of customers under acceptances and letters of credit as per contra	26,055,369.87
		Shares of and loans to controlled companies	3,805,482.30
		Deposit with the Minister of Finance for the security of note circulation	1,550,000.00
		Other assets not included under the foregoing heads	393,533.69
			869,538,112.77

NOTE.—The Royal Bank of Canada (France) has been incorporated under the laws of France to conduct the business of the Bank in Paris, and the assets and liabilities of The Royal Bank of Canada (France) are included in the above General Statement.

M. W. WILSON, President and Managing Director.

S. G. DOBSON, General Manager.

AUDITORS' REPORT

TO THE SHAREHOLDERS, THE ROYAL BANK OF CANADA: We have examined the above Statement of Liabilities and Assets as at 30th November, 1937, with the books and accounts of The Royal Bank of Canada at Head Office and with the certified returns from the branches. We have checked the cash and the securities representing the Bank's investments held at the Head Office at the close of the fiscal year, and at various dates during the year have also checked the cash and investment securities at several of the important branches. 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. The above statement is in our opinion properly drawn up so as to disclose the true condition of the Bank as at 30th November, 1937, and it is as shown by the books of the Bank.

Montreal, Canada, December 22, 1937.

PROFIT AND LOSS ACCOUNT

Balance of Profit and Loss Account, 30th November, 1936	\$1,913,796.49
Profits for the year ended 30th November, 1937, after providing for Dominion and Provincial Government taxes amounting to \$947,839.26 and after making appropriations to Contingency Reserves, out of which Reserves provision for all bad and doubtful debts has been made	3,711,379.65
	\$5,625,176.14
APPROPRIATED AS FOLLOWS:	
Dividend No. 198 at 8% per annum	700,000.00
Dividend No. 199 at 8% per annum	700,000.00
Dividend No. 200 at 8% per annum	700,000.00
Dividend No. 201 at 8% per annum	700,000.00
	\$2,800,000.00
Contribution to the Pension Fund Society	300,000.00
Appropriation for Bank Premises	200,000.00
Balance of Profit and Loss carried forward	2,325,176.14
	\$5,625,176.14

M. W. WILSON, President and Managing Director.
Montreal, December 22, 1937.

S. G. DOBSON, General Manager.

LONDON OFFICES:

2/4 COCKSPUR STREET, S.W.1. J. A. Noonan, Manager.

6 LOTHBURY, E.C.2. R. B. McInerney, Manager.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)—		METALS (per lb.)—cont.		MISCELLANEOUS (per lb.)—cont.	
	Jan. 5 1938		Jan. 5 1938		Jan. 5 1938
Wheat, Chicago, May	93½	Tin, N.Y., Straits spot	42.00	Cotton, Am. Mid., Jan.	8-33
Winnipeg, May	125	Lead, N.Y., Spot	4.75	Lard, Chicago, Jan.	8-20
Maize, Chicago, May	62¼	Spelter, East St. Louis, spot	5.00	Petroleum, Mid-cont. crude 33 deg. to 33-90, at well, per barrel	116
Oats, Chicago, May	31¼			Rubber, N.Y., smkd. sheet spot	14½
Rye, Chicago, May	74¾			Do. Do. Feb.-Mar.	14½
Barley, Winnipeg, May	63¾			Sugar, N.Y., Cuban Cent., 96 deg., spot	3-20
METALS (per lb.)—		Cocoa, N.Y., Accra, January			
Copper, N.Y., Domestic spot	9 97½	Coffee, N.Y., Rio, No. 7	6¼		
Producers' export	10-20	Santos, No. 4	8½		
		Cotton, N.Y., Am. mid., spot	8-48		

BRITISH WHOLESALE PRICES

	Jan. 5, 1938	Jan. 12, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	60 9	61 0
Eng. Gaz. av., per cwt.	8 5	8 4
Liv. March, per cental	7 8	7 7½
Flour, per 250 lbs.—		
Straits, d. d. London	36 6	37 6
Manitoba, ex store	40 6	40 6
Barley, Eng. Gaz. av.	13 3	13 4
Oats,	8 5	8 6
Maize, La Plara, landed, 480 lb.	34 6	35 3
Do. January		
Rice, No. 2 Burma, per cwt.	8 9	8 7½
MEAT—		
Beef, per 8 lbs.—		
English long sides	5 2	4 10
Argentine chilled hinds	4 2	4 0
Mutton, per 8 lbs.—		
English wethers	5 8	5 0
N.Z. frozen wethers	4 4	4 2
Lamb, per 8 lbs.—		
N.Z. frozen	5 0	4 10
Pork, English, per 8 lbs.	6 6	6 8
BACON (per cwt.)—		
English	100 0	98 0
Danish	97 0	93 0
Irish	97 0	92 0
HAMS (per cwt.)—		
Canadian	87 0	86 0
United States	84 0	84 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	109 0	112 0
New Zealand	111 0	113 0
Danish	140 0	135 0
CHEESE (per cwt.)—		
English	72 0	73 0
New Zealand	66 0	68 0
English Cheddar	96 0	96 0
Dutch	61 6	63 0
COCOA (per cwt.)—		
Accra, L.I.	26 0	27 6
Trinidad	50 0	50 0
Grenada	48 0	48 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	32 6	32 6
Costa Rica, medium to good	72 0	70 0
Kenya, medium	42 0	44 0
EGGS (per 120)—		
English (15-15½ lb.)	16 0	16 0
Danish (15½ lb.)	14 6	14 0
FRUIT—		
Oranges, Jaffa boxes	6 3	7 3
Lemons, Malaga cases	13 6	13 0
" Sicilian boxes	12 0	11 0
Apples, Amer. (var.) barrels	15 6	15 0
" " (var.) boxes	8 0	8 0
Grapes, Almeria barrels	6 0	7 0
Grapefruit, Jaffa	10 0	11 6
LARD (per cwt.)—		
Irish, finest bladders	70 0	64 0
U.S.	52 0	52 6
PEPPER, per lb.—		
Black Lampung	0 2½	0 2½
White Muntok	0 3½	0 3½
POTATOES (per cwt.)—		
King Edward	6 6	6 6
SUGAR (per cwt.)—		
Centrifugals, 96% prpt. shipm., c.f. U.K. Cont.	6 2¼	6 1½
Refined—London—		
Yellow Crystals	19 7½	19 7½
Cubes	24 4½	24 4½

† 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.

	Jan. 5, 1938	Jan. 12, 1938
SUGAR (per cwt.)—cont.		
Crushed	22 1½	22 1½
Granulated	20 10½	20 10½
Home Grown	20 1½	20 1½
TEA (Auction Average) (per lb.)—		
N. India	13 93	14 18
S. India	15 15	15 15
Ceylon	11 34	11 34
Java	13 17	13 17
Sumatra	14 16	14 16
Africa		
TOBACCO (per lb.)—		
Virginia leaf, common to fine	0 8	0 8
Rhodesian leaf	0 9	0 9
Nyasaland leaf	0 7	0 7
East Indian leaf	0 7	0 7
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	4 92	5 00
" Sakelland, F.G.F.	8 46	8 43
" Giza, F.G.F.	7 63	7 60
Yarns, 32's Twist	11 53	11 53
" 40's Twist	10 54	10 54
" 60's Twist (Egyptian)	17 54	17 54
Cloth, 32 in. Printers, 116 yds.	18 5	18 5
" 36 in. Shirtings, 75 yds.	25 0	25 0
" 38 in. ditto, 38 yds.	10 7½	10 7½
" 39 in. ditto, 37½ yds.	9 7½	9 7½
FLAX (per ton)—		
Livonian ZK	66 10	68 10
Pernau HD	66 0	67 0
Slanetz Medium, 1st sort	81 0	85 0
HEMP (per ton)—		
Italian PG	69 0	69 0
Manilla, Dec.-Feb. 'J2	30 0	30 0
SISAL, African		
JUTE (per ton)—		
Native 1st mks., c.f. H.A.R.B.	£17 17 6	£19 0 0
Jan.-Feb.	£17 10 0	£18 2 6
Danish 2,3 c.f. Dundee, Jan.-Feb.	7 9	7 9
SILK (per lb.)—		
Japan	7 3	7 6
Italian, raw, fr. Milan	8 0	8 0
WOOL (per lb.)—		
English, Southdown, greasy	16½	16½
" Lincoln hog, washed	14½	14½
Queensland, sed. super combg.	23	23
N.S.W. greasy, super combg.	13	13
N.Z. greasy, hilt-bred 50-56	12	12
" Crossbred 40-44	11	11
Tops—		
Merinos 70's average	31	29
" 64's	29	27
Crossbred 40's	17½	17
" 40's	16½	16½
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	22 6	22 6
Sheffield, best house, at pits	21 0	24 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d.d.	109 0	109 0
Bars, Middlesbrough	205 0	205 0
Steel rails, heavy	202 6	202 6
Tin plates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	40 18 9	44 2 6
Three months	41 3 4	44 3 9
Tin—		
Standard cash	186 10 0	191 0 0
Three months	186 5 0	190 12 6
Lead, soft foreign—		
Cash	15 15 0	17 11 3
Spelter, G.O.B.—		
Spot	14 18 9	15 17 6
Aluminium, ingots and bars	150 0 0	100 0 0
" rolling billets	102 0 0	102 0 0
Nickel, home and export	180 0 0	180 0 0
Antimony, Chinese	67 0 0	66 0 0
Wolfram, Chinese, per unit	80 0	77 6
Platinum, refined, per oz.	85 0	82 6
Quicksilver, per 76 lbs.	13 0 6	12 17 6

	Jan. 5, 1938	Jan. 12, 1938
GOLD, per fine ounce	139 9	139 7½
SILVER (per ounce)—		
Cash	1 7½	1 7½
MISCELLANEOUS		
CHEMICALS—		
Acid, citric, per lb., less 5%	1 0 4	1 0 4
" Nitric	0 2 0	0 2 0
" Oxalic, net	0 5 0	0 5 0
" Tartaric, English, less 5%	1 1 1	1 1 1
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb.	20 0 0	20 0 0
" Sulphate	21 0 0	21 0 0
Arsenic, lump	35 0 0	35 0 0
Borax, gran.	13 6	13 6
" powder	15 0	15 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4 0	0 4 0
Sulphate	10 0 10	10 0 10
Soda Bicarb.	11 0 11	11 0 11
Crystals	5 0 5	5 0 5
Sulphate of Copper	18 10 18 10	18 10 18 10
CEMENT, best Eng. Portland, d'd site, London area, each, or paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s. per ton	42s. per ton
1 and up to 4-ton loads	44s. per ton	44s. per ton
COPRA (per ton)—		
S.D. Straits, c.f.f.	13/15/0	14/2/6
HIDES (per lb.)—		
Wet salted, Australian	0 5½	0 5½
West Indian	0 4 0	0 4 0
Cape	0 5 0	0 5 0
Dry and Drysalted Cape	0 7½	0 7½
Market Hides, Manchester—		
Best heavy ox and heifer	0 5½	0 5½
Best cow	0 4½	0 4½
Best calf	0 4½	0 4½
INDIGO (per lb.)—		
Bengal, g.d. red-vio. to fine	5 6	5 6
LEATHER (per lb.)—		
Sole Bends, 8 14 lb.	1 2	1 2
Bark Tanned Sole	2 4	2 4
Shoulders from DS Hides	0 7½	0 7½
" Eng. or WS do.	0 8 0	0 8 0
Bellies from DS do.	0 6 0	0 6 0
" Eng. or WS do.	0 8 0	0 8 0
Dressing Hides	1 10	1 10
Ro. Eng. Calf, 20/30 lb.	4 0	4 0
VEGETABLE OILS (per ton net)—		
Linseed, naked	27/17/6	28/7/6
Rape, refined	37/0/0	36/10/0
Cotton-seed, crude	20 0 0	20 0 0
Coconut, crude	19/15/0	20 0 0
Palm	16 17 6	17 2 6
Oil Cakes, Linseed, Eng.	9/15/0	9/15/0
Oil Seeds, Linseed—		
La Plata, Jan.	12/7/6	12/7/6
Calcutta	15/0/0	15/3/9
Turpentine	32 6	33 9
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit, No. 1, London	1 6	1 6
Petroleum, Amer. rid. brl. Lond.	0 10¼	0 10¼
Fuel oil, in bulk, for contracts, ex instal. Thames	0 3½	0 3½
Diesel	0 4½	0 4½
ROSIN (per ton)—		
American	15/15/0	15/15/0
RUBBER (per lb.)—		
St. ribbed smoked sheet	0 6½	0 7½
Fine hard Para	0 7¼	0 7½
SHELLAC (per cwt.)—		
IN Orange	43 0	43 6
TALLOW (per cwt.)—		
London town	20 0	20 0
TIMBER—		
Swedish u.s. 3 x 8	23 5 0	23 5 0
" 2½ x 7	22 15 0	22 15 0
" 2 x 4	20 5 0	20 5 0
Canadian Spruce, Dis.	23 15 0	23 15 0
Pitchpine	11 0 0	11 0 0
Rio Deals	35 0 0	35 0 0
Teak	27 0 0	27 0 0
Honduras Mahogany logs c. ft.	0 12 0	0 12 0
English Oak Planks	0 0 0	0 0 0
English Ash Planks	0 7 0	0 7 0

COMPANY MEETINGS

TURNER AND NEWALL LIMITED

YEAR OF EXPANSION AND PROGRESS

INCREASED SALES—HIGHER PROFITS

MR SAMUEL TURNER'S REVIEW

The annual general meeting of the members of Turner and Newall, Limited, was held, on the 13th instant, at the Royal Station Hotel, York.

Mr G. S. Newall presided in the absence of the chairman, Mr Samuel Turner.

The Secretary, Mr John L. Collins, read the notice convening the meeting, and the report of the auditors, Messrs Deloitte, Plender, Griffiths and Company, was read by Sir Alan Rae Smith.

Mr Newall read Mr Turner's speech, which, after dealing with the accounts, was as follows:—

Before proceeding to a survey of our activities, I would like to say a few words on the schemes which we have instituted during the last few years for the benefit of the employees of the group. You may recollect that in my speech at the last annual general meeting I told you that we had established a pension scheme for the benefit of the staff, and of the works employees, and had also decided to grant in future to the works employees their summer holiday with pay.

THE PENSION SCHEME

The pension scheme—which is administered by our own staff—provides pensions and/or life assurance benefits for the men and women in the service of the group companies operating in this country, and was most enthusiastically received by the employees. The scheme has now completed the first year of its existence, and, as a consequence, I am in a position to give you somewhat more definite facts than could be provided at this time last year. In addition to the company's contributions to the established scheme, and the contribution of £10,000 which we have recommended you to make to Turner and Newall Welfare Trust Limited for account of the trustees of the Robert Turner Fund, the company is also providing pensions on an ex-gratia basis to employees of long service who retired before the scheme came into operation; the total cost of these benefits, including the cost of providing the summer holiday with pay for the works' employees, is over £60,000 per annum. These figures relate only to the schemes benefiting employees of group companies operating in this country; appropriate schemes have also been established by the principal companies operating abroad, and the total cost to the group under all these schemes is now over £80,000 per annum.

MINING PROPERTIES

Turning now to a brief review of the state of our various activities, and dealing first with the mining companies, I am glad to be able to tell you that the development and equipment by New Amianthus Mines, Limited, of the Havelock mine in Swaziland is proceeding satisfactorily, and it is hoped that production will begin in 1939. The mines in Southern Rhodesia are at present producing to capacity and have obtained their full share of the increased world demand for raw asbestos.

The Bell mine in Canada is also experiencing a very satisfactory demand for its product which meets with a ready acceptance from manufacturers all over the world. Our investment in this mine is a satisfactory one, and one which in my view ranks equally with the best of our African mining investments.

ASBESTOS TEXTILE MANUFACTURING UNITS

The asbestos textile manufacturing units, Turner Brothers Asbestos Company, Limited, Rochdale, and J. W. Roberts, Limited, Leeds, have had a satisfactory year and have increased the volume of their business. At the Rochdale factory further extensions are nearly completed, and our new Asbestos Textiles Research Department is beginning to make itself felt in the development of new lines and the improvement of existing products. Stockholders will be interested to know that Turner Brothers Asbestos Company, Limited, have established themselves as leaders in the amelioration of working conditions in the asbestos textile industry, and in this

connection I would like to say a few words on the subject of asbestosis, which has received a certain amount of publicity during the last year or two.

ASBESTOSIS ELIMINATED

It is only within comparatively recent years that the directors have become aware of the danger to health which arises from continuous contact with asbestos dust, but from the first date when scientists brought this danger to our notice, unremitting efforts have been made to overcome the difficulty. Our efforts have been so completely successful that I can with confidence state that new cases of asbestosis in your companies' factories are extremely unlikely, the cases with which we have to deal at present being simply the inheritance of the days when, unfortunately, this danger was not realised. When our plans are completed, the working conditions in our asbestos factories will be second to none, and there will be no special risk of any kind attached to working in them. The unit ventilating system evolved at Rochdale has been the subject of congratulation by the Home Office, and will, we hope, in due course become standard in the asbestos textile industry.

FERODO LIMITED

Ferodo Limited, our company which, we think, leads the world in brake-lining and friction materials, has again increased the volume of its business, and is enjoying an ever-increasing popularity and a growing demand for its products. Recent legislation has undoubtedly contributed to the development of "brake consciousness" in the minds of road users, and this is reflected in the increased reputation of Ferodo Limited. World prestige of Ferodo products has also been enhanced by their continued use on cars specially designed for the setting-up of new world's land speed records, the latest being the speed of 311.42 miles per hour established by Captain G. E. T. Eyston with his 4,700 h.p. car Thunderbolt, equipped, of course, with Ferodo linings.

Following a decision that Ferodo Limited should widen the scope of its activities, a further addition has been made to the extensive factory at Chapel-en-le-Frith. The new building has been equipped with the latest machinery for the manufacture of Motor Vehicle fan belts, and production will shortly begin.

TURNERS ASBESTOS CEMENT

Turners Asbestos Cement Company, which is primarily concerned with the manufacture and sale of asbestos cement building products, and also electrical insulation products, has again experienced a considerable expansion of its activities. During the past year the demand for "Everite" asbestos cement pressure pipes and other "Everite" materials has grown so substantially that in spite of several extensions at the Widnes works we are still not able to give delivery of these materials as promptly as we should wish. Further extensions are, however, well advanced at Widnes, and in addition steps have been taken towards the establishment of a new plant for the manufacture of "Everite" pressure pipes at the Erith works, and production at this new plant will begin as early as possible. This company has also acquired additional land adjoining its works at Trafford Park, Manchester, and extensive additions to the plant are now in course of being made. Further, it is proposed to establish an asbestos cement works in Scotland, and for this purpose we have acquired the site of the former well-known Beardmore shipyard on the Clyde; this particular undertaking will be carried out in conjunction with the trustees of the fund established by Lord Nuffield for increasing employment in the Special Areas. In addition to the developments in this country, we have also taken the preliminary steps towards the establishment of a manufacturing centre for asbestos cement products in South Africa; a new company, Turners Asbestos Products (Proprietary) Limited, has already been formed, and a site for the proposed factory has been acquired at Krugersdorp, near Johannesburg.

COMPANY'S ASBESTOS CEMENT FOR EMPIRE EXHIBITION

I think that one of the most fitting tributes which has been paid to the expansion of the uses of asbestos cement in the building industry is the extent to which our asbestos cement products will be used in the construction and equipment of the buildings erected for the Empire Exhibition to be held in Scotland next year. I am certain that visitors to the Exhibition will agree that the use which has been made of this product in the construction of walls, floors, ceilings and roofings, will be a unique example of the versatile nature of asbestos cement. Turners Asbestos Cement Company have from the outset co-operated fully with the architects of the Exhibition, Sir John Burnet Tait and Lorne, and we are always willing to co-operate similarly with all architects who are seeking a material capable of being used in conformity with their own ideas for the internal and external facing of buildings of all kinds.

DEVELOPMENT IN ELECTRICAL PRODUCTS DEPARTMENT

In addition to the building materials section, there has been an outstanding development in the electrical products department of Turners Asbestos Cement Company during the past year. "Everite" asbestos cement cable conduits are now being extensively used, not only by various municipalities for underground power cables but, on an even larger scale, by the General Post Office for underground telephone cables. The lightness of the material, the ease of handling and the simplicity of jointing, have combined to further the popularity of this newest development, and during the past twelve months the Widnes works of this branch have manufactured, for the G.P.O. alone, conduits totalling in length nearly 500 miles. The use of our products in the electrical insulation field has also extended considerably during the past year. An increasing number of actual users of electrical equipment are demanding the incorporation of "Sindanyo" and "Siluminite" products in their gear; further, although these products were primarily produced to meet the demands of the electrical industry, they are now being used to an increasing extent in the steel and iron industries. In fact, the expansion in the electrical products section of Turners Asbestos Cement Company has been quite exceptional during the past year; this is a particularly gratifying development, as these materials are sold entirely on quality.

As regards the insulation and chemical section of our activities, The Washington Chemical Company has experienced, during the year under review, a very definite development in its chemical sales. One of the new fine chemicals, i.e. translucent magnesia, has been accepted by the rubber industry as being of very considerable value, in that it gives them a greater transparency in their rubber products, as well as greater durability.

The Western Chemical Company (Paisley), Limited, has during the year introduced a new moulding powder for use in foundries, and for the manufacture of light casting patterns, and the acceptance of this material has been very satisfactory.

It is pleasing to record that in association with the Distillers Company, Limited, through the Carbon Dioxide Company, Limited, business in dry ice shows definite and steady expansion. Technique is being developed and a number of new uses have been found.

NEWALLS INSULATION COMPANY

During the past twelve months insulation contractors have been extremely busy, due largely to the great increase in industrial work of all types and the very big naval programme of new construction and reconditioning. Newalls Insulation Company have continued to maintain their leading position in the trade and have secured a full share of the orders available.

On the marine side of their insulation business, the development of acoustic treatment on ships propelled by internal combustion engines, whether of the ocean liner or cross-Channel size, has been remarkable, and Newalls Insulation Company have successfully carried out contracts on both types of ship, adding materially to the comfort of passengers and crew by the treatment of engine rooms, ventilating fan rooms, and passenger accommodation. It is expected that succeeding years will show still further development of this acoustic treatment in which our material, based on asbestos, which is non-inflammable and non-organic, has such outstanding merit.

Business in insulating bricks shows steady growth, and we are now manufacturing at Washington, and marketing, five distinct grades of insulating brick, each manufactured for a particular temperature, crushing strain, and special working conditions.

During the year we have also perfected a process of manufacture for the production of moulded asbestos for the first protection of steel work generally in electric power stations, sub-stations and distribution centres, the protection of electric cables and oil-immersed switch gear. It is anticipated that this new product will show

definite development, and it has been well received by electrical consultants, power station engineers, and representatives of the Central Electricity Board.

PROGRESS OF INDIAN COMPANY

Turning now to manufacturing companies operating abroad, Asbestos Cement, Limited, our Indian company, is making steady progress towards the completion of its two new works in Bombay and Calcutta respectively, and we expect that gradually it will be able to build up a satisfactory volume of business in asbestos cement building materials in India. Meantime, sales from the original plant established in India at Kymore, Central Provinces, continue to grow, and the fact that in the near future supplies will be available also from Bombay and Calcutta will be of considerable assistance to Asbestos Cement, Limited, in building up the market.

AMERICAN COMPANIES

The Keasbey and Mattison Company continues to make progress. Plants for the manufacture of asbestos cement pressure pipes are in course of erection adjacent to the company's existing works at Ambler, Pennsylvania, and at St. Louis, Missouri, and it is anticipated that the Ambler pipe plant will be in production on a small scale very shortly. The Keasbey and Mattison Company received its full share of increased business in its general line of products as a result of improved conditions in the United States during the past eighteen months, and although, of course, it has shared also in the recession in trade which has been obvious in that country during the past three months and consequently will probably show rather lower profits during the current year, your board are satisfied with this company's prospects, and are confident that, when taxation conditions in the United States become more normal, it will be able to make its full contribution to the profits of the Turner and Newall, Limited, organisation as a whole.

Ferodo and Asbestos Incorporated, which has a brake lining and friction material factory at New Brunswick, New Jersey, U.S.A., has also made progress during the past year, and brake lining produced at New Brunswick is now being fitted as standard equipment by the manufacturers of the Buick, Hudson and Lincoln Zephyr passenger cars, and of Ford and other commercial vehicles.

Members of your board have recently paid visits to our companies operating overseas. Our African companies have been visited once, and all our other companies operating outside the United Kingdom have been visited twice during the year; this has been possible without inconvenience, owing to the very adequate and speedy facilities for travel which now exist between the principal countries of the world.

BOARD'S SOUND PRODUCTION POLICY

To sum up, I am sure that stockholders will agree that our company has had a very satisfactory year. Our profits have increased by a substantial sum, but I would like to make it clear that the reason for this increase is mainly the larger volume of business obtained, as increased selling prices, where these have been found possible, have been offset to a very large extent by increased costs. As you are aware, it is our policy to try to keep our production capacity always ahead of immediate market requirements, so that we may be in a position at any moment to take advantage of an improvement in demand, and it is very largely through this policy that we have been able during the past year to accept the larger volume of business which has resulted in increased profits.

The general condition of our organisation has never been better than it is to-day, and I can give no clearer illustration of our confidence in the future than to tell you that extensions are proceeding at every factory which we, or any of our associated companies, own, whether at home or abroad.

We cannot hope that world conditions will always operate to our advantage, and many times in the past the contrary has been the case, but for years past we have pursued, and we propose to pursue in the future, a policy of looking forward beyond the immediate demands and difficulties of the moment, and, by planning some years ahead, keep ourselves always in a position to take advantage of such opportunities as are, or can be made, available to us.

In conclusion, on behalf of the Board and on your behalf, I should like to express our thanks to our officials and employees at home and abroad for their continued loyalty and conscientious effort during the year under review.

Mr Newall then moved the following resolution:—

"That the directors' report and accounts of the company in respect of the year ended September 30, 1937, and the balance sheet of the company as at September 30, 1937, as printed and

circulated to the members, be and are hereby received, approved and adopted."

The resolution was seconded by Mr B. E. Williams and carried unanimously.

The usual resolution was then passed authorising payment of the ordinary dividend of 16½ per cent., making 20 per cent. for the year, subject to income tax, following which Mr R. H. Turner, Mr W. N. Roberts, Mr C. S. Bell and Mr R. Starkey, the retiring directors, were re-elected directors of the company.

Messrs. Deloitte, Plender, Griffiths and Company, Chartered Accountants, were re-appointed as auditors for the current year.

A vote of thanks to the chairman terminated the proceedings of the meeting.

CANADIAN BANK OF COMMERCE

YEAR OF PROGRESSIVE ADJUSTMENT

EXPANSION IN MINING AND HEAVY INDUSTRIES

At the annual meeting of the Canadian Bank of Commerce held on the 11th instant, in Toronto, the general manager, Mr A. E. Arcott, said: "For Canada, 1937, like intervening years from 1933, was mainly one of progressive adjustment. In several branches of national economy a record level of productivity and employment was attained, notwithstanding the influence of the sharp recession in the United States upon certain industries as well as upon stock and commodity prices. Canada's business volume as a whole was 10 per cent. greater than in 1936, one of the outstanding features of the year being the expansion in heavy industries. Mining has been in the vanguard of Canada's economic advance and production value in 1937 reached a record of \$450,000,000."

AGRICULTURAL PROSPECTS

After reviewing agricultural conditions during the year he described the pre-season moisture conditions in Prairie Provinces as the most promising since 1933. In about 70 per cent. of the total wheat area autumn precipitation was either above average or nearly normal, some of the heaviest rains falling in districts which reaped short crops in recent years. This provided a much more cheerful outlook for 1938.

The recovery in business, commencing in 1933, gained impetus until the peak was reached about the middle of the past year, but the banks had not benefited to the same extent as trade and industry. Instead of the rise in interest rates which followed previous depressions these had remained low or fallen further. Canada with her vast natural resources, her wide range and variety of products which the world so greatly needed and the industry, capability and enterprise of her people was in a more favoured position than almost any other country to withstand any temporary recession in general trade and to participate fully in the advance which would inevitably occur when the necessary adjustments were made and confidence again restored.

MR S. H. LOGAN'S ADDRESS

The President, Mr S. H. Logan, said: "It is quite apparent that economic progress in Canada during 1937 was due largely to a series of favourable developments affecting the country's export trade. This trade, though recently on a declining scale from the record volume of the preceding year, had a value above one billion dollars and, like that of 1936, was on a comparable price basis actually greater than in 1929.

"Probably never had international trade shown such divergent trends as in the recent years of intense economic nationalism. Canada's export trade had conformed to the abnormal change in the character of world commerce; the volume of agricultural exports in 1937 was slightly less than in 1932, but notwithstanding a continued narrow American market for our lumber, exports of all wood materials rose by about 70 per cent. over 1932 to account for about one-fifth of all exports. The most striking development was, however, in mineral exports, which gained by 170 per cent.

"The greatest problem of the world to-day is the settlement of European affairs upon a basis that will remove the constant threat of another world conflagration and the termination without Western entanglement of the disastrous war now going on between Japan and China."

He said that in Canada they had faith not only in the might but also in the good sense, calm judgment and wise forbearance, even in the face of grave and wilful provocation, of the British people and their Government. They had also confidence in the power, influence and right intentions of their great neighbour

and kindred democracy to the south. The chief interest of both the British Empire and United States was world peace. By their joint or co-operative action it was most likely to be achieved and made permanent. To the extent that Canada was able to assist in the realisation of this great ideal their Government should be able to depend upon the support and encouragement of the Canadian people.

TRANSVAAL AND DELAGOA BAY INVESTMENT COMPANY, LIMITED
(INCORPORATED IN THE UNION OF SOUTH AFRICA)

ANOTHER SUCCESSFUL YEAR

The ordinary annual general meeting of the Transvaal and Delagoa Bay Investment Company, Limited (Incorporated in the Union of South Africa), was held, on December 2nd, in Johannesburg.

Mr S. C. Black presided, and, in the course of his speech, said:—Our net profit, after making the usual provision for taxation and depreciation, amounts to £120,140 19s. 5d., as compared with £119,041 9s. 5d. for the preceding year. We now recommend payment of a final dividend of 4s. per share, which will bring the total distribution for the year to 6s. 6d. per share = 32½ per cent., free of Union of South Africa ordinary income tax, the same as the previous year.

Our two collieries, the Transvaal and Delagoa Bay Collieries and Douglas Colliery, Limited, produced jointly 998,458 tons of coal, compared with 989,330 tons in 1936. This increase would certainly have been much larger if the Railways Administration had been able to supply transport facilities for all the coal we were in a position to produce and sell.

You will, I feel sure, be interested to learn some facts about the reserve deposits of coal we have acquired during the past twenty-five years and tested by careful borings. Quite apart from the 12,211 acres comprising our two present working collieries in the Witbank District, and the 16,679 acres of freehold coal-bearing ground in the Wakkerstroom District, we have freehold or mineral rights over four farms in the Middelburg and Witbank Districts, which we estimate to contain no less than two hundred million tons of saleable coal of high calorific value.

The Transvaal Coal Owners Association (1923), Limited, of which both our collieries are members, carried out the sale and distribution of its members' product with the greatest efficiency and in the face of exceptional difficulties arising from the shortage of railway trucks, to which I have already referred.

THE NIGEL GOLD MINING COMPANY, LIMITED

We have a very substantial interest in this company, and we are well pleased with it.

Development is being pressed forward and continues to give excellent results, especially in the lowest levels of the mine. In October, the latest month for which figures are available, 2,660 feet were sampled, of which 1,340 feet, equivalent to 50.38 per cent., proved payable, of an estimated average value of 11.6 dwt. over stopping width.

Owing to delay in the delivery of machinery and plant, it was not possible to increase the milling tonnage as soon as was originally hoped. The erection of this new plant was, however, completed in November, and although the incorporation of the new unit into the existing plant necessitated a complete stoppage of the reduction works for over twenty-four hours, the tonnage milled in that month nevertheless reached a total of 27,500 tons, against 28,000 tons for the longer month of October. These figures should soon be exceeded, as the reduction works now have a capacity sufficient to treat the maximum tonnages expected during the next few years.

SABIE DISTRICT, TRANSVAAL

The Nestor Gold Mining Company (Proprietary), Limited, in which we own all the issued capital, was formed in January last to acquire from our company all the assets of the Buchanan Gold Mine. The property is at present being developed, and a small amount of gold is being won with the very primitive plant taken over with the property. It is intended to replace this plant with a modern one when development has reached a more advanced stage.

We are still occupied in testing the adjoining ground, under the rights granted by Government prospecting leases. Since the close of our financial year, we have been granted a prospecting lease over a further area equivalent to 1,468 claims. Sufficient encouragement has been afforded us to continue our work, but it is not yet possible to reach any definite conclusion as to the value of the ground.

LOURENCO MARQUES

There is a slight improvement in business here, and our buildings are all let at satisfactory rentals. The receipts at our Scala Cinema, which are to a certain extent an indication of the prosperity of the town, have shown a definite improvement, especially in the last few months of the year, but the spending power of the population is still lower than it was before the recent depression, whilst the cost of living remains high.

On the other hand, the state of Government finances is very sound, and it is gratifying to know that it is intended to spend large sums in the colony on the extension of railways and other public works, which should increase the circulation of money and enhance the value of the outside districts.

The year under review has not been free from anxiety, and the state of uncertainty, engendered by the critical international situation, was accentuated in April by apprehensions regarding the future of gold, and prices of shares fell heavily. It is satisfactory to record that this uneasiness has died down, and that gold is fully retaining its value, although share prices have not yet reverted to previous levels.

The Union of South Africa has every reason to feel confident of the future. Its financial stability, the sound position of gold mining and the prosperous condition of its other varied and growing industries lend support to the view that, once international harmony is restored, the progress of the Union should be rapid and continuous.

The report and accounts were unanimously adopted.

FANTI CONSOLIDATED INVESTMENT COMPANY, LIMITED

DIVIDEND OF 12½ PER CENT.

The ordinary general meeting of the Fanti Consolidated Investment Company, Limited, was held, on the 10th instant, at Southern House, Cannon Street, London.

Sir Edmund Davis (chairman and managing director), in moving the adoption of the report and accounts, said that interest, dividends, and sundry receipts amounted to £46,253, against £49,048, the decrease being due to a reduction in sundry receipts, as the amount received for interest and dividends was £2,407 more than for the previous period. Net profit on realisation of investments, £35,918, compared with £45,122, a decrease of £9,204, as they had preferred to retain certain investments which showed, and still showed, considerable appreciation instead of disposing of them and in that way adding to the net profit. The total revenue amounted to £82,171, and deducting expenses there was a credit balance of £76,539.

The depreciation on investments for the year on their usual basis of valuation of each investment at market price or cost, whichever the lower, amounted to £53,633, whereas for the previous period they had £23,892 to write back. They had, therefore, made full provision for that depreciation out of reserve account, after which there remained a balance thereon of £6,992. At the same time, he would point out that the aggregate market value of the investments at December 31, 1937, was £731,582, showing an appreciation above cost of £70,452, and in respect of that surplus no credit had been taken in the accounts.

Despite the fall in commodity and investment values, there did not appear as yet to be any serious trade recession in this country, and it was reasonable to expect a recovery in markets on any improvement in the international situation. Under the present circumstances the directors were pleased to be able again to recommend the payment of a dividend at the rate of 12½ per cent. per annum, and to maintain, with the exception of the slump year, 1931, their unbroken dividend record since 1918. The average annual rate of dividend over that period of twenty years, including 1931, was 10.67 per cent.

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.

Telephone: Central 8631

CENTRAL AND DISTRICT PROPERTIES, LIMITED

DIFFICULT CONDITIONS

The fourth ordinary general meeting of the Central and District Properties, Limited, was held, on the 12th instant, at River Plate House, London.

Mr Horace Boot, M.Inst.C.E., M.I.Mech.E., M.I.E.E., the chairman, said that the completion of many new blocks of flats in and around London had made the management of a property-owning company a very onerous task, for, with that additional competition, it was more difficult than ever to maintain the income. In spite of every effort having been made to let the premises becoming vacant by means of additional expenditure on advertising and circularising, and by very carefully following every means of approach to prospective tenants, no matter how novel, the loss of rent through vacant premises had considerably increased. Those efforts were being intensified, and with the cessation of new building it was hoped that the present year would show a considerable improvement.

Expenditure had been very carefully and strictly controlled, so that the company was managed at the minimum cost.

The balance of undivided profits on revenue account amounted to £10,123, and, after providing for the three months' preference dividend from July 31 to October 31, 1937, less income tax, there was a balance to carry forward of £8,042, which compared with £6,864 for the preceding year.

No dividend on the ordinary shares was recommended for the year, as it was the directors' desire to conserve the financial position of the company. In spite of the reduction in earnings, the company's financial position was very strong, and the capital appropriations from revenue, while reducing the profit available for dividend, increased the capital value of the ordinary shares by reducing the prior charges. The directors were confident that the present difficulties of property-owning companies were only of a temporary character, and they were satisfied as to the future prospects of their company.

It must not be forgotten that owing to the heavy increases in the price of raw materials and labour for building, the company's properties to-day would cost probably 25 per cent. more than they had done when they were acquired.

After discussion, the report and accounts were adopted.

APEX (TRINIDAD) OILFIELDS, LIMITED

YEAR'S RECORD PRODUCTION

The eighteenth ordinary general meeting of Apex (Trinidad) Oilfields, Limited, was held on the 12th instant, at Winchester House, London, Mr Walter MacLachlan (chairman and joint managing director) presiding.

The Chairman, in submitting the accounts for the year ended September 30, 1937, said the net profit amounted to £339,841, and the board recommended the payment of a final dividend of 32½ per cent., making 45 per cent. for the year, less tax at 2s. 6d. in the pound, which was equivalent to a total of 52½ per cent. if subject to full tax of 5s. in the pound. The production of crude oil amounted to a record of 550,026 tons, and the total from the commencement up to the end of last month was nearly 6,000,000 tons. The casing-head gasoline plant produced 8,552 tons of high-grade petrol spirit. The average price per ton realised from the sale of production materially improved upon that for the previous year, and the effect of this, combined with the increase in production, was reflected in the satisfactory results disclosed.

A striking feature in connection with the production during the year had been the very satisfactory results obtained in the main oilfield and the excellent yield from the deeper sands, more particularly from Sand "G." The evidence of the persistence and productivity of these sands which thus continued to be afforded was most satisfactory. Operations on the southern portion of the property had been confined to the western section of that area. Well No. 242, which had yielded very good production, was in that section, and drilling had been carried out to the east of that well, but owing to faults which had been found to exist in the geological structure at that point, these operations had not resulted in any increase in the proved area of that section. They were extending operations in other sections of the southern area to the south and east, and investigation would also be made of blocks of land which they held still further to the south, in the vicinity of which important developments had recently taken place.

The general outlook of the oil industry was sound. The board anticipated a continuance of the very satisfactory results which had attended the operations during the past year.

The report and accounts were unanimously agreed to.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

INCREASED SALES AND PROFITS

SIR HUGO CUNLIFFE-OWEN'S SPEECH

COMPANY'S ACTIVITIES

At various times and on various occasions, I have endeavoured, at these meetings, to give the stockholders some idea of the operations of the company, and perhaps you will allow me again to say a few words on this subject.

Your company carries on business by way of manufacture in this country and export to foreign markets, and is interested as a shareholder in companies engaged in local manufacture in foreign countries. The export of goods from this country to foreign markets has, over a course of years, diminished in volume owing to the incidence of protective duties in foreign countries. In order, as far as possible, to minimise the effect of these protective duties, your company has become interested as a shareholder in a large number of subsidiary and associated companies trading all over the world, in many different currencies and under the laws of many countries. The dividends received from shareholdings in these companies form a very substantial part of your company's revenue. While the majority of these companies are engaged in the manufacture and sale of tobacco goods, your company is also interested in companies engaged in other ancillary trades and industries, as, for example, printing and cigarette paper manufacturing. Your company, however, is only interested in such businesses when it is necessary to ensure the uninterrupted supply of materials required in connection with your company's world-wide operations.

VALUE OF THE INVESTMENTS

In connection with the foregoing, I should like to refer you to the auditors' note on the balance sheet, to the effect that, in the aggregate, the value of your company's investments in subsidiary and associated companies is greatly in excess of the amount at which they stand in your company's balance sheet.

Stockholders will readily understand that an exact valuation of these investments is an impossibility. Their value varies in sterling from day to day, in accordance with the fluctuations of the exchanges governing the currencies of the countries in which these companies operate. We do know that, in the few cases where the shares of our subsidiary and associated companies have market quotations, the book value of your company's holdings of those shares is appreciably below their quoted value. Where there is no market quotation, it is impossible to arrive at anything but an arbitrary value based on interest rates prevailing in those countries.

Your board's view is that, if it gave you its opinion of the value of your company's investments in subsidiary and associated companies, this opinion would in all probability prove deceptive, and, therefore, your board does not consider it in your interests that any opinion should be expressed other than that of the auditors.

CONFIDENCE IN THE FUTURE

Now, as to the future—what can I tell you? Provided that we are spared a serious world catastrophe, I look with confidence to the future. Your business over a course of years has been steadily strengthening and improving, and while, as I have said before, the margin of profit throughout the world is small, still, the constantly increasing efficiency of your company's operations has enabled the company to show satisfactory results hitherto, which should, in my opinion, continue, provided that we enjoy reasonable stability in world affairs.

I may here say that the bonus of threepence per £1 of stock which your directors recommend should be paid this year should not be considered by you as a continuing bonus. World conditions are difficult and uncertain, and your directors have felt that it is better, under such conditions, to deal with the increased profits by way of a bonus rather than by way of an increased dividend.

I now beg formally to move the adoption of the report and balance sheet for the year ended September 30, 1937, including the allocation to the employees' benevolent fund of a sum of £100,000 and the payment on January 17th instant of a final dividend (free of United Kingdom income tax) on the issued ordinary stock of 8d. per £1 of stock, and a bonus (free of United Kingdom income tax) on the issued ordinary stock of 3d. per £1 of stock.

I may also mention that the directors have declared for the year 1937-38 an interim dividend of 10d. per £1 of stock (free of United Kingdom income tax), also payable on January 17th, so that the ordinary stockholders will receive on that date 1s. 9d. per £1 of stock.

The report and accounts were adopted.

The thirty-fifth annual general meeting of British-American Tobacco Company, Limited, was held, on the 10th instant, at 7 Millbank, London, S.W., Sir Hugo Cunliffe-Owen, Bart. (the Chairman), presiding.

The Assistant Secretary (Mr E. A. Blockley) having read the report of Messrs Deloitte, Plender, Griffiths and Company, chartered accountants, appended to the accounts,

The Chairman, in the course of his speech, said: The accounts show a net profit for the year, after deducting all charges and expenses and providing for taxation, of £5,760,449, an increase of £218,694, which, under present conditions, I trust you will find satisfactory.

Last year we carried forward a balance of £2,428,280 15s. 6d. To this must be added the profits for the year as previously mentioned £5,760,449 13s. 5d., less the dividend on the 5 per cent. preference stock of £225,000; on the six per cent. second preference stock of £360,000; and the four interim dividends paid on the ordinary stock for the year, amounting to £3,947,710 3s. 4d., leaving a disposable balance of £3,656,020 5s. 7d., out of which the directors recommend the allocation of a sum of £100,000 to the employees' benevolent fund, bringing that fund up to £362,965 11s., the distribution on January 17th of a final dividend (free of United Kingdom income tax) on the issued ordinary stock of 8d. per £1 of stock, amounting to £789,592 0s. 8d., and a bonus (free of United Kingdom income tax) on the issued ordinary stock of 3d. per £1 of stock, amounting to £296,097 0s. 3d., leaving £2,470,331 4s. 8d. to be carried forward.

The only other item I need refer to is the note with regard to a contingent liability of £141,086. This figure has been reduced from £725,785 by the reorganisation of the capital of a subsidiary company on which substantial calls were outstanding. I do not think the £141,086 will ever be called up. One of the companies in respect of which there is a contingent liability is Tobacco Insurance Company, Limited. That company's financial year ended on December 31st and I am glad to be able to tell you that the company has again had a very satisfactory year.

We have had a difficult year. Our sales and those of our subsidiary and associated companies show a satisfactory increase over the previous year, but there have been many difficulties to overcome.

For example—the disastrous floods in the United States, while they did not invade our subsidiary company's factories, did cause that company losses amounting to, approximately, half a million dollars.

The unfortunate conditions existing in China have also caused losses to our companies there, and, although we have reason to congratulate ourselves on the limited extent of these losses up to date, still they have been quite substantial. All these losses have been provided for by the companies concerned out of their income.

There is also the incidence of the N.D.C. for six months and increasing taxation in many parts of the world, so that we feel that the results obtained, in view of all these difficulties, are satisfactory.

CONDITIONS IN CHINA

You would, no doubt, like me to make some further reference to the business of our companies in China. In the first place, I am sure you will be pleased to hear that there have been no serious casualties among the personnel of the companies there. While, as I have said before, our companies have suffered some substantial losses, we can regard ourselves as fortunate that the material damage to property has, so far, been less than we feared.

Since the outbreak of hostilities the volume of sales of our companies in China has been curtailed, owing to transport and many other difficulties, but whether this curtailment will increase or diminish in the future it is impossible to forecast. Still, the fact that business has been possible—even although on a reduced scale—is, I think, a tribute to the organisation of our companies in China. It is, of course, impossible to tell what the outcome of these disturbances will be, and we can only continue to support, as far as we can, the efforts of our companies in China, in meeting day to day difficulties as they arise. I may add, before leaving this subject, that two of your directors have been continuously in China from a date before the commencement of the troubles, and they are still there, supporting the loyalty and courage of the local organisation, which I am sure you will appreciate.

JOSEPH NATHAN AND COMPANY, LIMITED

BRITISH DRIED MILK FACTORY

The thirty-ninth ordinary general meeting of Joseph Nathan and Company, Limited, was held, on the 11th instant, in London.

Mr Alec Nathan (chairman of the company), who presided, said that he was pleased to be able to report an increase of profit for the year. The balance to appropriation account at £91,298 had improved by £6,232, and after transferring £35,875 to the reserves and paying an ordinary dividend of 10 per cent., the carry-forward was £1,338 higher than that brought in. The consolidated statement showed that the issued capital, including the interest of outside shareholders, was more than covered by the fixed assets. Investments and floating assets alone exceeded the total liabilities by nearly £47,000.

For the benefit of those shareholders who had only become initiated in the company of recent years, he would briefly state that the roots of Joseph Nathan and Company had been planted in New Zealand in 1857, and the business was at its inception purely a merchandise business. About 1886 dairying became a commercial industry, and the company became closely associated with it. At a later stage, as the manufacture of butter and cheese in New Zealand developed upon a co-operative basis, the company itself had ceased to manufacture, but had continued to handle those commodities upon a large scale. At the same time, it introduced the drying of milk into New Zealand, a step which had eventually caused them to introduce "Glaxo"—"the Food that Builds Bonnie Babies."

RESOLUTE PHARMACEUTICAL POLICY

That venture had materially altered the character of the business. On the one hand, the marketing of butter and cheese had led to the desirability of securing an easier outlet for a substantial proportion of its supplies by association with, and latterly by control of, wholesale provision and grocery businesses.

On the other hand, the disposal of its dried milk, in the first instance as an infant food under the proprietary name of "Glaxo," had led up to the elaboration of a very considerable organisation for the manufacture and sale of pharmaceutical products, both in this country and abroad, the use of which was recommended by the medical profession, and the distribution of which took place through the wholesale and retail chemist. It was the policy of the directors to promote and develop the pharmaceutical section more actively in the future, and as the company had available the necessary technical knowledge and organisation, the directors were confident that that policy was both sound and wise, even if it caused a material alteration in the structure of the business compared with the past. Circumstances necessitated the production of some of their milk powder in Great Britain, so they had erected a factory in Yorkshire, equipped with the latest machinery for the drying of milk. This was in full production on October 1st last.

He might add that the buoyancy of the company's turnover throughout the world had been maintained with an increase of sales in every territory, due to the far-sighted policy of development. The policy of the directors of the Glaxo Laboratories was to make themselves self-contained from the production angle, so as to provide greater powers of resistance to meet any future recession. They had to be in a financial position to scrap a process and replace it with something more modern or up to date at whatever cost if the company were to retain the goodwill of members of the medical profession and the general public. To carry out that settled and planned policy, a share of profits year by year must be held in reserve.

BANK PROFITS AND DIVIDENDS

Munster and Leinster Bank.—Final dividend 6 per cent. tax free, making 12 per cent. tax free for 1937 (the same). To contingencies for latter half of 1937, £15,000 (same as for corresponding half of 1936). To staff pensions £5,000, as before. To reduction of premises account, £5,000, as before. Carry forward £44,339.

Provincial Bank of Ireland.—Dividend maintained at rate of 12½ per cent. per annum, less tax, for half-year to December 31 1937.

Clydesdale Bank.—Net profit for 1937, £320,500, compared with £315,518. Dividend maintained at 16 per cent. To premises £20,000, as before. To pensions £35,000, same. To reserve £50,000, as before.

Centenary staff bonus £21,000. Carry forward reduced from £104,924 to £91,174.

North of Scotland Bank.—Net profits for 1937, £246,148, a decrease of £15,638. Dividend maintained at 16 per cent., less tax. To reserve £35,000 (against £50,000), raising that fund to £1,300,000. Carry-forward is £99,326, or £8,588 more. Total assets at December 31st were £34,366,639.

Royal Bank of Ireland.—Final dividend at rate of 10 per cent. per annum, less tax, again making 9 per cent. for 1937. To reserve, superannuation and other contingencies, £20,000 (against £22,000). Carry-forward, £11,014, against £11,660.

Glyn Mills and Company.—Balance sheet total, December 31, 1937, £42,477,634, a decline of £3,635,478. Deposits show a reduction of £3,663,704 at £37,375,503.

Having dealt with the other subsidiary companies, he went on to say that shareholders would expect him to say something about the modest amount of dividend proposed on the ordinary shares. He would remind them that the directors were consistent and persistent in their policy of building up reserves to ensure the safety and progress of the company and the permanency of payments of dividends. That policy had been proved to be sound and the board intended to adhere to it. Moreover, it had been reflected in the value of the company's shares. As compared with the substantial fall in many other industrial shares, that was valuable confirmation of the directors' progressive yet conservative policy. Broadly, the directors' policy was one of consolidation and the direction of the company's financial resources into the most profitable avenues within their business.

As to the future, to date the current financial year was at any rate equal to last, and they felt justified in reverting to the original practice with regard to the 8 per cent. preferred ordinary shares, the dividend upon which would, in future, be paid half-yearly—in April and October.

The report and accounts were unanimously adopted and a vote of thanks was passed to the chairman, directors and staff.

LANGEN (JAVA) RUBBER ESTATES COMPANY, LIMITED

DIVIDEND OF 12 PER CENT.

The twenty-eighth ordinary general meeting of this company was held, on the 7th instant, in London.

Mr H. Eric Miller (the chairman), in the course of his speech, said:—

Turning to the English company's profit and loss account, we show a net credit figure for the year of £17,723 1s. 2d. We paid an interim dividend of 5 per cent. last October, and we have, with the carry-forward of £12,105 12s. 2d. from the previous year, £23,583 13s. 4d. to deal with to-day.

We have had to provide in the accounts £650 for National Defence Contribution, and we require to set aside £2,250 in order that our liability for income tax on the profits earned up to 31 August, 1937, may be fully provided for. We recommend the payment of a final dividend of 7 per cent., which, with the interim dividend of 5 per cent., makes the distribution for the year 12 per cent., subject to income tax at 5s. in the £. Under the articles of association the directors are entitled to 2½ per cent. on the amount "available for distribution in respect of dividend." We have always interpreted this as being the amount actually paid as dividend; the extra remuneration this year, therefore, amounts to £375. If these recommendations are approved £12,208 13s. 4d. will be left to be carried forward to the current year.

As you know, the International Rubber Regulation Committee has reduced the exportable percentage of the basic quota from 90 per cent. to 70 per cent. as from January 1, 1938. Even this percentage may prove to be too high, but supposing that rate were maintained until August, 1938, the quantity of crop to be accounted for in the current year should not differ greatly from that in the accounts now before you.

Including contracts for forward delivery, we have sold 385,880 lb. of the current year's crop at an average equivalent to approximately 9½d. per pound London landed terms. Out of the 1938-39 crop we have sold 31,360 lb. at about 11d. per pound London landed terms.

The report and accounts were unanimously adopted, and a resolution converting the shares of the company into stock was approved.

MISCELLANEOUS

Henri Selmer and Company.—Net profit for year to August 31, 1937, is £17,688. After transferring to goodwill account £10,115 (being profits earned before incorporation) and to income tax and N.D.C. reserve £3,366, and before carrying £457 forward, balance is £4,207. (The latter figure appeared as the net profit on page 619 of *The Economist* of December 18, 1937, but it comprises net profits earned only since incorporation).

CURRENT STATISTICS

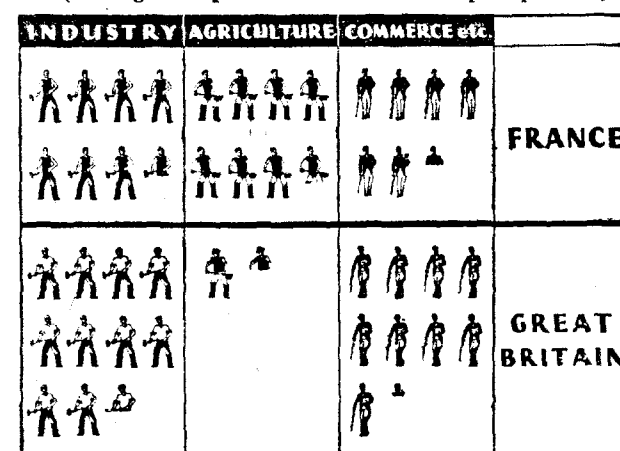
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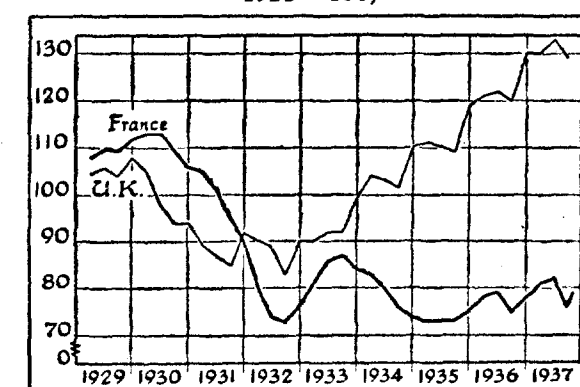
All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

France: Industry, Agriculture and Commerce

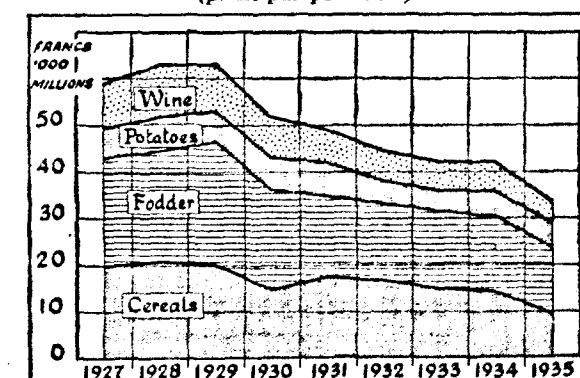
A.—NUMBERS IN DIFFERENT OCCUPATIONS (one figure represents a million occupied persons)



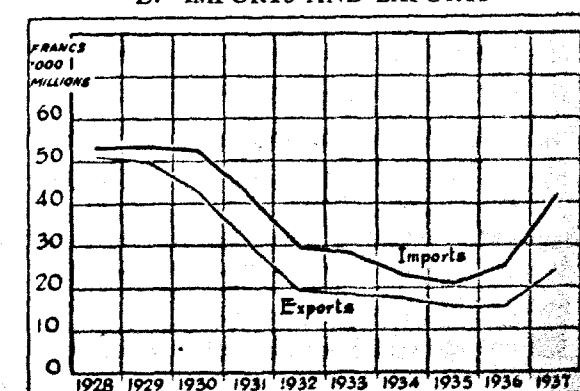
B.—VOLUME OF INDUSTRIAL PRODUCTION (Board of Trade and S.G.F. index numbers: 1928 = 100)



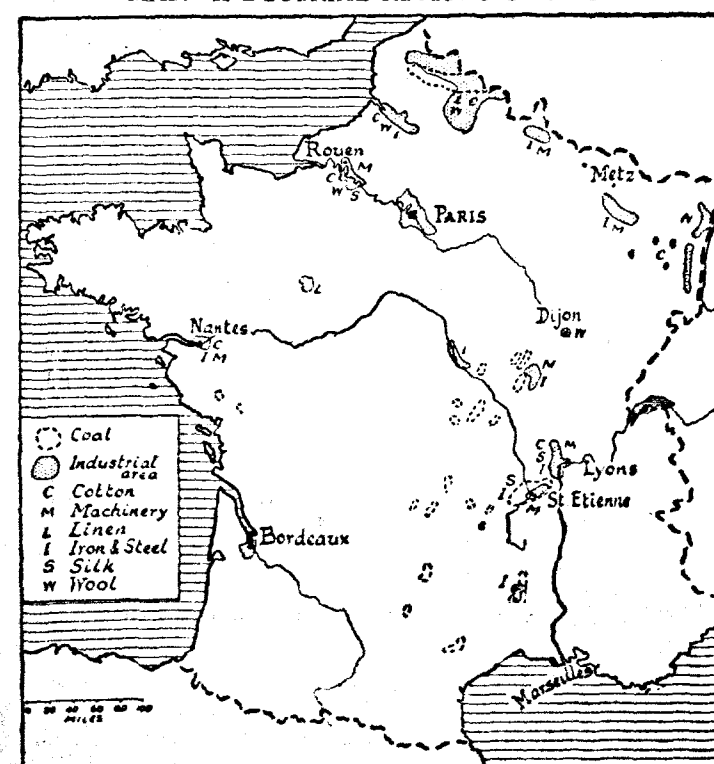
C.—VALUE OF AGRICULTURAL OUTPUT (principal products)



D.—IMPORTS AND EXPORTS



MAP.—INDUSTRIAL REGIONS OF FRANCE



Finance

GOVERNMENT FINANCE

For the eight days ended January 8, 1938, the total ordinary revenue was £29,852,000, against ordinary expenditure of £27,586,000. The deficit accrued since April 1st last is thus £170,336,000, against a deficit of £134,193,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1937-38	April 1, 1937	April 1, 1938	9 days ended Jan. 8, 1938	8 days ended Jan. 8, 1938
ORDINARY REVENUE					
Inc. Tax	288,150	90,586	102,250	13,620	12,215
Sur-tax	58,000	14,810	16,070	5,410	5,290
Duties, etc.	89,000	64,930	69,710	1,860	1,510
Stamps	29,000	19,110	16,290	400	50
N.D.C.	2,000	92	...	...	33
Other In Rev. Duties	1,500	160	610	10	80
Total I. Rev.	467,650	189,596	205,022	21,300	19,178
Customs	219,850	164,270	172,777	5,360	4,812
Excise	113,150	85,300	89,300	1,100	900
Total Cust. and Excise	333,000	249,670	262,077	6,460	5,712
Motor					
Duties	34,000	14,217	15,084	2,881	3,477
P.O. (Net Receipts)	11,800	9,900	9,200	Dr. 100	Dr. 150
P.O. Fund	1,350	1,050	1,030	...	...
Crown Lds. Rec. from Sun. Loans	4,300	4,363	5,093	728	806
Misc. Rec.	11,000	15,951	10,934	654	829
Total Ordinary Revenue	863,100	484,747	508,465	31,923	29,852
SELF-BAL. REVENUE					
Post. Office and Broadcasting	75,198	53,600	57,000	1,400	1,500
Total	...	538,347	565,465	33,323	31,352

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for 1937-38	April 1, 1937	April 1, 1938	9 days ended Jan. 8, 1938	8 days ended Jan. 8, 1938
ORDINARY EXPEND.					
Int. & Man. Payments to N. Ireland	224,000	189,145	193,328	10,304	10,010
Other Cons. Fund Serv. P.O. Fund	3,200	2,502	2,532	571	343
Total	235,500	191,647	195,860	10,875	10,353
Supply Serv.	162,738	142,871	147,424	16,138	16,976
Total Ord. Expend.	862,848	618,940	678,801	27,261	27,586
SELF-BAL. EXPEND.					
P.O. and Broadcasting	75,198	53,600	57,000	1,400	1,500
Total	...	672,540	735,801	28,661	29,086

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After raising Exchequer balances by £470,783 to £2,938,670, the other operations for the period (as shown in the next column, but excluding £243,000 issued to New Sinking Fund) reduced the gross National Debt by £1,553,000 to about £8,287 millions.

CHANGES IN NATIONAL DEBT

NET INCR. IN DEBT (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Treasury Bills	44,684	Bank of England Advances	48,750
Public Dept. Advances	2,180	P.O. and Teleg. (Money) Act	550
Nat. Savings Certs.	600		
Land Sett. (Fac.)	8		
Acts	275		
Tithe Act	47,747		49,300

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to January 8, 1938, are shown below:—

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Issue to Exch. Eq. Fund (July '37)	200,000	Gross	508,465
Incr. in balances	238	Less: New S.F. 6,899	
		Old S.F. 9	
		New borrowing	370,574
	879,039		879,039

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank or Eng-land		
1937						
Jan. 9	599.0	174.9	30.0	...	803.9	204.9
Mar. 31	500.0	174.6	23.5	...	698.1	198.1
Dec. 4	617.0	301.8	42.6	10.2	971.6	344.4
" 11	622.0	305.3	45.3	1.5	974.1	350.6
" 18	622.0	317.3	41.6	...	980.9	358.9
" 25	622.0	319.9	41.1	...	983.0	361.0
" 31	889.7	39.4	55.7	...	984.9	...
1938						
Jan. 8	622.0	312.4	41.6	7.0	983.0	354.0

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Jan. 8	35.0	72.9	35.0	10.8	11.38
Nov. 12	45.0	70.0	45.0	10.1	12.05
" 19	45.0	65.0	45.0	11.1	11.56
" 26	50.0	62.3	50.0	15.0	10.22
Dec. 3	50.0	84.4	50.0	13.2	16.25
" 10	50.0	91.5	50.0	15.8	9.61
" 17	50.0	76.8	50.0	13.9	17.85
" 24	50.0	68.4	50.0	12.0	16.64
" 31	50.0	80.5	50.0	10.1	11.59
1938					
Jan. 7	40.0	81.8	40.0	10.4	20.38

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills.

On January 7th, applications at £99 17s. 5d. per cent. for bills to be paid for on Tuesday to Friday of the following week inclusive were accepted as to about 38 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Monday and Saturday at £99 17s. 6d. per cent. and above were allotted in full. £35.0 millions of Treasury bills are being offered on January 7th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
51 wks. to: Dec. 26, 1936		33,481,891		25,111,417	
Dec. 25, 1937		31,217,482		23,413,112	
Week to: Dec. 26, 1936		261,286		270,964	
Dec. 18, 1937		565,289		423,967	
Dec. 25, 1937		473,548		355,161	

Net Exchequer receipts, week to Dec. 25, 1937: Dr. £150,000.
† Includes adjustments up to June 19, when grand total issued was £1,296,663,144 cts.

BANK OF ENGLAND RETURNS

JANUARY 12, 1938

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt:	11,015,100
In circula. 482,132,553		Other Govt. Securities	208,679,311
In Bank, De- partment 64,274,272		Other Secs. 295,258	
		Silver Coin	10,311
		Amt. of Fid. Issue	220,000,000
		Gold Coin & Bullion	326,406,825
	546,406,825		546,406,825

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs.	90,168,165
Res.	3,511,675	Other Secs.	15,795,057
Public Depts.	13,189,689	Disc. etc.	15,795,057
Other Depts.	123,368,148	Securities	20,507,616
Bankers	36,779,584		
Other	160,147,732	Notes	36,302,673
		Gold & Silv. Coin	64,274,272
	191,402,096		191,402,096

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

THE WEEK'S CHANGES

Both Departments (£ thousands)		Compared with	
		Last Week	Last Year
1937			
Jan. 9	599.0	174.9	30.0
Mar. 31	500.0	174.6	23.5
Dec. 4	617.0	301.8	42.6
" 11	622.0	305.3	45.3
" 18	622.0	317.3	41.6
" 25	622.0	319.9	41.1
" 31	889.7	39.4	55.7
1938			
Jan. 8	622.0	312.4	41.6

COMPARATIVE ANALYSIS

1937		1938	
Jan. 13	Dec. 22	Jan. 5	Jan. 12
Issue Dept.			
Notes in circ.	455.0	509.3	505.3
Notes in bank- ing dept.	58.6	37.1	41.1
Govt. debt and securities	199.9	219.7	219.7
Other sec.	0.1	0.3	0.3
Gold	313.7	326.4	326.4
Deposits:			
Public	12.4	10.8	11.4
Bankers	106.7	98.2	120.6
Others	38.3	36.5	36.6
Total	157.4	145.5	168.6
Bkg. Dept. Secs.	83.2	96.5	114.6
Government	12.5	7.5	9.2
Other	20.8	21.5	20.9
Total	116.5	125.5	144.7
Banking dept. reserve	59.0	38.0	41.9
" Proportion"	37.4	26.1	24.8
Reserve ratio†	51.3	50.0	48.6

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in issue Department, £10,311; capital, £14,553,000; res., £3,511,675.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Banks of Danzig, Lithuania and Roumania appeared in The Economist of December 25, 1937; Bulgaria, Egypt, Yugoslavia, and New Zealand, of January 1, 1938; International Settlements, Reichsbank, Argentina, Canada, Greece, Hungary, Netherlands and South Africa, of January 8.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Million \$'s	
Jan. 14, 1937	Dec. 16, 1937	Jan. 13, 1938	Jan. 13, 1938
12 U.S.F.R. BANKS			
Gold certis. on hand and due from Treas.	8,850	9,122	9,120
Total reserves	9,168	9,444	9,532
Total cash reserves	305	313	363
Total bills discounted	2	16	11
Bills in open mkt.	3	3	1
Total bills on hand	5	19	12
Industrial advances	24	18	18
Total U.S. Govt. sec.	2,430	2,564	2,564
Total bills and sec.	2,460	2,601	2,594
Total resources	12,417	12,924	12,814
LIABILITIES			
F.R. notes in actual circulation	4,177	4,233	4,258
Aggregate of excess mr. bank res. over reqs.	2,100	1,060	1,270
Deposits	6,740	6,884	7,071
Govt. deposits	190	232	127
Total deposits	7,238	7,535	7,602
Cap. paid in and surplus	305	306	308
Total liabilities	12,417	12,924	12,814
Ratio of total res. to deposit and F.R. note	80.3%	79.8%	80.0%
U.S.F.R. BANKS AND TREASURY COMBINED			
Monetary gold stock	11,306	12,765	12,755
Treasury and Nat. Bk. currency	2,528	2,625	2,639
LIABILITIES			
Money in circulation	6,371	6,596	6,510
Treasury cash and deposits with F.R. bks.	2,629	3,852	3,749

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

Jan. 14, 1937		Dec. 16, 1937		Jan. 13, 1938	
1937	1937	1938	1938	1938	1938
Total gold reserves	3567.2	3537.1	3682.6	3714.9	
Total bills discounted	1.3	4.3	3.1	3.7	
Bills in open mkt.	1.1	1.0	0.2	0.2	
Total U.S. Govt. sec.	652.3	739.7	939.5	739.5	
Total bills and sec.	660.6	749.6	747.3	747.8	
Deposits — Member bank — reserve acct.	2996.5	2980.7	3126.5	3181.4	
Total res. to dep. and Fed. Res. note li-abilities combined	86.1%	84.2%	84.8%	84.9%	

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

Dec. 27, 1937		Dec. 27, 1937		Dec. 27, 1937	
1937	1937	1937	1937	1937	1937
ASSETS					
Loans, total†	19,189	19,377	19,377	19,377	
Investments	13,742	11,940	12,062	12,015	
Reserve with Federal Reserve banks	5,163	5,374	5,335	5,427	
Due from domestic bks.	2,345	1,869	1,825	1,886	
LIABILITIES					
Deposits: demand adjusted	15,571	14,612	14,423	14,411	
Time	5,067	5,234	5,201	5,205	
Government	702	416	689	691	
Inter-bank	6,436	5,478	5,486	5,532	

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

ASSETS		8,	9,	30,	6,
		1937	1937	1937	1938
Gold*		60,359	58,932	58,933	58,933
Advances on gold coin		1,258			
Bills: Commercial		8,490	9,848	10,737	9,171
Bought abroad		1,429	914	870	856
Advances on securities		3,650	3,762	3,781	3,909
Thirty-day advances		742	338	675	723
Loans to State without		3,200	3,200	3,200	3,200
Interest: (a) general		19,048	26,918	31,909	31,909
(b) provisional					
Negotiable bonds					
Sinking Fund Dept.		5,640	5,637	5,580	5,580
Other assets		4,053	4,473	4,089	4,248
LIABILITIES					
Note in circulation		88,417	91,143	93,837	93,474
Deposits: Public		2,064	2,665	3,361	3,217
Private		14,366	16,243	19,219	18,279
Other liabilities		3,022	3,607	3,266	3,558
Gold reserve to sight					
liabilities		57.5	53.5	50.5	51.2
* From July 29, 1937, based on franc at 43 against					
100 milligrains.					

BANK CLEARINGS

LONDON
(£ thousands)

	Month of December			Week ended		Aggregate from	
	1936	1937	Change	Jan. 13, 1937	Jan. 12, 1938	Jan. 13, 1937	Jan. 12, 1938
Number of wkg. days:	25	25	%	6	6	11	10
Town	3,381,643	2,890,859	-14.5	722,932	720,973	1,451,370	1,302,947
Metro	181,041	179,177	-0.8	44,008	47,450	91,580	85,927
Country	313,448	313,695	+0.1	79,301	90,546	162,700	158,503
Total	3,876,132	3,384,031	-12.6	846,841	858,969	1,705,650	1,548,377

† Based on average working day.

PROVINCIAL
(£ thousands)

	Month of December			Week ended		Aggregate from	
	1936	1937	Change	Jan. 9, 1937	Jan. 8, 1938	Jan. 9, 1937	Jan. 8, 1938
No. of working days:	25	25	%	6	6	8	7
BIRMINGHAM	13,875	12,115	-12.6	3,109	3,701	5,099	4,246
BRADFORD	4,944	3,751	-24.6	1,197	824	1,731	990
BRISTOL	5,819	5,494	-5.5	1,230	1,373	1,689	1,505
HULL	3,754	3,719	-0.9	1,022	1,111	1,367	1,238
LEEDS	4,235	4,045	-4.4	1,011	1,392	1,802	1,726
LEICESTER	3,267	3,202	-2.0	760	936	1,195	1,095
LIVERPOOL	30,866	26,368	-14.8	7,987	6,068	10,308	7,494
MANCHESTER	48,689	44,109	-9.4	11,529	11,711	15,683	14,525
NEWCASTLE	4,470	6,075	+35.7	1,353	1,775	1,799	1,791
NOTTINGHAM	2,324	2,206	-5.0	604	772	809	886
SHEFFIELD	4,873	5,141	+5.4	1,236	1,968	1,965	2,257
Total: 11 Towns	128,576	116,728	-9.2	31,038	31,361	43,537	37,753
DUBLIN	...	...	...	6,664	6,814	12,738	12,712

* Estimated. † Based on average working day. ‡ 2 full weeks.

MONEY RATES
LONDON

	Jan. 6, 1938	Jan. 7, 1938	Jan. 8, 1938	Jan. 10, 1938	Jan. 11, 1938	Jan. 12, 1938	Jan. 13, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bills	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
3 months' do.	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
4 months' do.	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
6 months' do.	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
Discount Treasury Bills							
2 months'	17½	17½	17½	17½	17½	17½	17½
3 months'	17½	17½	17½	17½	17½	17½	17½
Loans—Day-to-day	17½	17½	17½	17½	17½	17½	17½
Short	17½	17½	17½	17½	17½	17½	17½
Deposit allowances: Bk.	17½	17½	17½	17½	17½	17½	17½
Discount houses at call	17½	17½	17½	17½	17½	17½	17½
At notice	17½	17½	17½	17½	17½	17½	17½

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1937						
Dec. 16...	17½-18	17½-18	17½-18	2-2½	2½-3	2½-3
" 23...	17½-18	17½-18	17½-18	2-2½	2½-3	2½-3
" 30...	17½-18	17½-18	17½-18	2-2½	2½-3	2½-3
1938						
Jan. 6...	17½-18	17½-18	17½-18	2-2½	2½-3	2½-3
" 13...	17½-18	17½-18	17½-18	2-2½	2½-3	2½-3

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Jan. 13, 1937	Jan. 7, 1938	Jan. 8, 1938	Jan. 10, 1938	Jan. 11, 1938	Jan. 12, 1938
Call money	1	1	1	1	1	1
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptances:—						
Members—eligible 90 days	1½	1½	1½	1½	1½	1½
Non-mem.—eligible 90 days	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	Jan. 7, 1938	Jan. 8, 1938	Jan. 10, 1938	Jan. 11, 1938	Jan. 12, 1938	Jan. 13, 1938
New York, \$...	4.8625	4.9950	5.00-30	5.00-12	5.00-12	4.9950	4.9912-10
Montreal, \$...	4.8625	4.9950	5.00-12	5.00-12	5.00-12	4.9950	4.9912-10
Paris, Fr.	124.21	147½-12	147½-12	147½-12	147½-12	147½-12	147½-12
Brussels, Bel. ...	35.00a	29.45-48	29.45-48	29.44-47	29.44-46	29.44-45	29.44-45
Milan, L.	92.46	94½-51	94½-51	94½-51	94½-51	94½-51	94½-51
Zurich Fr.	25.22½	21.58-61	21.59-61	21.59-62	21.59-61	21.59-61	21.60-64
Athens, Dr.	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl. ...	12.107	8.97½-8	8.97½-8	8.97½-8	8.97½-8	8.97½-8	8.97½-8
Berlin, Mk.	20.43	12.39-42	12.39-42	12.39-42	12.39-42	12.39-41	12.39-41

Registered Marks: Br. India Rup. 188½-189, Hong Kong, \$ 14½-15, Shanghai, \$ 14½-15, Rio. Mil. 17.03-17.03, B. Aires, \$ 11.45-11.45, Valparaiso, \$ 40, M'video, \$ 17.38, Lima, Sol. 9.76, Mexico, Pes. 24.66d, Manila, Pes. 24.66d, Moscow, Rbls. 49½-50, 51, 51½, 52, 50½, 49.

Usage: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). † Pence per unit of local currency. ‡ Par 8.23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is 815 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal.

(b) Other Exchanges

London on	Par of Exch. per £	Jan. 7, 1938	Jan. 12, 1938	Jan. 13, 1938
Helsingfors, M.	193.23	225½-6½	225½-6½	225½-6½
Madrid, Pt.	25.22½	60-100(1)	60-100(1)	60-100(1)
Lisbon, Esc.	110	110-50	110-50	110-50
Vienna, Sch.	34.58½	25½-7½	25½-7½	25½-7½
Budapest, Pen.	27.82	24½-5½	24½-5½	24½-5½
Prague, Kc.	164½-8	142½-8	142½-8	142½-8
Danzig, Gul.	26.00	26½-8	26½-8	26½-8
Warsaw, Zl.	48.38	26½-8	26½-8	26½-8
Riga, Lat.	25.22½	24½-5½	24½-5½	24½-5½
Bucharest, Lei.	813.8	665-90	665-90	665-90
Constantinople, Pst.	110	619*	619*	619*
Belgrade, Din.	276.32	211-21	211-21	211-21
Kovno, Lit.	673.66	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-8	97½-8	97½-8
Kobe, Yen.	†24.58d.	13½-12	13½-12	13½-12
Singapore, \$	† 28d.	28½-14	28½-14	28½-14
Batavia, Fl.	12.11	8.94-7½	8.94-7	8.94-7
Bangkok, Baht	†21.82d.	22½-16	22½-16	22½-16

Usage: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197.10½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England:—(j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD
(Closing quotations)

London on	Jan. 7, 1938	Jan. 8, 1938	Jan. 10, 1938	Jan. 11, 1938	Jan. 12, 1938	Jan. 13, 1938
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent.	(p)	(p)	(p)	(p)	(p)	(p)
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)

(p) Premium. (d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Jan. 6, 1938	Jan. 7, 1938	Jan. 8, 1938	Jan. 10, 1938	Jan. 11, 1938	Jan. 12, 1938
London:—							
60 days ...	4.8666	4.99732	4.991032	4.992530	4.992532	4.991532	4.991132
Cables ...	4.9934	5.0018	5.0018	5.0018	5.0018	5.0018	5.0018
Demand ...	8.2397	4.9958	5.0018	5.0018	5.0018	5.0018	5.0018
Paris, Fr.	6.63	3.3912	3.3912	3.3912	3.3912	3.3912	3.3912
Brussels, Bel. ...	23.54	16.9612	16.9612	16.9612	16.9612	16.9612	16.9612
Switz'd. Fr.	32.67	23.1512	23.1512	23.1512	23.1512	23.1512	23.1512
Italy, Lira.	8.91	5.2614	5.2614	5.2614	5.2614	5.2614	5.2614
Berlin, Mk.	40.33	40.30	40.30	40.30	40.30	40.30	40.30
Vienna, Sch.	23.82	18.92	18.91	18.91	18.92	18.92	18.92
Madrid, Pt.	32.67	6.20	6.20	6.20	6.20	6.20	6.20
Amst'dm Gldr. ...	68.06	55.68	55.68	55.68	55.68	55.68	55.68
Cop'ngh. Kr.	22.32	22.32	22.32	22.32	22.32	22.32	22.32
Oslo, Kr.	45.37	25.12½	25.15	25.15	25.12½	25.12½	25.12½
St'hm, Kr.	25.77½	25.80	25.80	25.80	25.77½	25.77½	25.77½
Athens, Dr.	1.29½	0.9134	0.9134	0.9134	0.9134	0.9134	0.9134
M'ntreal, Can. \$	169.31	99.970	99.970	100.00	100.00	99.985	99.985
Yokohama, Yen	84.40	29.11	29.11	29.11	29.11	29.09	29.09
Shanghai, \$...	29.65	29.65	29.65	29.65	29.65	29.65	29.65
B. Aires, Peso ...	31.00	31.01	31.01	31.01	31.01	31.00	31.00
Rio, Ms.	11.96	5.27	5.30	5.30	Unquot'd	Unquot'd	Unquot'd

Usage: T.T.

* Dollars per £1.

BANK BALANCE SHEETS

BARCLAYS BANK LIMITED

(£ thousands)

LIABILITIES	Dec. 1936	Dec. 1937	ASSETS	Dec. 1936	Dec. 1937
Deposits, etc.	417,887	421,115	Cash	51,909	54,399
Balances with other banks	11,652	13,530	Balances with other banks	14,722	15,944
Acceptances, etc.	3,430	3,430	Money at call and notice	26,319	27,069
"A" shares	11,761	11,761	Bills discounted	59,249	50,363
"B" shares	667	667	Investments	109,367	102,423
"C" shares	10,250	10,750	British Linen Bank	3,721	3,720
Reserve fund	10,250	10,750	Union Bk. of Manchester	750	750
			Other banks	2,498	2,498
			Advances	178,655	196,265
			Acceptances, etc.	9,266	8,533
			Bank premises	7,457	7,382
Total	464,913	469,786	Total	464,913	469,786

GLYN, MILLS AND COMPANY

(£ thousands)

LIABILITIES	Dec. 1936	Dec. 1937	ASSETS	Dec. 1936	Dec. 1937
Capital	1,060	1,060	Coin, etc., at Bank of England	5,938	5,967
Reserve fund	530	530	Balances, etc., with other banks	3,245	2,878
Bank premises account	280	290	Money at call and notice	14,170	9,350
Deposits	41,039	37,376	Bills discounted	662	657
Acceptances	3,204	3,222	British Govt. securities	9,478	9,385
			Other securities	925	1,168
			Advances	7,751	9,111
			Acceptances	3,204	3,222
			Bank premises	740	740
Total	46,113	42,478	Total	46,113	42,478

ALEXANDERS DISCOUNT COMPANY LIMITED

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Miles Open	Gross Receipts, week ended Jan. 9, 1938 (£'000)				
		Passenger	Merchandise and Cattle	Coal	Goods	Total
L.M. & S.:						
1937	6,877	364	449	277	726	1,090
1938	6,867	381	450	301	751	1,132
L. & N.E.:						
1937	6,352	219	309	238	547	795
1938	6,315	261	296	256	552	813
Great Western:						
1937	3,729	163	182	117	299	462
1938	3,739	166	188	123	311	477
Southern:						
1937	2,153	252	57	31	84	336
1938	2,117	263	50	31	81	344
Total:						
1937	19,101	1,027	993	663	1,656	2,683
1938	19,068	1,071	984	711	1,695	2,766

(a) Week ended January 8.

LONDON TRANSPORT BOARD

Company	Receipts, week ended January 7, 1938 (£'000)			Compared with prev. Year
	Pass.	Goods	Total	
Week ending January 8, 1938, before pooling	567,900	+	21,200	
Total, 28 weeks to date	15,731,600	+	31,500	
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+	255,000	
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+	522,655	
London Transport Pool receipts, year to June 30, 1937	41,377,929	+	771,590	

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended January 7, 1938 (£'000)			Gross Receipts, week ended January 8, 1937 (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down	1 8	0 3	2 1	1 6	0 4	2 0
Great Northern	8 7	6 3	15 0	8 1	7 2	15 3
Great Southern	28 8	45 9	74 7	28 3	43 0	71 3

SUEZ CANAL RECEIPTS

Transit Receipts	52 Dec. 31	1937 (£'000)		1938 (£'000)	
		Pass.	Goods	Pass.	Goods
		31,890	27,800	10,806,100	480,600

‡ 10 days.

SHORTER COMMENTS

Company Results of the Week.—The stable record of DEBENTURE CORPORATION is well maintained, the latest net profits of £132,647 being slightly higher. All but 19 per cent. of the portfolio is in fixed-interest securities, and the current valuation of all investments exceeds book figures. The directors of BRITISH TIN INVESTMENT draw attention to the exceptionally favourable experience of tin-mining companies in 1937, since they enjoyed high prices and a high quota. In consequence, the company's net revenue is doubled at £337,557. WILLIAM TIMPSON, the boot and shoe manufacturers (whose accounts are now presented in improved form), record that increased turnover has offset rising material prices and expenses, so that net earnings of £151,334 are £15,200 higher. Good progress has been made by ENGLISH CLAYS LOVERING POCHIN AND COMPANY, whose net profits have advanced from £127,743 to £188,648. The sum of £75,000 has been transferred from share premium account to write off obsolete plant. All sections of the INTERNATIONAL COMBUSTION undertaking have progressed, and net profits of £177,655 are 8 per cent. higher, though the 30 per cent. dividend is unchanged. MICHAEL NAIRN AND GREENWICH, the linoleum holding company, maintain the 15 per cent. dividend; it is, however, barely

covered by earnings, net profits being £26,000 lower at £255,592. Difficulties from competition and exchange restrictions have been experienced in the flour milling section of RIO DE JANEIRO FLOUR MILLS AND GRANARIES, despite good trading conditions in Brazil; for this reason, net profits, at £85,000 are some £7,000 lower.

BANKING RESULTS

Midland Bank.—The amount of £300,000 stated on page 97 of our issue of January 8 as being placed "to reserve" is allocated to "reserve for future contingencies."

Union Discount Company of London.—Final dividend 6½ per cent. per £1 stock unit making 10 per cent. for 1937. In July, 1936, the paid-up capital was raised to £2,750,000 by a 100 per cent. bonus; allowing for the increase, the cash distribution for 1937 is the same as for 1936. A sum of £15,000, as before, is placed to staff provident fund and the carry-forward is increased from £173,000 to £203,000.

District Bank, Ltd.—Final dividend 1s. 10d. (against 1s. 8d.) per share less tax on the "A" and "C" shares, making total for 1937 of 17½ against 16½ per cent. Net profits £28,931 higher at £519,255, after bad, etc., debts, contingencies, tax and

N.D.C. Dividends, including the maximum 10 per cent. on the "B" shares, absorbed £372,881, against £362,191. To pensions £70,000, as before. To bank property £60,000, against £50,000. Carry forward increased from £269,236 to £285,610.

Williams Deacon's Bank.—Net profit for 1937, after rebate, expenses (including £45,000 to pensions) and contingencies account (out of which provision for bad, etc., debts is made), £310,921, against £293,636. Dividend on "A" and "B" shares maintained at 12½ per cent. To premises account £30,000, as before. Carry forward raised from £102,045 to £148,592.

Lloyds Bank, Ltd.—Profit for 1937, £1,832,501, compared with £1,743,955. Dividends, 12 per cent. for year on "A" shares and 5 per cent. on "B" shares as before, absorbing £1,347,464, against £1,369,922. To contingencies account £100,000, against £250,000. To bank premises account £100,000, as before. Carry-forward reduced from £539,668 to £524,705.

National Provincial Bank.—Net profit for 1937, £1,874,960 compared with £1,770,173. Dividends 15 per cent. for year, as before, absorbing £1,421,912. To bank premises account £100,000, as before. To pension fund £250,000, against £200,000. To reserve fund £500,000, against nil. Carry-forward reduced from £970,667 to £573,715.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Gross Aggregate Receipts	
			1937	+ or -	1937	+ or -
INDIAN						
Bengal & N. Western	11	Dec. 20	Rs. 10,19,960	Rs. 2,487	Rs. 79,74,288	Rs. 73,954
Bombay-Nagpur	37	20	25,75,000	4,42,326	6,57,61,662	75,71,036
Bombay, Bar. & C.I.	39	31	17,11,000	6,63,000	8,70,95,000	31,99,000
Madras & S. Mah.	37	20	21,08,000	2,61,054	5,22,55,787	2,49,550
S. Indian	37	20	15,94,425	1,91,980	3,98,75,373	14,74,591

‡ 11 days. † 10 days.

CANADIAN

Canadian National	52 Dec. 31	\$ 4,722,048	\$ 388,576	\$ 197,899,363	\$ 122,858,774
Canadian Pacific	1 Jan. 7	2,288,000	45,000	...	...

* 10 days.

SOUTH & CENTRAL AMERICAN

Anglo-Arg. Trams.	1 Jan. 7	\$629,365	11,089	...	...
Antofagasta	1 8	16,480	2,320	17,080	550
Argentine N.E.	27 9	143,200	20,600	4,311,500	100
B.A. and Pacific	27 8	18,883	1,278	267,465	12,472
B.A. Central	26 Dec. 25	1,351,000	271,000	35,855,000	1,584,500
B.A. Gr. Southern	27 Jan. 8	83,809	16,811	2,224,258	2,814
B.A. Western	26 Dec. 25	895,300	43,500	3,329,300	367,900
B.A. Gr. Southern	27 Jan. 8	1,002,000	223,000	57,894,000	1,016,000
B.A. Western	27 8	186,228	13,834	3,591,439	213,443
Central Argentine	27 8	268,000	322,000	20,470,000	241,000
Central Uruguayan	26 1	42,680	19,975	1,269,852	40,059
Cordoba Central	27 8	1,797,650	759,250	57,043,900	9,487,380
Leopoldina	1 7	111,517	47,100	3,538,704	405,247
Mexican Railway	26 1	417,058	10,820	3,926,866	233,445
Nitrate	27 8	20,284	2,171	452,538	3,889
United of Havana	27 8	390,000	194,000	13,631,000	1,707,000
Leopoldina	1 7	24,190	12,040	845,620	62,560
Mexican Railway	26 1	1,158,200	107,000	1,758,000	161,000
Nitrate	27 8	18,061	2,559	20,070	1,339
United of Havana	52 Dec. 31	1,935,351	2,446	154,113	34,902
	27 Jan. 8	19,709	3,324	462,430	19,131

* Converted at average official rate 16:12 pesos to £. † Receipts in Argentine pesos. ‡ Fortnight. § Converted at official rate. ¶ Receipts in Uruguayan currency. * Converted at "controlled free rate."

MONTHLY TRANSPORT & POWER RETURNS

Company	Months Ending	Receipts for Month		Aggregate Receipts	
		1937	+ or -	1937	+ or -
Int. Rlys. Cent. America	11 Nov. 30	Gross \$509,126	\$2,245	\$5,379,250	\$728,599
Mexican Light and Power	11 Nov. 30	Net \$224,807	\$68,163	\$2,312,115	\$431,241
Peruvian Corp.	6 Dec. 31	Gross \$708,172	\$84,128	\$8,180,303	\$923,487
Singapore Tract.	3 Dec. 31	Net \$240,783	\$87,576	\$2,240,086	\$304,472
Suez Canal	12 Dec. 31	Gross \$76,908	\$4,604	\$504,036	\$13,251
		Gross \$210,000	\$20,000	\$612,000	\$64,000
		Gross \$857,800	\$112,300	\$10,806,100	\$480,600

THE WEEK'S COMPANY RESULTS

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
					Pref. Amount	Ordinary Amount Rate			
Total 1938, to Jan. 8	35 Cos.	£904,648	£2,636,527	£3,541,175	£533,640	£1,069,813	%	£875,891	£1,061,831
Banks									
Alexanders Discount	Dec. 31	126,425	154,075	280,500	12,000	140,000	17½	128,500	164,550
Barclays Bank	Dec. 31	639,768	2,133,825	2,773,593	...	1,562,202	10A 14 B & C	700,000	1,894,361
Martins Bank	Dec. 31	296,048	853,566	1,149,614	...	665,607	16	175,000	309,007
National Discount Co.	Dec. 31	232,001	188,961	420,962	...	31,750	10A	60,000	216,762
North of Scotland Bank	Dec. 31	90,738	200,508	291,246	...	112,450	26B	55,000	99,326
The National Bank	Dec. 31*	39,128	109,686	148,814	...	136,920	16	20,000	38,814
Financial Land, etc.									
British Tin Investment	Dec. 31	12,662	337,557	350,219	...	90,000	12	25,000	111,439
Central and Dist. Properties	Oct. 31	6,864	13,917	20,781	8,359	...	15	3,586	30,871
Petroleum Storage, etc.	Oct. 31	36,832	551,725	588,557	...	458,000	50(b) 344(c)	108,000	22,557
Rubber									
Elpitiya	Sept. 30	...	7,284	7,284	...	4,560	6	2,052	672
Glendon	Sept. 30	458	6,589	7,047	...	5,200	10	1,404	443
Ipoh	Sept. 30	274	10,139	10,413	...	9,000	15	1,000	413
Shops and Stores									
Timpson (William)	Dec. 31	1,632	166,524	168,156	19,736	56,250	15	87,500	4,670
Woolworth (F. W.) and Co.	Dec. 31	3,507,978	4,792,947	8,300,925	225,000	3,375,000	60	200,000	4,500,925
Textiles									
Roberts (J. F. & H.)	Nov. 30	25,669	35,130	60,799	5,000	25,000	10	30,799	30,144
Trusts									
Cardinal Investment	Dec. 31	5,052	20,184	25,236	6,822	6,778	7½	5,000	6,636
Debenture Corporation	Dec. 31	66,673	132,647	199,320	37,500	75,000	10	20,000	66,820
Great Northern Investment	Nov. 30	42,703	78,540	121,243	34,125	29,575	6½	10,000	47,543
Other Companies									
English Clays, etc.	Sept. 30	20,754	188,648	209,402	36,169	74,652	4½	66,977	31,604
International Combustion	Sept. 30	24,733	177,655	202,388	9,000	105,510	30	70,000	17,878
Michael Nairn & Greenwich	Dec. 31	66,371	255,592	321,963	...	257,475	15	...	64,388
Mills and Rockleys	Oct. 31	15,791	49,302	65,093	32,461	4,969	49-69	10,000	17,663
Rio de Janeiro Flour	Sept. 30	48,676	85,154	133,830	...	81,890	8	...	51,940
Saper Oil Seals, etc.	Dec. 31	1,161	23,650	24,811	...	15,000	40	6,596	3,215
Vulcanite, Ltd.	Oct. 31	2,424	11,516	13,940	1,830	3,750	40	5,869	2,491
Total 1938, to Jan. 15	53 Cos.	£4,791,355	£9,573,943	£14,365,298	£949,642	£5,968,624	...	£1,476,203	£5,970,829

(a) No comparable figure.

(b) Paid on ordinary shares.

(c) Paid on deferred shares.

(d) Absorbed £3,431,250.

* For half year. (f) Absorbed £55,419.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend

Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
RAILWAYS	%	%	%	%	Lebong Tea	2½*	...	Jan. 25	Nil*	Lockhart (Alfred) ...	4½	6½	...	8
Beira Railway	2½	p.s.	...	1.8 p.s.	Sedemak Rubber	7½	12	Jan. 26	6	Lon. Prod. Clearing ...	9½	15	Feb. 9	15
BANKS					Takau (F.M.S.) Rub. ..	...	5	...	4	Do. Founders' shares	£50½	£50½	Feb. 9	£50½
British Mutual	10	...	10	...	United Rubber, etc. ...	5*	...	Jan. 27	3*	Michael Naim, etc.	10½	15	Jan. 17	15
Clydesdale	16 p.s.	...	16	...	MIXING					Mowat's Chemicals	£35½*	...	...	Nil*
Com. of Australia	6.6	12	Feb. 16	6.6	Angola Diamond	(1)	5*	Jan. 11	Nil*	Muller's (Hedge) ...	...	...	...	...
Commercial Bank	6	12	...	11 p.s.	Elec. Zinc, Australasia ..	6*	...	Mar. 17	6*	Ord.	...	15	Feb. 3	12½
Hongkong & Shanghai	£3 p.s.	£5½	...	£5½	Great Bookier Press ..	12½	25	Feb. 16	25	Do. Pr. ord.	11½	1 c.b. 3	11½	...
Imperial of India	50	...	50	...	Kampeng Latex Ltd	16*	...	Jan. 26	71*	Newman Indus. Pl.	5½	8	Jan. 31	8
Lloyds "A"	12 p.s.	12	...	12	Sino. Starline Lin.	2*	...	Jan. 27	Nil*	Ord.	...	3½	Jan. 31	2½
Munster and Leinster	20½	412	...	412	OTHER					Omurum Invest. Def.	2½	...	Jan. 20	2
National Provincial	7½	15	Jan. 28	15	COMpanies					Parkers Burslem Bwy.	6½	8½	Jan. 28	3
North of Scotland	8½	16	...	16	Bentley Motors	100	...	...	22½ d	Pratt J. Alfred	6½	8½	Jan. 31	8½
North British "A"	10 p.s.	11½	...	12½	Brush Piston Eng.	7½*	...	Jan. 31	7½*	Pratt J. Alfred	6½	11	Feb. 1	10
Do. "B"	9 p.s.	5½	...	12½	Carden's Indus. Def.	4½	10	...	10	R. Paid Sec. Am. Ind.	4½	6	...	5
Provincial of Ireland	12 p.s.	9	Feb. 1	12 p.s.	Flavours' Bwy. Hdg. ...	6½	10	...	10	Scottish United Invest.	4½	7	...	4
Royal of Ireland	10 p.s.	9	Feb. 1	9	De Havilland Aircraft	412½	...	...	10	Second Brit. Assets Ltd	4½	7	...	5
Union Discount	6½	10	Jan. 29	10	Debenature Corp.	6½	10	...	10	Shelvoke and Drewry	2½*	...	Mar. 1	...
Union of Australia	4½	7	Feb. 2	5½	Distillers Co.	7½*	...	Feb. 1	7*	Singapore Traction ...	5½	7½	...	5
Do. Centenary Bonus	2½	2	Feb. 2	Nil	Duff Development	5*	...	...	Nil*	Standard Trust	3½	5	...	4
Williams Deacons	12 p.s.	12½	...	12½	English & N. Yk. ...	...	5	...	...	Sunderland, &c. Water	3½	7½	...	7½
INSURANCE					Trust	3½	5	...	...	Taylor Woodroff Est.	3½	6	Feb. 1	6
New Zealand	5*	...	Feb. 9	5*	English Clays	3½	4½	...	...	Third Scot. Am. Ind.	6½	12½	Jan. 28	12½
TEA AND RUBBER					Ensign Lamps	...	...	Feb. 1	...	Traction, etc., Invest.	8½	12½	Jan. 28	12½
Anglo-Dutch Planters ..	4*	...	Feb. 1	3*	Freehold, etc., Invest.	2½*	...	Jan. 31	2½	Victors Stores	a 3½	a 8	Jan. 21	10 p.s.
Bila Rubber	8	...	...	4	Heenan Beddow, etc.	12½	17½	...	...	Weber and Phillips	2½	6	...	8½
Daejan Samoeira	2½*	...	Jan. 26	2½*	International Diato-	4*	...	Jan. 31	2*	Westinghouse Brake	...	17½	...	15
Gedong Rubber	5	...	...	3	mite	...	...	...	...	Woolley Sanders &	...	5	...	5
Kawie (Java) Rubber	5*	...	Jan. 31	4*	Leahy, Kelly & Leahy	11½	13½	...	12½	Co.	45½	h 60	...	75k
					Leyland Motors	25	...	...	20	Woolworth (P. W.)	...	...	...	...

Special Statistics

HOUSING PROGRESS

The following tables are abstracted from, or based upon, the semi-annual return of house building in England and Wales published by the Ministry of Health. The first table gives the total figures of houses built in the different categories in the last five years:—

HOUSES BUILT IN ENGLAND AND WALES, 1933-37

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	
Mar. 31, 1933	23,503	735	1,187	79,556	104,981
Sept. 30, 1933	24,474	501	1,269	87,088	113,332
Mar. 31, 1934	29,399	1,466	1,644	120,781	153,290
Sept. 30, 1934	20,280	2,197	937	136,965	160,379
Mar. 31, 1935	14,143	4,973	202	149,109	168,727
Sept. 30, 1935	18,512	5,687	28	125,660	149,917
Mar. 31, 1936	27,220*	908†	194	146,621	174,943
Sept. 30, 1936	36,529*	217†	112	127,727	164,585
Mar. 31, 1937	34,644*	350†	645	145,789	181,468
Sept. 30, 1937	36,098*	359†	879	118,392	155,728

* Houses built by Local Authorities.

† Other houses built by Local Authorities.

The second table shows, for the last four half-years, the number of houses provided by private enterprise in the two smallest classes, and also the numbers of these houses which were occupied by persons other than the owner, and can therefore be presumed to have been built to let:—

SMALL HOUSES BUILT BY PRIVATE ENTERPRISE

	Number of houses provided during the half-year ending			
	March 31, 1936	September 30, 1936	March 31, 1937	September 30, 1937
Rateable value not above £13*				
(a) Total	53,530	45,676	52,548	43,335
(b) Not owner-occupied	18,913	17,773	22,099	18,383
Rateable value between £13* and £20†				
(a) Total	74,771	66,433	74,500	60,963
(b) Not owner-occupied	14,990	14,872	16,404	13,824

* £20 in Greater London. † £35 in Greater London.

The next table gives details of the progress of the programmes for slum clearance and the abatement of over-crowding:—

PROGRESS OF SLUM CLEARANCE

	Half-year ending			
	March 31, 1936	September 30, 1936	March 31, 1937	September 30, 1937
Houses provided for:—				
Slum clearance	20,588	28,333	26,340	26,367
Abatement of over-crowding	18	723	1,231	2,379
Cumulative total to date of houses built for slum clearance	80,611	109,067	136,044	163,274
Persons accommodated	380,042	512,941	619,612	704,669
Houses under construction at end of half-year	53,929	57,506	56,922	68,391

It will be noticed that these programmes are still rising towards their peak, and that the number of houses under construction by local authorities on September 30, 1937, was considerably higher than on previous dates. The final table gives particulars of the number of houses built in different parts of the country in the last two years:—

BUILDING BY AREAS

	Half-year ending			
	March 31, 1936	September 30, 1936	March 31, 1937	September 30, 1937
Administrative Counties	128,107	117,110	112,146	108,759
County Boroughs	45,902	47,485	49,016	46,969
Total England and Wales	174,009	164,595	161,162	155,728
Greater London	40,302	36,462	41,406	31,520
Wales (inc. Monmouth)	4,957	4,747	5,867	4,764

The amount of building in the large towns seems to be continuing, with the significant exception of Greater London, but the administrative counties, which include the smaller towns and the rural areas, show quite a considerable decline.

INDUSTRIAL PROFITS

SUPPLEMENTARY TABLES

(See Leading Article on page 103)

TABLE (A).—PROFITS BY INDUSTRIAL GROUPS
(Quarter ended December 31, 1937)

Group	No of Companies	Total Profits (after deb. interest)	Change since preceding year (same Companies)	Division of Total Profits (= 100)		
				Pref. Div.	Ord. Div.	To Reserve, etc.
Breweries	52	£ 7,814,014	+ 9.9	12.5	54.0	33.5
Electric lighting and power	3	712,790	+15.9	32.0	27.3	40.7
Financial land and investment	55	3,963,557	+14.3	17.7	61.1	21.2
Gas	1	7,629	+ 1.8	8.6	39.2	52.2
Hotels and restaurants	13	583,939	+ 5.4	...	...	...
Iron, coal and steel	34	6,463,206	+27.1	8.2	51.8	40.0
Motor, cycle and aviation	31	5,850,469	+21.1	36.6	37.4	26.0
Oil	6	1,417,104	+33.7	7.4	71.7	26.9
Rubber	90	2,001,596	+22.4	...	...	...
Shipping	7	2,219,604	+18.2	18.6	57.3	42.7
Shops and stores	11	1,484,594	+30.8	30.2	31.3	38.5
Tea	12	174,886	+52.8	22.2	42.6	35.2
Textiles	13	1,177,181	+19.9	35.7	8.4	55.9
Tramways and omnibuses	3	327,459	- 0.1	15.0	36.3	48.7
Trucks	46	1,689,376	+15.9	44.3	35.9	19.8
Building materials	13	1,419,243	+12.3	16.4	50.2	33.4
Food, confectionery and drink	22	4,095,516	+ 6.2	18.4	59.5	22.1
Electrical equipment	5	588,508	+15.3	17.4	29.8	52.8
Newspapers, printing, etc.	19	1,794,131	+ 6.3	40.7	20.0	39.3
Tobacco	2	6,808,985	+ 3.3	9.4	88.0	2.6
Warehouse and trading	8	459,599	+ 1.1	37.5	43.5	19.0
Miscellaneous	103	6,383,685	+20.5	16.9	49.9	33.2
Total	549	57,436,059	+20.2	15.7	51.6	32.7

TABLE (B).—RATES OF INTEREST AND DIVIDEND
(Quarter ended December 31, 1937)

Group	Debt Capital	Rate of Int.	Preference Capital	Rate of Div.	Ordinary Capital	Rate of Div.	Rate of Div. as % of ordinary
Breweries	£ 22,375,370	4.8	£ 19,157,304	5.1	£ 26,859,703	15.7	15.5
Electric lighting, etc.	2,544,274	3.4	3,875,000	5.8	3,575,900	5.4	4.5
Financial land and investment	16,634,466	4.3	16,241,584	5.8	33,423,775	7.2	6.4
Gas	50,200	5.0	24,256	5.4	74,815	4.3	7.7
Hotels & Restaurants	2,215,707	4.5	2,984,355	7.2	4,362,770	5.0	5.0
Iron, coal and steel	11,020,007	4.5	9,260,211	7.5	26,172,345	9.7	7.5
Motor, cycle and aviation	2,962,831	4.4	8,191,951	5.9	17,919,000	16.9	14.7
Oil	515,625	5.4	7,359,452	11.0	7,359,452	11.0	3.5
Rubber	520,082	6.6	652,211	4.4	15,795,584	9.1	4.2
Shipping	8,987,760	4.3	7,081,980	5.4	8,512,488	4.3	3.9
Shops and stores	5,900,810	7.5	6,175,545	7.5	6,175,545	7.5	5.8
Tea	218,788	5.0	500,200	7.8	962,160	7.8	3.9
Textiles	8,047,389	5.2	9,250,875	4.5	7,425,516	1.3	0.5
Tramway & omnibus	200,000	4.5	1,000,000	4.9	1,649,656	7.2	5.9
Trucks	23,284,805	4.4	19,928,822	3.8	15,191,311	3.9	3.5
Building materials	2,128,697	4.3	4,173,484	5.6	6,825,164	10.5	10.6
Food, confectionery and drink	3,171,013	4.7	13,509,000	5.6	17,873,948	12.6	12.5
Electrical equipment	...	...	1,561,350	6.6	1,152,369	15.2	13.4
Newspapers, printing, etc.	2,022,266	3.5	10,247,826	7.1	7,544,473	4.8	5.5
Tobacco	...	...	11,300,000	5.7	26,087,761	22.5	21.7
Warehouse and trading	568,700	4.8	3,331,985	5.1	3,502,582	5.7	6.4
Miscellaneous	10,369,538	4.8	20,357,205	5.2	37,246,000	8.6	6.5
Total	118,237,518	4.6	169,130,409	5.4	265,692,317	11.2	9.2

* 549 Companies.

† 496 Companies.

Imperial Bank of India.—Net profits for half-year to December 31, 1937, were Rs. 36,90,100 (£276,757), compared with Rs. 35,60,216 (£267,016) in same period of 1936. Dividend maintained at 6 per cent., tax free and requires Rs. 33,75,000. Sum of Rs. 38,600 (Rs. 68,000) to pensions fund and Rs. 2,50,000 (same) to premises account, leaving Rs. 30,41,600 to carry forward (Rs. 28,02,642).

Union Bank of Australia.—Final dividend 4s. per share, making 7 per cent. for year, less British income tax, against 5½ per cent. tax free. Dominion income-tax relief on final is 1s. 11d. Also a bonus of 2 per cent., less tax at 3s. 1d., has been declared from the special centenary fund. The carry-forward is £145,914, against £146,864. For 1936 the final distribution was 3s. per share, making, with the interim, 5½ per cent., free of United Kingdom income tax.

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England and Eire

THE sudden announcement a week ago that the Ministers of Britain and the Ministers of Eire were to confer on matters at issue between the two countries raised the hope that at long last the time had come to bury the hatchet. The result of the conversations has not yet been officially made public, and in view of the known difficulties we cannot jump to conclusions; but the fact that the talks are to be continued encourages the belief that these new hopes may in due course be fulfilled.

It was something of a surprise to many Englishmen, who have not kept closely in touch with Irish opinion but have become accustomed to the *status quo*, to find that the partition of Ireland was still a prominent issue which ranked in the minds of MR DE VALERA and his colleagues and that it would be raised at the outset. And when LORD CRAIGAVON promptly took up the challenge by obtaining a dissolution of the Northern Ireland Parliament on this issue, it seemed that the conversations might speedily come to shipwreck on this rock. But Ulster's retort has apparently done little to undermine goodwill or interrupt the progress of the negotiations. Dublin opinion regards the forthcoming election as capable of proving nothing that is not already well known. MR DE VALERA, it is true, insisted at the very start of the Downing Street talks that until the partition question was disposed of real friendship was impos-

sible between Great Britain and Ireland. But he can have had no illusion that the British Government would amend their attitude so far as to contemplate taking any steps towards the reunion of Ireland without Ulster's assent. The fact that the talks are to be resumed, and that meanwhile the departmental experts are to work on the details of an agreement, proves that MR DE VALERA does not intend to let agreement on other matters wait upon complete agreement on the partition issue.

The problem of the Protestant and Imperialist minority in Ireland was neither originally created nor permanently solved by the Treaty of 1921. It is centuries old, a relic of conquests and rebellions, bigotries and counter-bigotries, whose effects it may need more centuries to undo. Time as well as mutual understanding is needed for its solution. For the moment, all that can be done, and all that these conversations may succeed in doing, is for each side to recognise and respect the outlook of the other. If MR DE VALERA and MR CHAMBERLAIN can agree that in essence the unity or partition of Ireland is a problem for Irishmen themselves to solve, that will be a valuable step forward in Anglo-Irish relations.

Those relations are to-day disturbed by two main practical difficulties, the one financial and economic, the other defensive and political. Constitutional differences are not

on the same practical plane; for while MR DE VALERA has enacted the constitution of his own free choosing, embodying in effect his cherished principle of "external association" with the Empire, the British and the other Dominion Governments regard that constitution as not effecting any fundamental change in Ireland's position as a member of the British Commonwealth. Had MR CHAMBERLAIN intended to challenge the new Irish constitution he would have done so at the time of its enactment, and not have left the matter to be raised in this week's conversations.

The economic dispute arose out of MR DE VALERA'S decision in 1932 to withhold the land annuities and other payments formerly made by the Free State to the British Exchequer under agreements signed by his predecessor in office. Not only did he deny the validity of the agreements and of the financial understandings on which they were based; he counter-claimed for excess taxation alleged to have been paid by Ireland, and for losses caused by the devaluation of the pound. A British proposal to arbitrate under the optional procedure mapped out by the 1930 Imperial Conference fell to the ground through MR DE VALERA'S refusal to limit the choice of a chairman to British subjects. The British Government, under a special Act of July, 1932, thereupon imposed extra duties on certain goods imported from the Irish Free State, in order to recoup the loss of revenue from the annuities. Furthermore, no Ottawa Agreement was made with the Free State, whose goods have therefore been charged under the general tariff, in addition to the special duties. The Free State Government, having remitted half the land annuities to the farmers, used the other half to help pay for subsidies on exports in order to countervail the British duties. They also imposed retaliatory duties on certain British goods, and vigorously advanced the system of protection by tariff and licence for Irish industry. The destructiveness of this dispute has been implicitly recognised and has been somewhat qualified in the series of so-called "coal-cattle pacts," whereby the United Kingdom agreed to import more Irish cattle, bacon and horses, in return for Irish concessions on coal, sugar and other imports from the United Kingdom. The special duties now lie only on Irish live cattle and

pigs, meat, poultry and game, butter, eggs and cream. Their yield, with that of the general tariff on Irish goods, was £5,423,397 in 1935-36 and £4,712,171 last year.

That is the outline of a dispute of peculiar futility. Severe injury has been done to a complementary trade of great economic and strategic value, as a result of a financial dispute of relatively minor importance which could, one would think, have been settled by compromise.

The trouble was partly due to entanglement with constitutional issues which are now almost forgotten. MR DE VALERA, however, has certainly not forgotten his main thesis that, on balance, it is Great Britain that is heavily in debt to Ireland. This aspect of the dispute is linked with the partition issue, for the southern Irish claim that Great Britain effectively tempts Ulster away from reunion by means of financial subsidies.

The defence issue, taken by itself, is comparatively simple and specific. The Anglo-Irish Treaty of 1921 gave Great Britain the right to occupy and defend certain Irish harbours, both in peace and in war, which Government and Opposition in Eire alike regard as an intolerable encroachment on Irish sovereignty. The British Government, on the other hand, have hitherto regarded it as essential to our naval security. There are signs, however, that the Government to-day recognise such formal rights to be of greatly diminished value in face of a hostile Ireland, and to be scarcely necessary in face of a friendly Ireland co-operating in the defence of the British Isles and of their overseas trade.

This prospect of friendly co-operation is, indeed, one for which many points of detail can rightly be waived. The constitutional issue has been settled by the passage of events. The financial and economic quarrel should yield without difficulty to genuine goodwill. In the matter of defence, both countries have increasingly come to realise their common interest. Even partition may be brought down from the inaccessible heights of doctrine to more practical and adjustable matters such as the treatment of the Catholic minority in Northern Ireland. With all these matters under active discussion, hopes still run high for genuine and complete agreement.

Crisis in Paris

SINCE the last appearance of *The Economist*, France has both lost and regained a Government. The crisis was already latent before M. CHAUMPS kicked himself out of office in the small hours of Friday, last week; and it is to be feared that the crisis has not really been brought to an end by his almost equally unexpected feat of hoisting himself back into the saddle this week; for the one judgment in which all observers agree is that the new *Ministère Chaumps* is likely to be short-lived.

M. CHAUMPS' action last week is so inexplicable on the surface that it has been attributed alternatively to the PRIME MINISTER'S own nervous exhaustion or to somebody else's hidden hand. The partisans of this second hypothesis incline to cast M. BONNET for the rôle of the villain of the piece. Who knows? It is only certain that, if M. BONNET does bear a heavy share of responsibility for the upset, he must now be a disappointed man; for he has not profited by the general post. Instead of ascending from the Ministry of Finance to the Presidency of the Council he has exchanged a portfolio for the nebulous mandate of co-ordinating the financial and economic sides of the Government's activity—and in this unprofitable process he has certainly not added to his personal popularity.

The new Ministry is virtually a single-party affair, for out of its twenty members all but two are Radical-

Socialists, and neither of the two recruits from the Right-Centre is a statesman of outstanding eminence. Their inclusion mainly serves to mark a shift towards the Right, and the same trend is also perhaps indicated by the transfer of the Left-wing Radical-Socialist M. PIERRE COT from the Ministry of Air to that of Justice—though there may be nothing in this change beyond the official explanation that M. COT has consented to vacate the Air Ministry, and M. CAMPINCHI the Ministry of Marine, in order to give M. DALADIER—who has picked up his old portfolio of Defence—a free hand for co-ordinating all the fighting services.

The new Government's prospects depend, no doubt, on the policy of the Socialists. This is the first Ministry since the General Election of May, 1936, in which the Socialists have not participated. And with the present composition of the Chamber—which still, to all appearance, remains an accurate reflexion of the will of the electorate—it would be difficult to imagine any Ministry remaining in power for a day without enjoying at least the passive support of the Socialist group. It was only when he was assured that this support would be forthcoming that M. CHAUMPS was able to form his present Government. The new Government's programme, he has announced, is to be "such as would be incapable of creating a breach between the parties of the Front Populaire." But to sceptical ears this

sounds less like a Government programme than like a counsel of perfection; for breaches are yawning already on all hands.

The immediate antecedent of M. CHAUMPS' new Ministry on Tuesday was an all-night meeting of the Socialist National Council, in which a sharp rift appeared between a wing, led by M. BLUM, which was in favour of participating once again in a Ministry in which the Radicals would have the hegemony, and an opposing wing which was in favour of standing out—without yet going to the length of refusing to a new Radical Government the Socialist group's support in the Chamber. M. BLUM usually has a wonderful way of persuading his party to do things that are unpalatable but expedient; but this time he just missed success. By the narrow margin of about twenty votes on a total poll of nearly 8,200, his motion was defeated in the small hours of Tuesday morning by a pair of opposing motions which agreed with one another in rejecting participation. This was not a very auspicious overture to M. CHAUMPS' new Cabinet-making activities. Since M. BLUM had already failed to form a new Ministry, while M. HERRIOT had refrained from trying his hand and M. BONNET had been virtually hissed off the stage, it is difficult to see any practicable alternative to M. CHAUMPS' stop-gap work. But this does not mean that the stop-gap is going to hold for long.

What are the omens for greater stability in the Ministry that will follow next? To answer this question (if any answer is possible) we must consult the Socialist Party oracle. At the Council meeting on the night of Monday to Tuesday two distinct—and, at the present stage, conflicting—states of mind were plainly discernible. M. BLUM and those who think with him now manifestly put before everything else the claims of national security; and on this consideration they are willing to join the parties to the right of them in forming a Government—even if in such a Government the Socialists do not command as much influence over policy as their numerical strength entitles them to exercise. On the other side there is a section of the Socialist Party which is bitterly conscious that an old game of French domestic politics is being played once again, and is determined to stop it this time at almost all costs. The bitterness is easy to understand; for it is indeed an old story in France that a Chamber elected with a

Leftward majority should sooner or later find itself cajoled or manoeuvred into tolerating a Government of the Right. The recurrence of this only too familiar situation to-day certainly lends colour to the accusation that, in France, the Right disposes of occult forces which enable a virtual oligarchy to outwit a democratically-framed constitution and thwart the electorate's express wishes. Each time this comedy is played its victims resent it more fiercely; and they are particularly incensed when they find the same old trick being played in the sequel to a General Election in which the country declared, more emphatically than at any other time since the War, its desire to see the ideas of the Left carried out.

Which wing—or mood—of the Socialist Party is going to prevail? If M. BLUM has his way, we may perhaps see the present Chaumps' Government succeeded before very long by one in which the Radicals will be reinforced by the Socialists on the one hand and the Right-Centre on the other, leaving outside only the irreconcilable extremists on either side.

M. BLUM attempted at the week-end to form such an "audacious combination," which was to have reached from the Communists to M. PAUL REYNAUD. He failed; but until he or some other statesman of vision succeeds in building such a National Government of the Left, and keeping it together, there will be little prospect of political stability in France. The great need of the country at present is to pursue an economic policy based upon realities, without betraying the mandate given to the parties of the Left in 1936 or encouraging the trade unions to believe that democracy can be more effectively defended by the strike weapon than by Parliamentary action. Such a policy is fully possible, but only on the basis of a tolerant unity among all the sections of opinion that are prepared to co-operate. How much longer have France and Europe to wait for this elementary co-operation among parties whose practical aims are hardly divergent? An external attack—if some other Great Power were mistaken enough to see an opportunity for aggression in French political squabbles—would galvanise not merely the Left but the whole nation into solidarity. But must we wait for the ultimate disaster before the politicians of the Chamber are ready to lead France in the effort to play a proper and necessary part in European reconstruction?

Overseas Trade Prospects

THE course of Britain's overseas trade is at all times closely affected by the interplay of domestic and international developments. During the past year there have been significant changes in the trend of prices and of production, both at home and abroad. Throughout 1936, economic recovery was fairly general, and the past year opened with world production and trade in the course of a process of rapid expansion, stimulated by a strong upward trend of commodity prices. The upward movement reached a peak in the second quarter of 1937, when the League of Nations' index of the volume of world trade equalled, and the index of industrial production surpassed, the pre-depression level of 1929. In the early summer, however, there were signs of hesitancy. The prices of primary products had been falling rapidly from the end of March onwards, and a downward turn in world production and trade had occurred before the end of the year.

In contrast to the first half of 1937, when international production and trade showed a strong upward trend, the second half witnessed a steady deterioration on the world economic front. At home, business activity, stimulated in the early spring by the speeding-up of re-armament, continued to expand until the autumn, but then turned down-

wards. Moreover, the comparative stability of domestic manufacturing costs between 1932 and 1936 was followed by a fairly rapid advance in the past year. The Board of Trade index of the average price of domestic exports of finished goods showed, in fact, an increase of 10 per cent. between the last quarter of 1936 and the third quarter of 1937.

How did the interplay of domestic and international developments influence the course of Britain's overseas trade in 1937? The principal changes are shown graphically on page 201 and in tabular form overleaf. The trend of retained imports and domestic exports in recent years by value and volume is shown by the first two charts on page 201. The sustained expansion of domestic activity and purchasing power necessitated an increase in imports during the past year. In particular, home production of iron and steel and metal goods, on which armament expenditure is largely concentrated, needed to be supplemented by heavier purchases abroad, for domestic manufacturing capacity was insufficient to meet the rapidly expanding requirements. The extent of the increase in imports of iron and steel and machinery is revealed by Table I. Moreover, as a result of the rising

trend of prices on the world market, the average price of our imports rose steeply, despite the fall in the c.i.f. prices of certain raw materials towards the end of the year, shown by Table III. Thus, the Board of Trade index of the average price of total imports increased by 14 per cent. between the last quarter of 1936 and the third quarter of 1937. The effect of the rise in prices is revealed by the Board of Trade index of the volume of retained imports, which showed an increase of only 5.5 per cent. between the first nine months of 1936 and 1937, compared with an increase of 21.2 per cent. in their value between the two complete years.

While imports continued to increase in volume with the expansion of domestic activity, and relatively more in value as the result of the advance in world prices, the rising tide of world production, trade, and prices during the first half of 1937 gave a strong stimulus to the overseas demand for British goods. But many manufacturers, especially in the iron and steel and metal industries, were unable to take full advantage of the improvement in world trade owing to the exigencies of the re-armament programme. Nevertheless, the increase of 12.1 per cent. in the volume of domestic exports between the first nine months of 1936 and 1937 was considerably more marked than that of imports. As Table II indicates, exports of coal, iron and steel and machinery registered notable increases, but the leading textile trades made little headway. But the increase of 10 per cent. in the average price of domestic exports between the last quarter of 1936 and the

third quarter of 1937 was less marked than that of imports. Hence, the rise in the total value of domestic exports between 1936 and 1937, amounting to 18.3 per cent., was slightly smaller than the percentage advance in imports. Consequently, as Table V shows, the past year witnessed a further substantial increase in the excess of imports over exports.

During the past year, the value of both imports and exports still fell short of the 1929 level. The volume of our purchases abroad was substantially higher than in 1929, but that of domestic exports, despite a marked improvement, failed to reach that level. Although the improvement in the value of both imports and exports was fairly well maintained during the second half of 1937, a closer analysis of the figures reveals that this apparently satisfactory trend was due to the substantial advance in prices.

The general impression left by last year's overseas trade figures is thus, on the whole, disappointing. The returns relate to a year when the world's economic activity was undoubtedly greater than in 1936. But the recovery in Britain's exports suffered an apparent check before the end of the year, and prospects of its early resumption appear uncertain, especially as the prices of many important commodities, listed in Table IV, have risen substantially during the past twelve months. A downward trend in domestic activity in 1938 would free resources for the export trade. But if deterioration were simultaneously to be recorded on the world economic front, their utilisation for that highly desirable purpose would be seriously retarded.

OVERSEAS TRADE 1937

I.—RETAINED IMPORTS OF IMPORTANT COMMODITIES

(000's omitted)				
	1929	1935	1936	1937
Foodstuffs				
Wheat	110,822	100,644	100,018	95,113
Beef	12,288	12,467	12,676	13,284
Mutton and lamb	5,625	6,969	6,567	5,197
Butter	6,274	9,481	9,681	9,302
Sugar (unrefined)*	40,940	38,303	44,565	44,376
Metals				
Iron ore and scrap	5,756	4,984	7,041	7,803
Unwrought copper*	146	362	288	392
Pig lead	270	293	332	336
Tin ore and concentrates	93	45	52	50
Tin blocks, ingots, etc.	3	8	5	2
Textiles				
Raw cotton	14,616	11,976	14,859	15,122
Sheep's and lambs' wool	4,813	6,050	6,496	7,618
Raw silk	4,634	6,272	6,805	7,445
Flax, hemp and jute	323	293	322	320
Other Materials				
Rubber	2,800	2,839	— 164	1,104
Crude petroleum*	487,348	488,516	511,865	529,951
Wood pulp	1,638	2,221	2,384	1,789
Hides, wet and dry	5,209	6,508	2,372†	2,355†
Wood and timber, soft*	—	—	—	—
Manufactures				
Iron and steel	2,813	1,149	1,476	2,032
Machine tools*	11	8	20	32
Total machinery	108	69	101	144
Refined petroleum	1,606	2,246	2,366	2,529

* Total imports.

† Standards.

II.—BRITISH EXPORTS OF IMPORTANT COMMODITIES

(000's omitted)				
	1929	1935	1936	1937
Coal, Iron and Steel Products				
Coal	60,267	38,714	34,533	40,352
Pig iron and ferro-alloys	545	157	112	167
Railway materials	610	161	209	208
Total iron and steel manufactures	4,380	2,312	2,205	2,576
Textile machinery	127	67	51	72
Total machinery	562	384	380	438
Locomotives (complete and parts)	40*	16	18	18
Motor vehicles and chassis	42	72	89	107
Textile Goods				
Cotton yarns	166,638	141,675	150,935	169,097
Cotton piece-goods	3,672	1,948	1,917	1,922
Wool tops	32,747	55,940	52,133	40,162
Woolen and worsted yarns	46,696	40,816	37,155	32,311
Woolen and worsted tissues	155,467	109,665	117,920	122,835
Linen piece-goods	71,540	77,163	88,756	83,143

* Complete only.

III.—AVERAGE PRICE OF IMPORTS

Item	Unit	Dec., 1935	Dec., 1936	Dec., 1937	Change 1936 to 1937
Wheat	cwt.	0.32	0.47	0.49	+ 0.02
Bacon	cwt.	1.65	1.79	2.0	+ 0.21
Butter	cwt.	3.4	4.1	4.4	+ 0.3
Sugar, unrefined	cwt.	0.37	0.4	0.5	+ 0.1
Raw cotton (78-114) staple	cental	2.8	2.9	3.0	+ 0.1
Wool, merino greasy	1,000 lb.	46.7	54.1	53.7	- 0.4
Cottonseed	ton	5.96	6.85	6.39	- 0.46
Motor spirit	1,000 galls.	8.74	8.65	9.98	+ 1.33
Rubber, raw	cental	2.5	3.8	3.3	- 0.5
Copper (electrolytic)	ton	39.9	48.3	47.3	- 1.0
Lead (unwrought)	ton	17.5	24.3	16.7	- 7.6
Tin (blocks, etc.)	ton	220.6	228.9	241.2	+ 12.3
Zinc	ton	16.4	17.6	17.5	- 0.1

IV.—AVERAGE PRICE OF EXPORTS

Item	Unit	Dec., 1935	Dec., 1936	Dec., 1937	Change 1936 to 1937
Spirits	Proof gall.	1.17	1.39	1.34	- 0.05
Coal, large steam	ton	0.87	0.89	1.05	+ 0.16
Coal, sized steam	ton	0.74	0.84	0.97	+ 0.13
Galvanised sheets	ton	12.7	13.6	19.9	+ 6.3
Tinned plates	ton	19.6	20.5	25.7	+ 5.2
Steel tubes	ton	17.0	16.4	26.2	+ 9.8
Cotton yarn*	100 lb.	5.74	6.08	6.44	+ 0.36
Cotton piece-goods	—	—	—	—	—
Bleached	1,000 sq. yds.	17.6	17.5	20.2	+ 2.7
Dyed in the piece	1,000 sq. yds.	25.3	26.7	29.04	+ 2.34
Worsted yarns (combed)	100 lb.	13.8	15.1	18.3	+ 3.2
Woolen tissue†	100 sq. yds.	16.4	17.3	18.9	+ 1.6

* Unbleached up to No. 40 count.

† All wool, 8 to 12 oz. per sq. yd.

V.—VALUE OF IMPORTS AND EXPORTS

Year	Imports	British Exports	Re-exports	Total Exports	Import Surplus
1929	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.
1930	1,220.8	729.3	109.7	839.0	381.8
1931	1,044.8	570.6	87.0	657.5	387.3
1932	861.3	390.6	63.9	454.5	406.8
1933	701.7	365.0	51.0	416.0	285.7
1934	675.0	367.9	49.1	417.0	258.0
1935	731.4	395.9	51.2	447.1	284.3
1936	756.0	425.8	55.3	481.1	275.9
1937	848.9	440.7	60.4	501.1	347.8
1937	1,029.1	521.6	75.2	596.8	432.3
Per cent. change, 1936-37	+ 21.4	+ 18.3	+ 23.7	+ 19.0	+ 24.7

Britain's War Chest

WHERE should we stand financially in the event of another war? And how would our position compare with that of 1914? Though we may pray that questions of this sort will never need an answer, they are sufficiently serious at present to deserve careful attention. If war came we should largely be dependent on being able to sell certain assets abroad in order to make up the inevitable deficit in our own balance of payments, and also, probably, in those of some of our allies. Our assets would consist, first, of gold; secondly, of such securities as would be saleable abroad; and thirdly, of the goodwill mainly represented by our borrowing power in foreign countries—which in practice would probably mean in New York. The last asset is hypothetical and difficult to value in advance, but there is sufficient statistical information available about the other two to allow approximate estimates to be made.

In the first place, our gold holdings are larger to-day than they have ever been before. In September, 1931, when Britain left the gold standard, the Bank of England's gold holding amounted to £136.1 millions—equivalent, at 140s. per fine ounce, to £218.3 millions. On September 30th last the total holding of the Bank of England was 76.8 million fine ounces, worth (at 140s. per ounce) £537.6, and that of the Exchange Equalisation Account some 39.9 million fine ounces, equivalent to £279.3 millions. The two holdings together were thus worth £816.9 millions.

A significant part of this impressive total is (as we showed in an article on page 71 of *The Economist* of January 8th) merely held in London on a species of cloak-room ticket, and its foreign beneficial owners would doubtless make haste to withdraw a good deal of it if the period of alarm before the outbreak of actual hostilities were at all prolonged. On the other hand, the official figures take no account of private gold holdings, or of jewellery, etc., some, at least, of which could be made available, by the provision of suitable inducements, in an emergency. Obviously, after all allowances for net losses, the position would be very satisfactory compared with that which prevailed in the early part of 1914. In the quarter ended in June of that year

the Bank of England held some £36 millions in gold coin and bullion, and the banks of Scotland and Ireland another £9 millions. It was estimated that gold coin to the extent of £130 millions was in circulation in the hands of the public or in the tills of the banks. The indicated total was thus only £175 millions, a large part of which was not available in official hands. Allowing for the fact that our present-day gold stocks are expressed at a "written-up" figure, there has clearly been a very considerable increase in our total holdings in the meantime. To-day, indeed, we probably hold from 12 to 15 per cent. of the world's monetary gold reserves.

In the event of war we could thus immediately lay our hands on as much gold as we should be likely to require for some time—though we should need to allow for heavy withdrawals in the disturbed period which preceded an outbreak of war. But could we dispose of our gold abroad without difficulty? For practical purposes the one country to which we should be likely to ship gold in any large quantity would be the United States. Would America be prepared, not only to continue to absorb a large share of the world's output of new gold, but also to buy a substantial part of Britain's gold stock? Much would probably depend on America's attitude towards the war itself. If she were coldly neutral she might be loath to take in unlimited quantities of gold, though she would doubtless accept the metal if no other means of payment for our purchases was available. But if American opinion were more sympathetic, the purchase of gold would probably

not be regarded as falling under the ban of any definition of neutrality.

Next, we may ask what would be the extent of our realisable foreign investments. Here, as a basis to work on, we have SIR ROBERT KINDERSLEY'S analysis of the nominal value of, and the income from, certain classes of our investments during 1936. No estimate has been made of the current market value of these investments, still less of their probable realisable value under war-time conditions. The following table makes no claim to even approximate estimate under either head; it merely capitalises the income under the different headings at certain rather arbitrarily chosen rates, in order to provide a rough and ready check on "real" as opposed to nominal values:—

VALUE OF BRITISH OVERSEAS INVESTMENTS, 1936

	Nominal Value	Income at 4%	Income Capitalised at 4%	Estimated "Real" Value
(Million £)				
Government and Municipal:				
Empire	1,100	46.4	4	1,160
Foreign	341	12.6	7	180
British Companies Abroad:				
Loan capital	379	13.6	5	272
Share capital	840	43.4	7	620
Holdings in Companies registered Abroad:				
Loan capital	326	13.4	6	223
Share capital	377	35.1	7	501
Unquoted Investments	400	19.6	7	280
TOTAL	3,764	184.0	...	3,236

A further analysis of the non-governmental securities by classes provides the following tables:—

NON-GOVERNMENTAL SECURITIES (NOMINAL VALUES)

	Empire	Foreign	Total
(Million £)			
Railways	327	499	826
Public Utilities	56	103	159
Mines	141	28	169
Miscellaneous	357	288	645
Total	881	918	1,799

The striking conclusion which emerges from these figures is that our really valuable investments are chiefly in the British Empire. On the roughest test of marketability, the Empire's share in our Government and Municipal loan holdings is six or seven times as great as that of foreign countries. In the case of non-governmental securities, Empire and foreign holdings are roughly equal in nominal values, but the heaviest losses of recent years have come under the foreign category. Taken by and large, the most important holdings in time of war would be our Empire holdings. We cannot even guess at the market values likely to prevail under war-time conditions, but we can be reasonably certain our Empire holdings would be our chief source of strength.

How far, however, would these securities be marketable? If Australia were making large profits, she would be glad to buy back Australian bonds from us. The same argument would apply in greater or less degree to the other Dominions and to India. But only a fraction of our necessary payments would be within the Empire; our pressing liabilities, which would need to be met at all costs, would mainly have to be met in New York. What have we to sell there? According to American figures, the long-term investments of the United Kingdom in the United States at the end of 1934 amounted to \$1,297 millions (£260 millions), of which \$678 millions were direct investments (some of which might not be realisable), \$455 millions were marketable securities, and \$164 millions

were "other investments." At the same date Canadian investments in the United States amounted to \$1,007 millions (£201 millions). Moreover, according to the reports of the United States Treasury there was an inflow of capital from Great Britain into American securities and brokerage accounts between the beginning of 1935 and June 30, 1937, amounting to \$406 millions, and from Canada amounting to \$25 millions. The total assets of the United Kingdom in the United States in these forms would therefore appear to be \$1,703 millions (£340 millions), and those of Canada \$1,032 millions (£206 millions). The American estimates of our holdings in the United States are higher than those of SIR ROBERT KINDERSLEY, but it is clear that, on the most favourable estimate, our position would not be really comfortable. We might try to sell a few undefaulted South American bonds and other South American securities at knock-down prices, but the outlook in that direction would not be over-promising. European and Far Eastern holdings would automatically fall to default levels, or near them, on the outbreak of an international conflagration. We should, in fact, be quickly driven to selling Empire securities in New York. Our Canadian securities, which have a nominal value of £443 millions, might be offered first, and once we had exhausted the most promising, we should be forced to bring other Empire securities under the hammer. These would certainly include gold-mining shares, which of all Empire commercial investments probably have the widest international currency. Nevertheless, it is improbable that their price would be well maintained, for the appetite of the American public for Dominion securities is not unlimited.

In this respect, our position would contrast unfavourably with our experience in the last war, when the British Treasury was able to mobilise, either for sale outright or in order to provide collateral security for loans and credits, over £1,000 millions of foreign securities—mainly dollar securities. Some £600 millions of American railroad securities were sold back by Britain to the United States in one way or another. These, indeed, were the bottom drawer of our war chest in 1914-18, and the drawer is not nearly so well filled with similar securities to-day. Even our

short-term balances in New York would not carry us very far. On June 30, 1937, British short-term funds in New York totalled \$366 millions, against which were short-term liabilities of \$81 millions. Even if the greater part of these balances were available, which may be questioned, they would put us in funds to only a little more than £50 millions. Our short-term assets in many other parts of the world would probably become frozen at the outset of the war, and would remain frozen, although there might be exceptions in some centres.

This analysis leads to a conclusion which deserves special emphasis at a moment when the beginning of official negotiations for an Anglo-American trade treaty may have the result of an increasing part in our international commerce being played by Anglo-American trade. It is arguable whether or not Britain's programme for re-armament, in the widest sense of the term, should include the building up of balances—by way of marketable bonds or otherwise—in New York, and whether some of the resources of the Exchange Equalisation Account might be advantageously used in that way. But what is beyond all question is that the attitude of America will be a vital factor in our financial position in the event of another war. With America on our side our position would be secure. If America, though not a belligerent, were sympathetic to our cause, our position might be tolerable. But it would be highly unsatisfactory if opinion in the United States were critical, and the authorities in Washington were constrained to render difficult—in the name of neutrality—the free mobilisation of such resources as we possess overseas. More than most nations, we remain dependent on our purchases from abroad. While we continue to hope that the occasion for opening our war chest may never occur, we should at least lose no opportunity of seeing to it that our relations with America are so harmonious and our ideas in relation to the great issue of peace and war are so akin that we may be certain that her attitude—even if neutral—is at least beneficial. For the defence of peace Anglo-American relations are not merely important; they are vital.

Topics of the Week

The Chancellor Reflects.—Speaking at Swansea on January 13th Sir John Simon addressed himself rather more soberly to the current economic situation than has been the recent custom of Ministers. "Parliaments and Governments cannot claim all the credit for economic progress any more than they can be held to blame for every economic setback." Sir John refused, however, to accept the charge that the cost of living was now pressing harshly upon the incomes of working people. Since its lowest point in 1933 the cost of living had indeed risen 11 per cent., but in the same period average weekly wages had risen 9 per cent.; and in the preceding period, between 1929 and 1933, while the cost of living had fallen 14 per cent., wages had been reduced by only 5 per cent. The worker was incontestably better off in 1937 than in 1933; indeed, the economic limit to further extensive increases in wages had now been reached. The immediate outlook for British business depended upon the maintenance of remunerative prices. There is wisdom in some of Sir John's contentions. The present slight recession in business activity was, in fact, preceded by falling primary prices. The index of the cost of living has ceased to soar, and in December it actually fell by one point. In any list of measures by the Government to minimise the consequences of a setback, the preservation of stable and remunerative prices would not be the least important element.

Progress of Air Defence.—Doubts about the efficiency and co-ordination of production for air defence have grown in recent weeks. The announcement just over a week ago that the aircraft industry had chosen a new chairman to be especially a link between the Air Ministry and the manufacturing firms was generally welcomed, but scepticism lingered about the adequacy of the Ministry's own methods. Speaking at Havant on January 14th, Sir Thomas Inskip admitted that the air programme had fallen below expectations in production, but urged that this was due, not to inefficiency or lack of foresight, but to obstacles which could not readily have been overcome even with the maximum of skill and co-ordination. Changes in design and difficulties of delivery had been notable hindrances. A few years ago the aircraft industry was small and dependent on a few Government orders. It was impossible to induce a spate of production at short notice. As it was, the shadow factories had now been substantially completed, and the production of air engines was ahead of estimates. To a point, the apologia of the Minister for Co-ordination of Defence was plausible. Nevertheless, the purpose of the air re-armament programme and the rationale of Sir Thomas's own appointment was to surmount precisely the sort of difficulties which the Minister cited. Obstacles are inevitable, but unusual methods are imperative to solve a problem of unusual urgency.

Egypt's Political Crisis.—Events in Egypt since the beginning of the crisis rather confirm our fears that King Farouk has raised a storm which it may be beyond his powers to quell. It is not that the King had no case against the Wafd. The case was rather a strong one. Here is a party which has retained its monopoly of power after the disappearance of its *raison d'être*, the Anglo-Egyptian conflict. But it has not succeeded in turning itself from an organisation for agitating against the intrusion of a foreign Power into a party with a practical programme on concrete social and economic questions in the life of Egypt herself. And meanwhile the political monopoly has not merely been retained; it has been aggravated by the behaviour of the Blueshirts, who are the Wafd's "private army." If the King has made a mistake, it has lain not in his trying to modify a manifestly unsatisfactory situation, but in his declaring open war on the Wafd without having any serious prospect of being able to deliver a knock-out blow or any alternative party to carry on the King's government, supposing that by chance the blow at the Wafd did prove a mortal one. The secessions from the Wafd do not seem likely to go to serious lengths; and we may expect a general election in which Nahas Pasha and his friends will be returned once more in overwhelming strength. In that event the King may be faced with a choice between looking foolish and attempting a revolution which he could scarcely hope to carry through. It is to be feared that the first-class political crisis which the King has precipitated may seriously retard Egypt's political development by keeping politics in the two ruts of abstract constitutional issues and concrete personal rivalries.

Japan Goes Deeper In.—Last Sunday, January 16th, the Japanese Government issued a statement on their policy towards China which, if taken at its face value, would imply that the travail of the Imperial Council had brought forth nothing but a *ridiculus mus*. There is to be no declaration of war; there is not a word about future military operations; all that we are told is that Japan has decided sorrowfully to "dis-recognise" the legitimate Government of China, after having given Marshal Chiang Kai-shek and his colleagues the longest possible period of grace in which to repent of their sins and to mend their ways. The Japanese Government now "look forward to the establishment and growth of a new Chinese regime, harmonious co-ordination with which can really be counted on." To non-Japanese minds it is neither surprising nor reprehensible that President Chiang Kai-shek should have refused to play the Japanese game by handing over his country, body and soul, to Japan and thereby saving the Japanese Government the effort and expense of a conquest of China. Indeed, we may guess that, in the unlikely event of his having acquiesced, it would have been still more unlikely that he would have ever been able to deliver the promised goods. A capitulation to Japan would have been the signal

for the President's downfall and replacement by other leaders with the will to carry on the national resistance to the Japanese invader. Japan has now lost all hope of being able to make herself mistress of China with the help of Chinese hands. If Japan means to rule China in the name of some collection of puppets, she will have to do all the dirty work herself. And so it turns out that the decisions taken at the Tokyo Imperial Council have been, after all, not trivial but momentous. The Island Empire has taken on an unlimited continental liability.

Flux and Reflux on the Danube.—High stakes are being played for in Central Europe, and the position changes almost from week to week. At the New Year it seemed, with the appointment of a semi-Fascist Cabinet in Roumania and with M. Stoyadinovic's open coquetry with Rome, that the Rome-Berlin axis was securing a decisive advantage. Now it is by no means so sure. M. Stoyadinovic has just been to Berlin. He walked into the spider's parlour just as the Foreign Minister of Poland was walking out. Do the flies escape scot free? Or do they emerge with their wings festooned in invisible but unbreakable gossamer threads? From all that has appeared, it seems that M. Stoyadinovic has disappointed the Germans. He was as friendly with them as could be expected, but there was rather an ostentatious emphasis on the fact that Yugoslavia did not intend, because of her new-found friendship with Germany, to retreat from her alliance with Czechoslovakia. The royal appointee in Roumania has also been a disappointment to Berlin. His first journey was to Prague, and then to Belgrade, preparatory to going to Geneva. It has been made clear that the policy of Roumania in external matters, and in some internal affairs, is the policy of the King and not that expressed in M. Goga's electoral speeches. Lastly, one result of the meeting of Italy, Austria and Hungary in Budapest has been a revival of the idea of a closer approximation between the two latter countries and Czechoslovakia. Italy's efforts to be on good terms with Yugoslavia and Roumania have naturally weakened the exclusive privileges which the Rome Protocols were supposed to guarantee to Austria and Hungary, who are naturally looking elsewhere. Germany will doubtless bring great pressure to bear to prevent any such "Little Triangle," but the small countries concerned have their livelihoods to consider. Thus the situation is in constant flux. The truth is that the market for small Powers is at present a seller's market. None of these small countries is definitely committed to one side or the other, except Czechoslovakia, and there are doubters even there. They are all consequently anxious to accept as many as possible of the inducements held out by the Great Powers without engaging themselves in irrevocable commitments.

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Anglo-American Trade Negotiations.—As the date for the formal opening of negotiations for a reciprocal trade agreement between the American and British Governments approaches, the attitude of several of the organisations representing British industry is hardening in opposition. The reasons adduced in their protests shed a very clear light on the nature of the economic system which is slowly being built up in this country under the protective tariff. The National Union of Manufacturers, for example, say "we regard the present negotiations with grave anxiety, because we think they were not initiated for purely business reasons, and because we are unable at present to see the material for a sound business deal." When this rather peculiar statement is analysed it appears to mean that the National Union of Manufacturers has reason to fear that the Government is acting with a view to the interests of persons other than their own members. "Business reasons," which are commendable, apparently mean an increase of profits to British manufacturers; "political reasons" must be taken as meaning the advancement of the interests of the community as a whole.

A similar assumption appears to underlie a letter which the President of the Federation of British Industries has dispatched to the President of the Board of Trade. The F.B.I. had previously requested the Government to notify those industries at whose expense the United States might ask for concessions in the British market, and allow them to submit their views as to the repercussions which such concessions would have. Mr Stanley's reply was that the publication of such information while the negotiations were in progress would embarrass the Government's freedom of action. The F.B.I. then pointed out that they had never intended to ask for the publication of such information, but merely that it should be confidentially communicated to the industries affected. This comes very close to a suggestion that details of tariff protection should be settled in conjunction with the industry affected, but without any reference to public opinion. This is, unfortunately, the spirit which has become widespread during the last six years, to such an extent that the ordinary consumer, who in the long run has to bear the economic burden of protection, is considered to be interfering if he merely asks to be informed what is being done in his name and at his expense. Not the least of the merits of the projected Anglo-American agreement is that it would break through this narrow conception of economic policy. If the decision to conclude the agreement is based upon mature consideration of the best interests of the community as a whole, it matters very little whether those interests can be classified as political or economic, provided only that they are shared by the nation at large. Fortunately, the Government is showing no sign of yielding to the pressure of partial interests.

Mr. Roosevelt on Holding Companies.—It is still impossible to see any clear outline of the American Administration's policy for the relief of the recession of trade with which it has found itself burdened. At one moment in the past week the President seemed anxious to carry his attack on the abuses of Big Business into a new field, for he declared himself opposed to all forms of holding companies. Hitherto, the New Deal has declared its hostility to holding companies only in the public utility field, and even there exceptions have been made for holding companies whose subsidiaries operate in a single contiguous and co-ordinated area. But on Friday last the President made no such distinctions. He

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was apparently prepared to envisage the disappearance of holding companies wherever they are now present, and he was not willing to exempt from his condemnation even the so-called "first degree" holding company, i.e., one which is not separated from its operating subsidiaries by any intermediate tiers of sub-holding companies. This attack on the favourite device of the American corporate lawyer might have been expected to provoke some alarm in Wall Street. But in fact it seems to have been assumed either that the President had no intention of putting his words into acts, or that, if he did so intend, Congress would stand in his way. The former assumption seems to be supported by the fact that the President is currently engaged in a series of talks with business leaders designed to restore "confidence," and there has even been a suggestion that a compromise will be reached at the most bitterly-fought point of the war between the Government and the utilities, namely, the conflict of interests between the Tennessee Valley Authority and the Commonwealth and Southern Corporation. Very slowly, signs of some improvement in American business seem to be appearing. There has been a slight increase in the activity of some of the heavy industries, and business men are showing a tendency to remember that they have, after all, contrived in the recent past to make quite attractive profits even with Mr Roosevelt in the White House. The noticeably less ferocious tone of organised Labour has contributed to the slightly better sentiment, but the major reason is probably to be found in the prospect of a resumption of heavy Government expenditures. The recommendations for new naval construction, which are expected to be the largest instalment in the programme, have not yet been sent to Congress, but they are still in immediate prospect, and their appearance can be expected to exercise a considerable stimulating effect upon the heavy steel industry.

Irish Economics.—The past week's Anglo-Irish conversations lend interest to Mr J. P. Colbert's survey, in the current issue of *Lloyds Bank Review*, of the economic and financial position of the Irish Free State. A creditor with external investments to the value of perhaps £300 millions, Eire is displayed by Mr Colbert in the best possible light. He lays stress upon Irish stability, in politics no less than in finance; upon the relative lowness of Eire's public debt, despite recent free borrowing; upon the banks' £125 millions of sterling assets; and upon the flexibility of Irish agriculture. The reverse side of the medal Mr Colbert does not paint so willingly. He is, for instance, at pains to prove that the net decrease of over £10 millions in the banks' external assets since 1932 has not involved any eating into capital, since the sterling assets of Departmental Funds, the Currency Commission and the National Hospital Trustees rose by over £12 millions in the same period. Not all observers would wholly accept his arguments in this matter, though no one could deny his premise that a creditor nation must anticipate a surplus of imports in trade. More dissent is likely to Mr Colbert's emphatic statement that Irish farming is notably prosperous, having negotiated a considerable change-over from pasture to tillage with conspicuous success. Actually, the area under tillage in Eire has diminished at the same time as the numbers of cattle and pigs have fallen. Agricultural prices are high, but farming profits are not. There is some rural unemployment, and country workers have swollen the serious drift of Irish men and women into prosperous Britain. It may be argued that the new protected Irish industries will be capable ultimately of producing goods as cheaply as in industrial countries; but there are small signs of this as yet.

Anglo-Irish Trade.—Since 1932, when the economic war between Britain and the Free State grew out of the dispute over the land annuities, the trade between the two countries has been seriously curtailed. The world slump in prices and commerce intensified the results of quotas, tariffs and counter-tariffs, which were modified

only in the spring of 1935 by the so-called coal-cattle pact. The following tables show Anglo-Irish trade: (a) before depression and economic conflict deepened; (b) before the 1935 pact; and (c) in 1937:—

BRITISH IMPORTS FROM EIRE			
	1930	1934	1937
Bulls and bullocks	£ 8,138,489	£ 2,750,253	£ ...
Cows (including heifers) ...	5,220,418	762,541	...
Cattle	...	...	6,114,699
Swine	2,619,366	384,774	179,944
Butter	3,275,412	1,158,190	1,311,304
Eggs	2,711,038	894,647	667,816
Pig products (bacon & ham) ...	1,837,362	1,188,356	1,568,619
Pork (fresh)	1,241,972	378,700	148,835
Animals (not for food) ...	3,124,463	888,396	2,109,997
Total value of all imports	42,955,118	17,199,774	...
Nine months' figures	31,218,833	12,216,984	15,530,026

BRITISH EXPORTS TO EIRE			
	1930	1934	1937
Grain and flour	£ 2,762,968	£ 266,698	£ 266,778
Coal	2,418,971	925,422	2,660,505
Articles wholly or mainly manufactured	21,775,760	15,157,007	...
Total value of exports	34,496,909	19,525,254	...
Nine months' figures	26,186,967	14,316,533	16,139,365

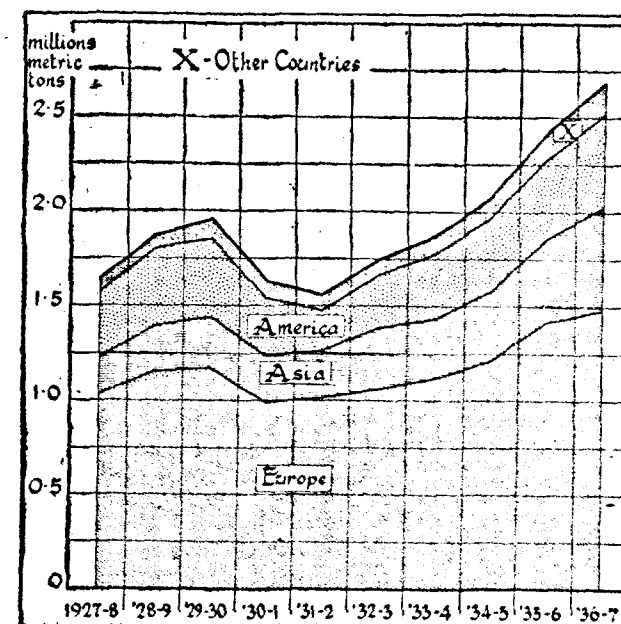
The recovery in the coal and cattle trade since 1934 is striking, but the total value of trade is still far below the level of 1930. Clearly, both countries have much to gain by the conclusion of a comprehensive commercial agreement.

French Canada and Defence.—Two recent by-elections in Quebec have afforded encouragement to Mr Mackenzie King's Government. Both were fought on the re-armament issue. The Liberal Party held both the Lotbinière and St. Henri (Montreal) seats against Independents, who stood on platforms of isolationism, anti-imperialism, and French-Canadian nationalism. In the latter constituency, however, the Government majority was greatly reduced, and it is evident that the attempt to maintain internal Canadian unity is not made easier by the necessities of an uncertain international situation. The spread of the crypto-Fascist nationalism, which to-day has a home in Quebec, would be of dangerous import for Canada.

Re-armament and the German Railways.—The provisional report for 1937 of the German State Railways attributes increases during the first nine months of last year of 39 per cent. in derailments, 33 per cent. in collisions, and 189 per cent. in passengers killed and injured to a shortage of raw materials and labour, which has prevented the carrying out of even urgent repairs. The replacement of rails during 1937 fell short by 40 per cent. of a reduced schedule, the demand for sleepers could only be partly met, and the additions of new rolling stock were "entirely insufficient." Since 1933, traffic has risen by 70 per cent., but the number of trucks and carriages has fallen by 10 per cent. And the capital expenditure estimates for 1938 show a further reduction. The German railways demonstrate only too clearly the effect of re-armament and the Four Year Plan on many sections of German industry, whose urgent need for extension of plant and replacement of machinery cannot be satisfied—or can be met only by the use of inferior substitutes.

World Consumption of Fertilisers.—The accompanying diagram, based on the estimates of the British Sulphate of Ammonia Federation, shows the trend of the world's consumption of fertilisers in terms of pure nitrogen during the past ten years. Since the bulk of these fertilisers are consumed by agriculture, the diagram gives a good indication of the fortunes of the world's farming community. World consumption has risen far above its pre-depression level. This fact is an indication both of

DISTRIBUTION OF WORLD FERTILISER CONSUMPTION



the improvement of the position of the farmer and of the growth of intensive methods of production. The bulk of the world's consumption of fertilisers consists of synthetic materials, Chile nitrate representing only about 9 per cent. of the total absorption in the year ended June, 1937. Despite the remarkable increase in the use of fertilisers in recent years, however, synthetic nitrogen plants, which had been considerably extended, operated at only about 50 per cent. of capacity during 1936-37.

The Disappearing Tram.—The Ministry of Transport return of street tramways and trolleybuses for 1936-37 gives further evidence of the steady disappearance of the tram from British streets. During the year, the number of undertakings in operation declined from 86 to 77, and the route mileage, which reached a figure of 2,624 in 1923-24, was further reduced to 1,340. The following table gives significant figures for 1913-14, 1923-24, and 1936-37:—

Year	No. of Electric Trams	Route Miles Open	Passenger Journeys (Millions)	Passenger Receipts (Million £)	Vehicle Miles (Millions)
1913-14	12,518	2,530	3,301.8	14.4	338.9
1923-24	14,186	2,624	4,413.3	28.3	363.1
1936-37	9,769	1,340	3,379.6	18.6	301.1

According to *Modern Transport*, 60 private tramway and 94 local authorities' undertakings have been entirely replaced by newer methods of traction. The total number of trolleybuses now licensed amounts to 1,950. These buses, in 1936-37 covered 538 miles of route and carried 632.5 million passengers. This figure, however, is still only one-fifth of the number carried by trams, and one-tenth of the number carried by buses.

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Overseas Correspondence

From Our Special Correspondents

United States

The Budget Message

NEW YORK, January 11th.—The Budget Message was received in New York with less attention than it merited, because on this occasion, as on the last, it was hardly more than a tentative outline. The question of relief expenditures was left open, and the subject of the armament programme was reserved for a special message.

The estimates of revenues were necessarily sketchy. For the four quarters ended September, 1937, the national income may have been \$70,000–75,000 million; in the fourth quarter of 1937 it was equivalent to an annual figure of probably not over \$60,000 million and possibly not much more than \$50,000–\$55,000 million. In estimating revenue under such circumstances, the Treasury cannot do much better than guess.

To quote from the Message:—

The Treasury, leaning to the conservative side, predicts some improvement over the present level, but does not assume in its figures that business in the calendar year will reach as high a level as in the calendar year 1937.

The official forecast is that revenue in the fiscal year 1939 will be \$401 million less than in the fiscal year 1938, estimated at \$6,321 million, with half the year still to go. Up to a very short time ago, there was no hint that in addition to our large regular military appropriations, we were about to have a special armament Budget. The President, however, suggested that:—

... due to world conditions over which this nation has no control I may find it necessary to request additional appropriations for national defence.

The following tables are based on the Message; the years are fiscal years, ended June 30th:

UNITED STATES' BUDGETS: 1934–1939
(\$000,000)

	Actual				Estimated	
	1934	1935	1936	1937	1938	1939
Income						
Income tax	818	1,099	1,427	2,158	2,692	2,414
Misc. internal revenue	1,470	1,657	2,010	2,181	2,280	2,190
Social security tax	554	606	734	815	827	760
Processing taxes	353	521	77	252	571	599
Customs	313	343	387	486	415	390
Total Receipts	3,116	3,601	4,116	5,294	6,321	5,919
Expenditure						
Regular oper. exp.	475	555	734	815	827	760
National defence	500	657	871	889	957	901
Veterans	554	606	734	815	827	760
Interest on publ. debt	757	820	749	866	927	976
Public works	613	763	913	1,079	878	620
Unemployment relief	1,853	2,361	2,342	2,467	1,759	1,266
Agric. programme	290	743	542	516	443	586
Social security	...	...	28	448	659	813
Total expend. excl. debt, retirement	4,745	6,802	8,477	8,001	7,409	6,869
Net deficit	3,630	3,192	4,361	2,707	1,088	950
Gross public debt at end of fiscal year	27,053	28,701	33,779	36,425	37,604	38,528



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The totals are greater than the sum of the items listed, as only the more important items are enumerated.

It is expected that the income tax will yield more in 1938 and 1939 than in the fiscal year 1937, and approximately three times the actual yield of 1934, which was, however, over \$1,000 million less than in 1931. Customs are expected to show a substantial decline below the yield of 1937—which was a year of very large imports.

Reduced Expenditure

The first item of expenditure to be noted is that of national defence, which is liable to revision upward. Although the 1939 figure is double that of 1934, the 1934 figure was exceptionally low—in 1931 and 1932, for example, national defence cost over \$660 million. Veterans' pensions and benefits in 1936 and 1937 reflected the Bonus payment; but the 1939 figure is lower than 1934, and far lower than 1931 or 1932, when the payment was just under \$1,000 million. The deficit projected for 1938 is smaller than actually realised in any year since 1931.

The total receipts are expected to be about \$1,000 million higher in 1938 and \$600 million higher in 1939, the increase to come principally from income and Social Security Taxes. Total expenditure, which was reduced by about \$500 million in 1937, is expected to fall another \$600 million in 1938, and a further \$500 million in 1939. It is expected that in 1939, receipts will be \$600 million higher and expenditure \$1,100 million lower than the realisations of 1937, which would reduce the deficit from the \$2,700 million of 1937 to under \$1,000 million in 1939.

The increase in the gross public debt will not necessarily mean an equal increase in the public debt in the hands of the public, as such accounts as the Old Age Reserve account, etc., are expected to run over \$1,100 million. Moreover, the figures take no account of the Inactive Gold Fund, except in the increase in the public debt.

Hopes of Recovery

The revenue figures, combined with the proposed expenditure on public works, indicate a definite (if provisional) expectation of a prompt recovery in the national income. The proposed Federal Budget of \$7,000 million may be taken as roughly half of the total cost of government in the United States, as the cost of local government is estimated at about an equal figure.

The present estimates for expenditure for the fiscal year 1938 are not far from the original estimates, although they are subject to revision in the event of heavy demands for relief. The estimates of receipts, however, went wide astray, largely by reason of the over-estimate of the income tax. The disappointment about the yield of the income tax was one of the reasons for the passing of the so-called Loophole Tax Act of last summer.

The atmosphere of panic, so marked in Wall Street in the early autumn, ebbed away in the closing days of 1937. The decline in industrial activity, however, lasted into December, when it was exaggerated by purely seasonal factors. The share market, however, continued nervous, and fluctuated widely through November and December.

The New Year opens with hysteria replaced by hope, and with the perennial inflation talk reminiscent of a year ago. No part of the President's Budget Message attracted so much attention in Wall Street as the statement of the new objective—not the 1926 price level, but a national income of \$90,000–\$100,000 million. As the national income in 1929 was only \$80,000–\$85,000 million, in 1937 about \$70,000 million, and the current level not above \$60,000 million, this statement exerted a profound influence.

Against this optimistic background some qualifications should still be made. The actual realities of the railroad situation are extremely bad—by some standards worse than in 1932. The level of production in December was evidently below November, about 30 per cent. below December of 1936, and perhaps not far from the average of the year 1931.

The President and the Recession

WASHINGTON, January 6.—The coming of the New Year has emphasised again that the United States is the world's gullest country. Nowhere else can the winds blow up so unexpectedly, and with such frightening force. A year ago all was well with America. The election had been decisive; the country was enjoying a rising prosperity; and only two dangers were to be seen on the horizon—the possibility of war in Europe and of inflation at home.

To-day, the country is experiencing the sharpest business decline in its history; the President has been thrown on to the defensive; and the danger of war in Europe has been superseded by the Chinese war with its immediate threat to American interests. Unemployment has postponed once more the early balancing of the Budget. Everyone, from the President down, has been caught off guard. The whole nation is dismayed.

Ever since the stock market collapse, uneasiness has been apparent in Government and business circles. Before the full force of the new depression was felt, the President began feeling for a fresh meeting ground with business. The first tentative negotiations for peace with the public utilities revealed the President's "prudent investment" theory of cost in determining fair rates. But peace on terms that would lead to normal expenditure for expansion has not come into view. And since this expenditure depends first of all on investment, and that in turn upon confidence, it could hardly emerge from a few talks between the President and utility officials.

Business Attacked

As the depression intensified, both the President and business men hardened towards each other. Certainly the business community saw within grasp the defeat of all the President's reforms which they held responsible for the upset in business. The President, resenting their attitude and the stubborn opposition in Congress, began a preparation of Jovian thunderbolts, and seemed to be getting ready to attack business practices with a new fire.

The week before Congress was to meet, Robert Jackson, Assistant Attorney-General, made two radically anti-business speeches, seconded by Secretary Ickes in his most vituperative manner. Both attacked the concentration of economic power, and Mr Jackson set out to demonstrate that the business decline had been due to monopolistic practices which forced up prices too quickly. The three speeches, coming in a single week, sent tremors throughout the country.

The New Year came with everyone feeling that nothing less than economic civil war was imminent, and might be proclaimed by the President himself in his opening Message to Congress. But the President was astute. The speech he made—one of his best—was not bellicose. In it he defined the business interests he was against and the practices he believed to need curbing, and made a real bid for national leadership.

Speaking within a few days of the Jackson and Ickes outbursts, the President sounded positively gentle and persuasively sane. If, however, the President's speech had been made without the benefit of contrast, and with business men feeling as they had felt a fortnight before, it would have been damned for its hostility. It took only a simple technique to produce a favourable response, and to bring back to the President some of the prestige he had lost in the previous year.

Roosevelt's Dilemma

When it comes to discovering a programme on which the President will succeed in leading Congress and the business community, the story is much harder to write. Here, again, the President does not seem to know which of two roads to follow. Mr Jackson's anti-monopolist thesis is one which would undoubtedly win back most of the Liberals of both parties who have been disturbed by some aspects of the New Deal. No doubt, too, the thesis is sound, if monopoly is not defined too closely.

The basic problem in America for nearly a generation has been the concentration of economic power. The Roosevelt remedy has not been to break it up, enforce anti-trust laws or introduce better ones, but to control it through the Government's intervention. The National Recovery Administration fostered monopoly. The technique of agricultural control introduces rigidity and control of prices. The advance of labour adds another rigid factor to prices. If the New Deal were to retreat from this position and take up the orthodox Liberal line of reintroducing genuine competition, it might count on capturing all the progressive forces in the country. But the President is not sure. His Message spoke of

monopolistic practices. Two days later, however, in a Press conference, he talked informally about the possibility of business men sitting down with the Government to plan production. The fact that the Government would be at this table, he said, would of itself make suspension of the anti-trust laws safe. This, of course, is the N.R.A. all over again. With these conflicting ideas in his mind it is difficult to see how the President can find a programme which at this moment will appeal to Congress, business and the country.

Federal Spending

Mr Eccles, of the Federal Reserve Board, was more realistic in his testimony before the Congressional committee now inquiring into the business recession. He said that the tide of business could be turned if the Government spent two hundred million pounds quickly enough. But to spend such a vast amount without a definition of the final relationship between business and Government would be politically difficult.

The utilities might spend a quarter of this amount in 1938 if they could borrow the money from investors. The whole amount could go into housing, if it were possible by planning to guarantee annual instead of hourly wage rates in the building trades. But housing by private contractors is still a local industry in America, and local and State authorities cannot quickly plan housing on an annual basis, even with Federal help.

Of one thing the President is assured—there will be no pressure, such as he was under last year, to balance the Budget. Even business men now admit that one of the causes of the recession was deflation, in which the curtailment of Federal expenditure was one element.

The Opposition electioneered in November with the charge that the President's financial policy was reckless and dishonest. The President, perhaps dangerously, met the charge by promising to balance the Budget before the time for it had arrived. At that time the slowing down of Government spending seemed safe. Business men now know, not only that the Government should not balance the Budget, but that increased unemployment makes a balance impossible.

France

Breach in the Popular Front

PARIS, January 20.—After a rupture between the Radical Socialists and the Communists, the second Popular Front Cabinet has fallen. Though the situation is very strained between the Communists and Socialists, the latter in their Congress refused to participate in a new Chautemps Cabinet, although they were invited to do so by their leader, M. Blum. They will merely support the Cabinet with their votes.

M. Chautemps constituted his new Cabinet with a majority of Radical Socialist members. M. Daladier, who was Minister of War, becomes Vice-President, responsible for National Security, with the army, navy and air force in his hands. M. Bonnet, former Minister of Finance, whom the Socialists hindered from forming a Cabinet, becomes Minister of State.

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The Ministry of Finance has gone to M. Marchandeu, the man of the financial recovery of 1931. M. Delbos, whose foreign policy was attacked by the Communists as being "for London against Moscow," remains at his post.

This is a strong Cabinet, formed with a view to impress the extremists with that authority for which the country hopes after months of disorder. Its life, however, will depend upon economic facts. It will be confronted with an Opposition ranging "from Thorez to Reynaud." This Opposition will be encouraged by unfavourable economic developments. If the Popular Front is dead on the political field, it still lives on the electoral field.

But if the new Government is able by a wise and discreet policy to obtain assistance from London and Washington and from the Stock Exchange, its adversaries will probably become less audacious. The main obstacle will be the new Labour Code. M. Chaumets probably intends, with the aid of the Senate, to carry out a Popular Front policy in social matters. Briefly, this Cabinet, composed of Moderates and committed to a Left policy, has a chance.

The Fundamental Difficulties

The root problem remains unchanged. The debts arising out of the last war and current military expenses represent huge charges which can be met in only two ways. Either the country must work, produce and sell more, so that individual incomes and fiscal receipts will increase. Or production and individual incomes will remain the same or even fall, in which case the necessary increase in taxes and transport charges will result in a lower standard of living.

The first way has up to now been rejected. The second alternative arises automatically from the effort to improve public and railway finance, while production does not increase. People are alarmed at the rise in the cost of living, the decline in their purchasing power and the increasing failures and bankruptcies in business. There follow demands for higher wages and social conflicts; the franc weakens and the first Chaumets Cabinet falls.

The new Government's policy is clearly stated: "There will be no control of the exchanges." But former Governments said the same about devaluation. Exchange control has been once more rejected, but the French economy still waits for the introduction of positive measures to rehabilitate the franc, to redress the commercial deficit and to restore the confidence of investors.

The import surplus in December, 1937, was the highest monthly surplus of the year at 2,193 million francs:—

FOREIGN TRADE IN DECEMBER
(In millions of francs)

	Dec., 1936	Nov., 1937	Dec., 1937
Imports:			
Foodstuffs	892	1,010	1,248
Raw materials	1,715	2,338	2,699
Manufactured goods	432	583	591
Totals	3,039	3,931	4,538
Exports:			
Foodstuffs	300	352	368
Raw materials	498	801	791
Manufactured goods	853	1,229	1,186
Totals	1,651	2,382	2,345
Import Surplus	1,388	1,549	2,193

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Once more the surplus is due to the increase in imports of raw materials and foodstuffs. Exports of manufactured goods are unchanged.

Foreign Trade in 1937

The course of foreign trade in 1937 was characterised by two features: a marked increase in the volume of trade, and a similarly striking advance in the import surplus. The total volume of trading transactions rose 14 per cent. compared with 1936: imports increased from 47,960 million tons to 57,388 million tons, while exports rose from 28,957 million tons to 30,368 million tons. Coal imports were higher than in 1936, because of recovery and the fall in domestic coal production consequent upon the introduction of the forty-hour week. Exports of manufactured goods increased from 29 million tons to 30 million tons.

The import surplus is higher than ever: in 1937 it was 18,381 million francs, against 9,922 millions in 1936. The ratio of the surplus to total trade is increasing ominously. In 1937 it was 28 per cent., against 24 per cent. in 1936, 15 per cent. in 1935, and 13 per cent. in 1934.

Railway receipts from passenger fares in 1937 were 3,378 million francs against 2,705 million francs in 1936, an increase of 25 per cent. Receipts from goods traffic were 8,941 million francs, against 7,332 million francs in 1936, an increase of 22 per cent. Unemployment on January 8th was 380,938, against 365,452 in the preceding week and 420,448 a year ago.

Germany

Berlin and the Franc

BERLIN, January 18.—The Bourse last week was affected by the new franc crisis, and share values fell. In banking circles the belief seems to predominate that in the end France will be forced to institute exchange control. There is a tendency to represent the free franc as more an Anglo-American than a French interest. The alternative, a revaluation of Bank of France gold on a new depreciation basis, would not appreciably affect any German interest directly; but there is apprehension about the result of such a move for the other two partners in the Tripartite Agreement, and for the international currency position in general.

The Four Year Plan

Official utterances imply that there is no technical limit to the possibilities of the Four Year Plan; and that the pace at which complete independence of foreign supplies will be approached depends only upon the supply of capital, construction materials, and labour. Complaints are heard about the quality of the finished goods made out of new materials; but owing to the suppression of publicity it is difficult to ascertain whether goods are everywhere so unsatisfactory as individual complaints represent them to be.

The Office for Raw and Workshop Materials has issued elaborate regulations for the washing of the different kinds of textiles. The use of the substitute "cell-wool" has been prescribed in certain minor industries; and the use of wood in construction has been again restricted. The cultivation of soya beans is planned. According to the Institute for Trade Research, some 47 per cent. of the consumption of agricultural raw materials was home-produced in 1936, compared with 29 per cent. in 1927.

Finance and Forced Saving

Official and private analyses of the statistics for 1937 contain some instructive references to taxation, investment, and consumption. In 1932-33 receipts from Reich, State, and municipal taxes brought in Rm. 10,200 millions, out of which Rm. 2,800 millions was expended on unemployment relief, leaving only Rm. 7,400 millions for other expenditure.

After 1932-33 tax revenue rose steadily, and unemployment expenditure fell. In 1937-38, the present financial year, only Rm. 400 millions has been spent on unemployment relief out of revenue amounting to Rm. 18,000 millions. Thus, there was available for expenditure Rm. 17,600 millions, or Rm. 10,200 millions more than in 1932-33. As the civil expenditure of the Reich (which is kept secret) probably has not increased much in the last four years, and as local expenditure also has not increased, the Reich had most of the gains due to this progressive increase in receipts and decrease in relief, amounting in all to perhaps Rm. 25,700 millions in four years, for re-armament and public works.

The annual business survey of the *Frankfurter Zeitung* deals in particular with the way in which this vast sum and the other funds publicly invested, were extracted from the public. The main point made is that:

Germany provided for her increased investment by abstaining from a part of the consumption that would have corresponded to her increased production; or, put otherwise, provided (for the investment) by way of taxation and out of savings.

This, it is claimed, is the conclusion reached whether comparison is made with the depression year 1932 or with the prosperous year 1929.

In 1929 taxes took 18.8 per cent. of a national income of Rm. 76,000 millions. In 1937, they took 26.5 per cent. of a smaller national income of Rm. 68,000 millions. In 1929, investment in public and private undertakings amounted to 16.9 per cent. of the national income; in 1937, to 23.5 per cent. of income. In 1929, the retail trade turnover was 48.9 per cent. of the larger national income; in 1937, 45.6 per cent. of the smaller.

In 1929 the turnover of retail trade was Rm. 36,600 millions; in 1937 it was Rm. 31,000 millions. It should be noticed that the level of the prices of consumption goods is usually reckoned to be 15 per cent. lower than in 1929—though this is a doubtful calculation in view of the method of computation. On the other hand, in 1929 and previous years, investment was largely supplied by foreign credits, which came in substantially in excess of the Reparations payments. To-day, all investment must be financed out of domestic savings, whether taken in the form of taxes or otherwise.

Higher Cost of Living

The only marked change in the cost of living between January 9th and January 12th has been the advance of the clothing index from 124.2 to 127.9. The continual enforced changes in sorts and qualities of goods; the impossibility of getting certain goods at any price; and the exclusion of numerous commodities which have risen enormously in price; all these things make the index of the cost of living very imperfect as a picture of the actual living cost. The observed cost of living rose very considerably last year.

Owing to unfavourable weather, the number of unemployed increased considerably in December, and was 422,000 higher than in November, the total being 995,000 against 1,478,000 in December, 1936. Of the increase in December, some 222,000 were in building, and many of the others were in trades connected with building or in agriculture. The number of women gainfully occupied is returned at 11,500,000, and among them 4,700,000 are married.

According to the President of the Unemployment Insurance Bureau, about 200,000 foreign workers will be required this year in agriculture, against 58,000 in 1936. The foreign workers will come from Italy, Hungary, Poland, Czechoslovakia, Austria, and Holland. As they will take home foreign exchange averaging 350 marks per person, the Reichsbank will be faced with a new problem.

Railway car loadings in November were 6.9 per cent. higher than in November, 1936. Pig iron output in December was 1,400,400 tons; in all 1937 it was 15,957,400 tons against 15,303,100 tons in 1936, and a recent lowest of 3,932,400 tons in 1932. The steel Press deals in detail with American competition, which, it seems, comes only from firms outside the group with which the International Cartel recently came to a loose agreement. It is declared that, in view of the rising production costs of member countries, any general reduction of Cartel prices is out of the question; and that importing countries, which have already used up much of their stocks, will not long be able to remain out of the market.

Capital and Credit

The question of the so-called "new-owned" public loans has at last been settled. These were pre-inflation loans which changed hands later than June, 1920, and after the stabilisation were valued at 2½ per cent. of the nominal value, without, however, any right to interest or redemption "as long as Reparations are being paid." The more valuable "old-owned" loans were valued at 12½ per cent.

The Reich in 1934, by means of a somewhat complicated transaction, got rid of nearly all its "new-owned" liability, but the fate of State and municipal "new-owned" loans remained in doubt, and these were the object of considerable Bourse speculation. The Reich government has now decreed that these "new-owned" bonds shall either be redeemed in 1970, meantime bearing no interest, or shall be bought back before June, 1938, at 28½ per cent. of the nominal value. This offer roughly agrees with the recent Bourse quotations. Money last week became dearer, apparently as a consequence of the flotation of the new Reich loan.

Italy

State Expenditure

TURIN, December 26.—Recent debates in Parliament have thrown interesting sidelights on the condition of Italian finances. The general accounts for the financial year from July 1, 1935, to June 30, 1936, the accounts for 1936-37 and the estimates for 1938-39 have been discussed.

Effective revenue (not including debt items) and expenditure have been as follows in recent years:—

	Revenue	Expenditure	Deficits or Surpluses Total
	(Millions of lire)		
	Total budget*		
1930-31	20,387	20,891	— 504
1931-32	19,324	23,191	— 3,867
1932-33	18,217	21,766	— 3,549
1933-34	18,057	24,434	— 6,377
1934-35	18,817	20,847	— 2,030
1935-36	20,371	33,057	— 12,686
	Normal budget†		
1936-37 realised ...	24,702	23,413	+ 1,289
1938-39 estimate ...	25,035	25,072	+ 37

* Including all revenue and expenditure. † Excluding abnormal items, mainly East African.

In the effective revenue for 1936-37 were included the gain obtained from the alignment of the lira in October, 1936, part of the gold offered to the Treasury in December, 1935, and the yield of the redemption-price of the compulsory land and real estate loan of 1937. The amount of these three items was not stated; but from previous ministerial statements they can be estimated at about 3,000 million lire. The estimated revenue for 1938-39 also includes a non-recurrent item, i.e. the yield of the extraordinary 10 per cent. tax on the capital of joint stock companies.

These non-recurrent items can be regarded as temporary devices to smooth over the transition from past Budgets balanced at or about 21,000 million lire to future Budgets which will be balanced at from 25,000 millions to 28,000 millions, including all expenditure, normal and not recurrent.

The alignment of the lira involved a reduction in the purchasing power of the lira of about 41 per cent., which is equivalent to a rise in the general level of prices of 69 per cent. Thus a Budget of 21,000 million 1927 (Volpi) lire should be reckoned as equivalent to a Budget of about 35,000 million 1936 (Thaon di Revel) lire. Taxpayers will bear no greater burden under the Budget of 35,000 million new lire than under a Budget of 21,000 million old lire—though there are bound to be many frictions in the process of transition.

The level of prices in October, 1936, was probably higher than was warranted by the legal level of the lira; and in so far as the alignment legalised only facts already in being, the increase in the price level and therefore in the national income will not come up to the hypothetical 69 per cent. On the other hand, State expenditure is largely fixed, as in the case of interest on public debts, contractual payments and subsidies, or only partially variable, as in the case of pensions and salaries. The future Budget level can thus be estimated at half-way between the old 21,000 millions and the hypothetical 35,000 million levels.

National Income

Before the war, when total taxation amounted to about 3,000 million lire, statisticians used to estimate the national income at 20,000 millions; the share of taxation was thus about 15 per cent. Present estimates of the national income are very uncertain. In the prosperity years, from 1922 to 1926, a figure of 120,000 millions was quoted. At the bottom of the depression, round about 1931-32, pessimists reduced their computation to 60,000 millions—which was unduly low. Probably the total national income is not less than the higher figure of 120,000 millions. How otherwise could the Italian people have paid about 30,000 million lire in taxes to the State and other public bodies in 1936-37, and at the same time have increased their savings?

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 Watbrook, E.C.4, and 45 Pall Mall, S.W.1.

Total time and current account deposits of all banks, including postal and ordinary saving banks and other deposit-receiving bodies amounted to 78,153 million lire at the end of 1933, and decreased to 74,245 millions at the end of 1935; they have now signally recovered to about 84,000 millions at the end of August, 1937. If we add in sums subscribed to State loans, Treasury bills (amounting now to 7,800,000 millions) and other loans, we reach a figure of from 25,000 millions to 27,000 millions as the estimate of total savings between January 1, 1936, and August 31, 1937.

Even if we deduct sums which are not properly new savings but merely reductions of trade stocks, there remains a substantial residuum of new savings. To this should be added the unknown sum of *private* investments in land improvements, new houses, new industrial plants and their enlargement. Even the hard-working and thrifty Italian small land-holders and artisans could not pay taxes up to 30,000 million lire in a year, and at the same time save not less than 15,000 to 20,000 million lire, if the total national income were less than 120,000 millions.

The Capital Levy

The Stock Exchanges do not appear to be unduly anxious about the extraordinary levy of 10 per cent. on joint-stock companies' capital. Land and real estate companies, already hit by the compulsory 5 per cent. loan, will be able to deduct from their capital the whole value of the land and houses possessed. All companies are authorised to deduct the sums invested in State loans and also up to 75 per cent. of other companies' shares which they happen to possess. Banks and companies receiving deposits are not subject to the capital levy, since their assets are fixed-interest bearing securities and did not benefit from the devaluation of the lira.

Joint-stock companies were authorised to issue new shares to raise the money to pay the levy. They are also authorised to transfer from reserves (even if hidden) to capital account a sum double that raised by shares issued against cash, giving to shareholders an equivalent number of free shares.

Estonia

Trade and Clearing Agreements

TALLINN, January 5.—Within the last few months Estonia has undertaken a revision of her trade relations with certain other countries, in order to increase the market for Estonian products and to ensure the importation of necessary raw materials. By an agreement concluded in October, German imports of Estonian agricultural products have been increased for this year, and the import of certain German industrial products into Estonia has been facilitated.

At the same time, a new clearing agreement was concluded with Germany, replacing the old clearing agreement between the note-issuing banks. Provision is made for settlement in full for exports and imports so that clearing balances can only be liquidated by the delivery of goods. One of the differences between this and the old clearing agreement is that now payments to the contractors are made at par. Previously there were difficulties in so far as the Bank of Estonia raised or lowered the clearing Reichsmark rate according to the state of the balance of payments.

On December 1st the new trade agreement with France came into force which represents a codification of the agreements concluded since the year 1929. At the same time, the clearing agreement with France has been abolished, so that payments are now made in free exchange.

Since the procuring of iron from Belgium met with difficulties owing to the clearing arrangements, this clearing agreement has been denounced by the Estonians and has been substituted by a mutual agreement to regulate trade between the two countries. In addition to a new agreement with Greece, trade agreements are soon to be concluded with Latvia, Poland, the Soviet Union and the United States.

Hopeful Outlook for Business

In the last quarter of 1937 economic activity has not declined, and even the seasonal set-back in employment was comparatively small. Industry was very active, although there has been a certain reserve in the launching of new enterprises due to fear of a world depression.

In the timber industry, which works mainly for export, prices for sawn timber, cellulose, etc., have fallen, and there is uncertainty about their future trend. Stocks in the textile industry are comparatively large, so that in spite of the increased purchasing power of the population, some curtailment of production is likely. On the whole, however, the

industrial position is healthy, and there are no grounds for any particular anxiety.

Foreign trade has moved favourably in the last few months and shown increased turnover. In the period from January 1st to December 1, 1937, imports into Estonia were valued at 102.7 million kronas, against 78.5 million kronas in the corresponding period of 1936. Exports amounted to a value of 96.4 million kronas, against 75.8 million kronas. Thus there was an import surplus of 6.3 million kronas.

Imports during the last few months have consisted chiefly of raw materials for industry (cotton, iron), industrial machinery, metal goods, and chemicals. Among exports, shipments of butter, shale oil, textile goods and timber represent the most important items.

Large Exports to Germany

Exports to Germany were particularly heavy, where prices in clearing Reichsmarks were considerably higher than in England. Mainly because of the shipments of timber to Germany, there has accumulated quite a large balance of Reichsmarks in the clearing, which is to be liquidated in 1938 by importing goods from Germany. During eleven months in 1937 goods were imported from Germany to the value of 26.8 million kronas and from England to the value of 17.0 million kronas, while the value of exports to Germany amounted to 29.0 million kronas and to England to 33.6 million kronas.

Brazil

Balanced Budget

RIO DE JANEIRO, January 10.—The political situation is still quiet, and no major change has taken place since the Senate and Chamber were dissolved when the new Constitution was promulgated on November 10th. When the Federal Budget for 1938 was published, it was revealed that, for the first time for several years, only a comparatively small deficit—of £590,000—was anticipated.

Indeed, it is forecast that further economies and an increased yield of taxation above the estimates may eliminate the Budget deficit entirely. Estimated expenditure is 3,875,132 contos (about £44,564,000) and estimated revenue 3,823,623 contos (about £43,972,000).

The largest appropriation is for the Secretariat of Finance which will take 1,228,100 contos, compared with 931,100 contos for Public Works and Transport and 738,500 contos for the Secretariat of War. Education and Public Health will absorb 280,900 contos, the Secretariat of Marine 300,300 contos and Agriculture 122,700 contos. Although the foreign loan service was temporarily suspended in November, pending new agreements with the bondholders, a sum of 240,000 contos (about £2,760,000) was included for this purpose.

New Exchange Regulations

On Christmas Day new exchange regulations were published to replace those which have been in force for the last two years. By these, the sale of export bills or of values transferred from foreign countries can only be made to the Banco do Brasil.

Each day, after the requirements of the Government have been met, the balance of the foreign exchange will be distributed in the following order of preference: to cover the importation of merchandise and export freights to meet the expenses of public utility concerns in foreign countries; to defray dividends and profits; to cover other remittances. All buyers of bills, except the Government and in the case of operations between duly authorised banks, must pay a tax of 3 per cent. in milreis on the value of the bills purchased.

The purchase and sales contracts for export bills can only be realised within a maximum time limit of six months. Exchange contracts not liquidated within six months will be subject to a further tax double the first one paid.

The proceeds of these taxes and exchange operations will be credited to the Treasury in a special account. This will constitute an exchange fund, and in due time the Government will decide how this fund is to be used.

The Secretary of Finance has met representatives of the coffee-producing States in conference. It was decided to abolish all inter-state taxes in stages—20 per cent. in 1938, 30 per cent. in 1939, and the balance in 1940. In addition it was decided to make the internal sales tax uniform all over the country at 1.25 per cent. Hitherto this tax has varied in the various States from 0.3 per cent. to 4 per cent.

Canada

Promising Outlook

OTTAWA, January 3.—Canada at the close of 1937 can look back upon a very satisfactory economic record. The first three quarters of the year witnessed a progressive continuance of economic recovery; and the recession in business in the last quarter was much smaller than the setback in the United States. Statements issued at the close of the year by various Ministers and business leaders struck a note of cautious optimism about the outlook for 1938. While holding that the basic soundness of the Dominion's economic structure justified confidence, they admitted doubts about the possibly adverse effects of the international situation and the American business recession.

Mr Dunning, the Minister of Finance, declared that the gain in revenue and the decrease in the cost of urban unemployment relief would have made possible a balanced Budget for 1937-38, if a serious recurrence of drought in the prairie provinces had not been responsible for a heavy addition to the relief appropriations for indigent farmers. Mr Euler, the Minister of Trade and Commerce, in his review, laid stress upon the fact that, despite a heavy decline in grain exports, Canada's total exports during 1937 were greater than in any other year since 1929, and had shown a larger percentage gain than that of world trade as a whole. He also, however, pointed to a slackening in the rate of increase in Canada's trade with the British Commonwealth which, in 1937, only rose 13 per cent., compared with an increase of 21 per cent. in 1936. The total trade of Canada with foreign countries, however, showed an increase in 1937 of about 27 per cent., compared with a gain of 16 per cent. in 1936.

Rising Business Activity

There is general satisfaction at the resistance of Canadian business to the recessionary influences emanating from the United States. In December, the general economic index of the Bureau of Statistics rose from 104.2 in the week ended December 11th to 104.9 in the following week and 105.9 in the week ended December 25th. Given below are data about three of the major components, with comparative figures.

Week ended—	Car-loadings	Wholesale Prices	Bank Clearings	General Index
Dec. 26, 1936	79.9	80.2	101.5	116.6
Dec. 11, 1937	72.4	82.7	84.6	104.2
" 18, 1937	71.8	82.8	90.0	104.9
" 25, 1937	76.6	82.8	86.8	105.9

While car-loadings seem to have fallen for some weeks compared with last year, this is because necessary adjustments in the weekly index have led to each week in 1937 being compared with the preceding and not the corresponding week in 1936; if the comparison is straightened out, then the second week in December was the first in which the movement of goods traffic on the railways fell below the corresponding level of last year. In the United States, on the other hand, car-loadings have been registering real declines of about 15 per cent. in recent weeks. Merchants in almost all parts of the country reported that their Christmas trade was slightly better than a year ago, when it was the largest in volume since 1930.

Unfavourable Factors

Certain adverse symptoms must, however, be recognised. Exports have begun to increase more slowly, and are now likely to feel the effects of a fall in the prices of raw materials like base metals. The heavy industries report a falling-off in new orders, and textile factories are planning to curtail operations unless there is a sudden improvement in demand.

The winter cut of the lumber industry will be substantially smaller than a year ago; and the moderate curtailment of newsprint production in the fourth quarter of 1937 has not been drastic enough to offset the shrinkage in consumption, with the result that surplus stocks of publishers have continued to accumulate and are estimated to have reached 500,000 tons at the end of 1937, or double the normal volume at this time of year. Once the \$7.50 per ton increase in the price of newsprint becomes effective, the excess stocks may be speedily consumed, but it is still predicted that in the early part of 1938 newsprint plants will only be operated at 60 per cent. or less of their activity.

Provisional estimates by the Mining, Metallurgical and Chemical Branch of the Bureau of Statistics value Canada's mineral production in 1937 at \$452,054,000, compared with

\$361,919,372 in 1936, an increase of more than 25 per cent. The largest single advance was in copper, whose output rose in value to nearly 70 million dollars compared with 39.5 million dollars in 1936.

An Ontario-Quebec "Axis"

The King Ministry has derived great encouragement from the result of a by-election in a rural division of Quebec, where the main issue was the Government's re-armament programme and the Ministerial candidate was returned by a majority of 4,671, a slight increase on the Liberal majority at the general election of 1935. But Ministers have reason to be worried about signs of the formation of an Ontario-Quebec axis with Messrs Hepburn and Duplessis as its guiding spirits. As the result of conferences at Montreal and Toronto, these two Prime Ministers have entered into a firm alliance to present a common front against Western demands before the Royal Commission on Dominion and provincial relations, and to resist vigorously any proposals for the surrender of existing provincial rights or powers of taxation.

Mr Hepburn, after a series of sharply controversial exchanges with Mr Mackenzie King about the export of power to the United States, for which he wants a special permit, has once more broken with his leader. He intends to challenge in the courts the validity of the Federal ban upon the export of power. Meanwhile, Mr Duplessis has caused the promulgation of minimum wage scales for practically every class of worker in Quebec; the increases decreed average about 5 per cent. and will, it is estimated, raise the annual wage bill of employers in the province by 26 million dollars. The *Ottawa Citizen*, however, quotes figures to show that wages in Quebec still will remain deplorably low.

Letter to the Editor

Italy in the World War

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of January 1, 1938, (on page 3) you say:

The Reichswehr have forgotten neither July, 1914, nor those months in the following year in which the Italian member of the Triple Alliance abandoned even neutrality in order to stab her old allies in the back.

To a reader ignorant of modern history, this would suggest that Italy, suddenly and without any legitimate reason, fell treacherously upon her allies. The facts are quite different.

The Triple Alliance had merely a defensive purpose. Moreover, the Treaty of Alliance imposed upon the three allies the obvious duty of communicating to each other their political and economic plans. In defiance of this article, the Austro-Hungarian Empire, in concert with Germany, declared an aggressive war on Serbia, without consulting Italy, who therefore very properly proclaimed her neutrality.

The Treaty also laid down that the political equilibrium of the Balkans should not be upset without compensation to Italy. Italy opened negotiations with Austria on this point, but they proved futile. When it was clear that Italy had no alternative, she joined the Triple Entente.

While she remained neutral, Italy was strongly pressed by England and France to make war upon her previous allies. It was even rumoured, probably without any real grounds, that England threatened to close the Straits of Gibraltar against trade to Italy, if she persisted in her neutrality.

The Treaty of London was signed on April 26, 1915. England did not surely endorse an act authorising Italy to stab her allies in the back. To hear England, or an important English paper, blame and despise Italy for deciding to fight on England's side raises my astonishment to the pitch of amazement.

Yours very truly,

Giza.

UMBERTO RICCI.

[The *Economist* did not suggest that the Germans resented Italy's refusal to enter the war on their side, which would not be reasonable, in view of the terms of the Triple Alliance. What they do, however, both remember and resent is Italy's having abandoned her neutrality to intervene *against* her allies. This was certainly a breach of the Triple Alliance. The truth is that Italy negotiated simultaneously with both parties and found the price offered by the Entente for her intervention more attractive than that offered by her own allies for her neutrality.—ED., *Econ.*]

Books and Publications

The Wandering Jew

AN important economic problem, growing in gravity, is the distressful condition of the Jews in Central and Eastern Europe. The position of the Jews in Germany, which has attracted the attention of the world since 1933, is most dramatic; but their position in Poland and Roumania is most desperate. The World Jewish Congress has established an Economic Department to provide reliable information about these difficulties, and this book* is the first-fruit of its studies.

Here is recorded the economic situation of the Jewish communities in Austria, Bulgaria, Hungary, Poland, Jugoslavia, and a number of smaller countries; and a review of the position in Germany and in Roumania is to follow in a second volume. A valuable collection of material which is not readily to be found elsewhere is provided; and the picture which it presents is one of almost unrelieved gloom.

The writer of the preface alleges the complete failure of the provisions of the Minority Treaties made at the end of the World War, with a view to securing equality of opportunity and cultural autonomy for the millions in Europe who belonged to minority peoples. The Governments, it is true, do permit these peoples to speak their own language and to worship according to their religion: but they take away from them work and bread.

Everywhere the Jewish minority, which in Poland amounts to nearly 10 per cent. of the population, but is elsewhere a smaller fraction, is the victim of the struggle of the majority against all minorities. Their position is particularly desperate because only a tiny proportion is rooted in the soil. For centuries harsh repression has compelled the Jews to become and remain largely an urban people, mainly, and maybe unduly, engaged in commerce and the professions. To-day, in all the new national States there is pressure from the majority to control these very callings.

The Jew provides the readiest scapegoat for economic troubles. The practice of the "dry pogrom" is generally adopted. The Jew is squeezed out from his former avocation, and denied admission into others. He receives no help from the State, and scarcely any work in economies more and more brought under the State's control. Thus, he is crushed between the upper and nether millstones of national economy and economic nationalism.

Before the war, though bitterly persecuted in the Russian Empire, and denied equality of opportunity in the Austro-Hungarian Empire, the Jew played a definite and important part in economic life, particularly in foreign commerce, and in manufacture for export. To-day, though given political equality by law, he can no longer perform those functions freely in the new dissected Europe with its ruinous gospel of autarky, and its endless tariff barriers.

The scheme of this book is well planned. For each country it gives a short and lucid sketch of the general economic position; a survey of the Jewish population, its economic distribution and its place in agriculture, industry and trade; the effect of the State's economic policy; Jewish participation in the liberal callings; the movement of emigration before and since the war; and the efforts being made to train Jews for manual occupations. The information is most complete for Poland, as is proper, because Poland is the principal Jewish reservoir in Europe.

Certain features are shown to be common to all countries: the rapid deterioration of the Jewish position since the economic depression; the squeezing out of the Jew from the commercial callings in which he was so strongly represented; the resistance of Governments to Jewish efforts to expand in agriculture and industry; and the reduction of the percentage of Jews in the professions and in the universities. Not least important in this context has been the slackening rate of emigration overseas, due to fresh barriers in the countries of the New World.

* "La Situation Economique des Juifs dans le Monde." Vol. I. Congrès Juif Mondial. Paris. 1938.

This book does not propose remedies; it merely tabulates the facts, and the facts are terribly impressive. Recent events in Germany, Poland and Roumania show how urgent the problem is; and this study is timely, because it provides a great deal of the material on which any serious treatment of the problem must be based. It is not a comprehensive analysis of the Jewish problem; but it is a just and persuasive statement of the Jewish case.

Shorter Notices

"The Charity School Movement." By M. G. Jones. Cambridge University Press. 446 pages. 21s.

The Puritanism which begat Victorianism has been too much decried in this sophisticated age, just as the personal virtues of voluntary philanthropy have been forgotten in the light of greater material advantages derived from action by the State. Miss Jones here tells the story of the charity schools of the eighteenth century to refute these popular errors, and to demonstrate that general education by no means began in 1870 or even in 1833. Her book is a model of careful research and clear statement. She describes the organisation of charity and the work of the S.P.C.K.; the local schools of London, the towns and the country; the influence of religious revival and Methodism; and "the triumph of the voluntary principle." The bias of the book is evident. The eighteenth century is the Age of Benevolence and Hannah More is its prophet. "Joint stock" philanthropy produced the charity school, just as regulated liability created the railway. There is a gloomier side than this to the story of youth and poverty in the Industrial Revolution, but, within its premises, Miss Jones' scholarship is admirably sound, and she has made a real and valuable contribution to social and educational history.

"The Economics of Co-operative Marketing." By H. H. Bakken and Marion A. Schaars. McGraw-Hill Publishing Company. 583 pages. 24s.

We in England are sometimes apt to forget that the consumers' co-operative society, which has become such a common feature of our urban life, is but one medium through which the co-operative ideal can find expression. This substantial volume comes as a reminder that in the United States the most characteristic form of co-operation is the co-operative marketing organisation. Since some 85 per cent. of the co-operative business of America is done by the farmers' co-operative sales associations, chief consideration has been given to this phase of the subject; and, designed primarily as "a college text," this volume is comprehensive and detailed. The historical development of the co-operative method of buying and selling is sketched against the world background, and its present working in the United States is discussed in all its aspects. The authors are generally optimistic about the future and believe that new types of co-operative organisation will continue to appear.

"The Labour Spy Racket." By L. Huberman. Gollancz. 287 pages. 7s. 6d.

Vividly and with documents Mr Huberman describes the primitive conduct of labour relations in the United States. There is clearly more to be said on both sides of the industrial equation than Mr Huberman is inclined to allow, but his shocking picture of employers' methods is a convincing representation of capitalism in the raw.

Books Received

Great Western Railway Docks, 1938. (Cardiff) Chief Dock Manager's Office. 334 pages. No price stated.

Der Zusammenbruch der Goldwährung. By Gustav Cassel. Übersetzt von Dr B. Pfister. (Stuttgart) Verlag von W. Kohlhammer. 233 pages. RM. 6.40.

Danish Agriculture. By E. Jensen. (Copenhagen) J. H. Schultz Forlag. 417 pages. \$3.75 net.

Road Traffic. Guide to the Provisions of the Road Traffic Acts, 1930-1937. 2nd Edition. Compiled by T. Whitaker. (Manchester, 14) National Union of Distributive and Allied Workers. Fallowfield. 80 pages. 1s. net.

THE BUSINESS WORLD

Are British Cars Too Dear?

In the following article a trade correspondent contends that differences between the home market prices of British and American motor-cars are too wide to be adequately explainable by varying costs of materials or by any inevitable economic advantage of the American manufacturers.

A study of the trend of new private car sales in Great Britain during the past ten years suggests that they are much more sensitive to variations in industrial prosperity than is generally realised. Since 1929, particularly, they have closely followed the curve of the trade cycle. They fell during the period from the late summer of 1929 until the spring of 1932; from August of that year they showed improvement in every month compared with the corresponding month of the preceding year, right up to the autumn of 1937. Since last September they have been falling perceptibly, though not abruptly. The figures for the eight months to August, 1937, were 8.4 per cent. higher than those of 1936; those of the three months September to November, 1937, were 11.9 per cent. below their opposite numbers of the preceding year.

The falling off in new car sales has, however, been even more marked in the United States. This is partly due to the deterioration of the whole American business position; but even in normal times fluctuations are far greater than in this country. New car sales in Great Britain in 1931, the worst year of the slump, were 84 per cent. of those of 1929; in the United States, in the worst depression year, 1932, they fell to 26 per cent. of their 1929 level.

Actually, both in the United States and in Great Britain, the first setback suffered by new car sales coincided with the first increase in their price after a long series of reductions. The amount of the increase averaged about £10 per vehicle in Great Britain and \$100 in the United States. Undoubtedly, the rôle of selling prices is crucial in both markets, and a comparison of prices in the two countries reveals several surprisingly wide contrasts. Exact comparison is difficult, since various accessories, which are included in the standard equipment and standard price of British cars, are charged as extras in the United States, where the average cost is about \$50 per car. In addition, the cost of delivery of a car after leaving the works is negligible in this country, but in America it averages about \$75 on the Atlantic Coast and up to \$150 on the Pacific. Broadly, something like £30 per car should be added to the American prices to make them truly comparable with the British figures. Exclusive of this addition, and taking \$5 to £1, the following are the American prices of certain cars sold also in this country: Ford V8, £119 to £180, according to the model (British price £240 to £260); Chevrolet, £130 to £151 (British price £268 to £348); Buick Special 40, £196 to £221 (British price £510 to £625); and Chrysler Imperial Eight, £225 to £240 (British price £520 to £590). In spite of these great differences, it is estimated that American and Canadian cars (excluding Ford V8's which are made in Britain) account for over half the British domestic sales of cars of over 21 horse-power.

It is not quite fair, however, to compare American car prices with those of British cars of corresponding size; the higher-powered cars have a limited market. Their adjusted home prices, however, do not compare unfavourably with those of the smaller British cars, such as 8 h.p. Ford at £117 10s. to £127 10s., 10 h.p. Hillman Minx at £169 to £184, 12 h.p. Morris at £205 to £215, 14 h.p. Standard at £255, or 16 h.p. Austin at £250 to £260. Admittedly, the output of the biggest producers in the United States—General Motors, Ford, and Chrysler—is on a much

greater scale than that of any firm in the Old World. But some other American manufacturers have outputs roughly comparable with those of the larger European manufacturers, though they have, of course, a far bigger component manufacturing industry to draw on. Conversely, three British manufacturers have private car outputs of over 70,000 units a year, and extensive sales of commercial vehicles as well.

Are the profits of British producers inordinately high? The answer is a decided negative. The net profits of the larger manufacturers, calculated by dividing trading profits by output, average about £12 per car. Are wages higher in Great Britain than in the United States? On the contrary, they are lower, since they average 84s. 3d. a week for adult male labour in the British industry, against 110s. 3d. a week for all wage-earners in the American; though employment is the more regular in this country. Retailers' margins, again, expressed as a percentage of the price paid, are as high in the United States as in Britain—if anything, they are higher. They vary from 22 per cent. for Ford up to 35 per cent. for some other American cars. British producers frequently complain, and not without reason, of the rise in steel prices during the past five years. But the average car contains not much over a ton of steel, and the cost of the metal is certainly not a major element in the price of a product which sells, retail, at something like £200, on the average.

Martins Bank Ltd.



1563

1831

WORLD WIDE FACILITIES

Capital Paid Up and Reserves - - £7,969,049

Deposits, etc., at 31st Dec., 1937 - £95,508,182

Total Assets over £113,000,000

560 BRANCHES

LONDON OFFICE: 68 LOMBARD STREET, E.C.3

HEAD OFFICE:

WATER STREET, LIVERPOOL, 2

The explanation seems to lie rather in differences between the two classes of product. By American standards, for example, British cars are heavy. A popular British model of 14 h.p. weighs 26 cwt., while the 30 h.p. Chevrolet, a much larger vehicle both in size and power, weighs no more than 27 cwt. Above all, there is in Great Britain a multiplicity of models and, consequently, of parts and of equipment items like batteries and tyres. The six largest British manufacturing groups sell no fewer than 40 different types of engine for private cars, and there are numerous types of body available for every chassis. Only one or two of each set of models are normally successful, and they must bear the others' burdens. There are, in fact, too many sub-divisions of the market which are determined, not by price, but by size and horse-power. The British system of taxation has tended to make horse-power the

datum for important items in running costs, such as insurance, garaging and, often, repairs. A high petrol tax, which has been raised considerably since its inception, has also stimulated demand for low-powered cars.

Whatever the explanation, British cars are expensive by American standards. The last depression set British manufacturers the task of reducing their costs, and even a moderate trade depression would resuscitate the problem. Many constituents in total running costs are outside the industry's control, and there might be something to be said, for example, for a revision of taxation which would substitute a flat rate for the existing horse-power tax. The fact remains, however, that the popularity of the private car in Great Britain dates from the period of extensive price reduction after the war. The moral should not be lost on the industry to-day.

British Bank Accounts

THE issue of the balance sheets of the leading British banks for December 31, 1937, shows that the main feature of the year 1937 was a new and rapid increase in bank advances. The total advances of the "big five" banks alone increased during the year by £86.3 millions against £59.9 millions in 1936. On the other hand, 1937 witnessed a slight decrease in bank cash, and so the year's growth in deposits was perforce very limited. In the year 1936, the "big five's" cash increased by £9.5 millions, and their deposits by £137.1 millions. In 1937, their cash fell by £1.8 millions, and their deposits rose by only £18.4 millions. Thus, the banks last year did not add greatly to their total resources, but lent more to their customers, and, consequently, reduced other, and less remunerative, assets, including their investments in gilt-edged securities.

The absence of any appreciable increase in clearing bank cash follows upon the general trend of monetary policy during the year. This may be described by the single word "neutralisation." Since January 1, 1937, the Bank of England has acquired little new gold; for most of

the gold bought by the authorities has gone into the Exchange Equalisation Account. Meanwhile, fluctuations in the note circulation have been consistently offset by changes in the Bank's holding of Government securities. As notes have gone into circulation, fresh securities have been taken up by the Bank to make good the depletion of clearing bank cash. As the notes have returned, subsequently, the securities have been disposed of. The past year's expansion in the note circulation has thus been equally offset by the year's increase in gold and Government securities, the last-named increase preponderating.

Thus, while the official cheap money policy has been maintained, the evidence goes to show that the authorities have resisted the temptation to expand the credit base in order to facilitate the absorption by the banking system of the year's quota of defence borrowing. Instead, they have left the gilt-edged market to find its own level under conditions which entailed bank realisation of securities. The very limited extent of the fall in gilt-edged prices can only be ascribed to the autumn tendency, inspired by the market

set-back, to switch out of equities into gilt-edged, and also to heavy purchases of Government securities by public departments. On this last point Mr Edwin Fisher had some pertinent remarks to make at the Barclays Bank meeting. His comments are referred to in a Financial Note on page 174.

The growth in advances is a familiar symptom of the later stages of recovery, for in the earlier stages new borrowing is usually offset by repayments of outstanding loans. It is tempting to ascribe the 1937 increase in advances to re-armament, but there is little in the way of actual support for this theory. The analysis of advances given by Lord Wardington a year ago, and repeated last month, shows that the new demand for loans has been very well spread. New borrowing by the heavy industries, and perhaps some of the year's borrowing by the building trades, may be traceable, directly or indirectly, to re-armament, but much of the borrowing is obviously due to the general requirements of trade. This particularly applies to the increase of £41.9 millions in unclassified loans, which, apparently, include a large amount of individual (i.e. "consumer") borrowing. This supposition was, in fact, confirmed by Sir Richard Holt at Martins Bank meeting.

The year's increase in advances has brought about the following changes in the position of the banks:—

	Dec. 31, 1936		Dec. 31, 1937	
	£ mill.	Per cent. of Deposits	£ mill.	Per cent. of Deposits
Deposits	2,016.1	100	2,034.5	100
Cash	225.4	11.2	223.6	11.0
Liquid assets*	511.1	25.4	468.5	23.0
Investments	552.8	27.4	531.8	26.1
Advances	765.6	38.0	851.9	41.9
Investments plus advances	1,318.4	65.4	1,383.7	68.0

* Viz., balances with other banks and cheques in course of collection, call and short loans and discounts.

Company Charts for Investors

THE British investor is reputedly less "chart conscious" than his prototype in America, where elaborate diagrams, on which the mysteries of "resistance points" and "conjunctural bottoms" can be traced, are an essential part of the market operator's equipment. The British investor's preference is for substantial and detailed numerical records of earnings and assets, and his instinct in this respect is perfectly sound; for the best chart can never be a satisfactory substitute for statistical analysis. The rôle of pictorial illustration in investment, as in other branches of economic study, is auxiliary. Its main purpose is to reinforce an intellectual by a visual approach; to appeal to the inward through the outward eye.

A well-constructed chart has one inestimable advantage:

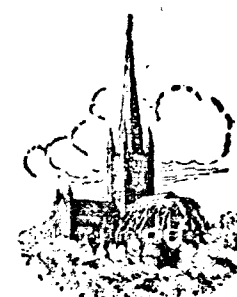
it is capable of assimilating a long series of figures whose sheer mass would normally overtax the mind even of a senior wrangler. Every investor can follow, with ease, the ups and downs of a chart line for a period of many years, or the main features in the relationship of one line with another; whereas the corresponding movements, expressed only in terms of the original numerical data, may be ascertainable only after lengthy arithmetical calculation. For the convenience of its readers, therefore, *The Economist* has decided to include, among its regular features, a number of charts showing the total earnings and dividends of many of the leading British companies whose shares have a wide market on the Stock Exchange. The method of presentation adopted is new, so far as British practice is concerned,

BANK LIABILITIES AND ASSETS

(£ millions)

	Bar-clays	Lloyds	Mid-land	National Provincial	West-minster	Total Big Five	Coutts	Glyn Mills	Martins	District	Williams Deacon's	Total for Ten Banks
LIABILITIES												
Capital and reserves { 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 1937 26.6 25.3 27.6 18.0 18.6 116.1 2.0 1.9† 7.7 6.0 2.7 136.4												
Deposits, 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 1937 434.6 411.3 497.8 320.8 370.0 2,034.5 23.4 37.4 96.2 81.5 38.8 2,311.8												
Acceptances { 1936 9.3 4.1 11.1 8.4 20.6 } 89.9 { 0.5 3.2 2.8 1.0 0.6 1937 8.5 3.6 12.1 9.5 20.9 } 88.1 { 0.7 3.2 3.3 0.8 0.4												
Endorsements, etc. { 1936 * 28.9 7.5 * * } 88.1 { * * 5.1 6.3 0.8 1937 * 24.9 8.6 * * } 86.5 { * * 6.5 8.6 1.1												
ASSETS												
Cash { 1936 51.9 45.2 52.9 34.3 41.1 225.4 2.4 5.9 9.9 8.1 4.1 255.4 1937 54.8 43.8 54.0 32.4 38.6 223.6 2.4 6.0 10.2 8.7 4.0 254.4												
Cheques in course of collection and balances { 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 1937 15.9 17.4 18.7 12.5 13.9 78.4 0.8 2.9 4.2 3.0 2.5 91.8												
Call money { 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 1937 27.1 24.5 25.4 21.8 27.9 126.7 2.2 9.3 7.3 8.3 6.0 159.8												
Treasury bills { 1936 * 41.1 52.6 38.1 * * } 267.6 { * * 2.2 * 2.1 1937 * 39.2 52.5 27.4 * * } 263.4 { * * 2.6 * 1.5												
Discounts { 1936 59.2 4.0 21.8 6.1 44.7 } 263.4 { 1.3 0.7 1.3 6.5 0.4 1937 50.4 3.8 30.6 7.7 51.8 } 263.4 { 1.4 0.7 1.3 5.5 0.6												
Investments { 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 1937 102.4 114.0 117.4 86.0 112.0 531.8 8.9 10.6 33.0 29.6 11.5 625.4												
Advances { 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 1937 196.3 170.8 207.9 140.4 136.5 851.9 9.3 9.1 42.4 30.8 14.4 957.9												

* Not shown separately; these items are added to acceptances and discounts, respectively, to arrive at the total figures.
† Includes "reduction of bank premises account."



IT IS NOT GENERALLY REALISED THAT A WITH-PROFIT ENDOWMENT POLICY PROVIDES AN INVESTMENT YIELDING UP TO 4½% ON THE ANNUAL OR MONTHLY PREMIUMS, WITH ABSOLUTE SECURITY AND INSURANCE PROTECTION IN ADDITION.

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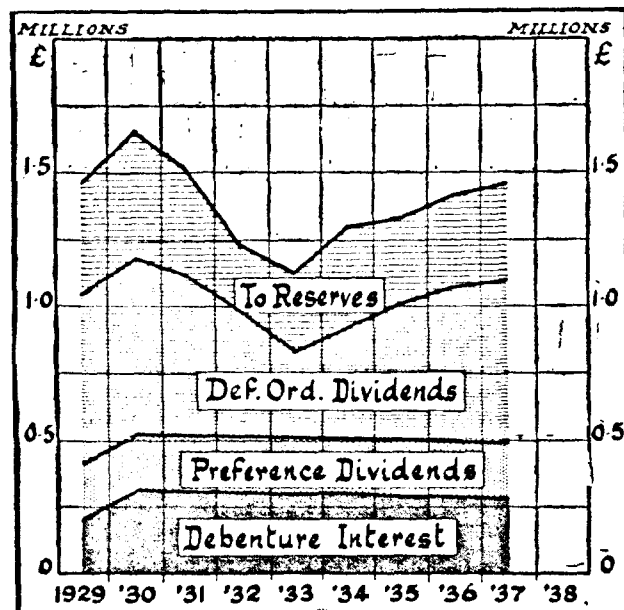
FUNDS EXCEED £46,000,000

and we trust that it will be found both convenient and useful to shareholders. An initial chart on these lines, relating to the results of F. W. Woolworth, appeared on page 126 of our last week's issue. A similar chart, for Imperial Tobacco, will be found this week on page 177.

In order to explain the potential uses of the charts more fully, we have selected two examples—Watney Combe Reid and Marks and Spencer—which illustrate their uses and construction in a particularly clear way. The accompanying charts show the earnings and distribution record of each company since 1929. Normally, a ten-year span will be given; and in the two charts below investors may test their prophetic judgment by extending the curves into the spaces which now await the 1938 results. In principle, the total net profits represented by the top line of each chart will be struck after deduction of all trading and management expenses, all reserves of a "tied" character (such as depreciation and reserves against investments) and income tax, whether charged on total profits, or on the company's share of "ploughed-back" profits. The profits total, further, will normally exclude all special items of revenue which are not related to the trading circumstances of the year. Thus, a credit item representing "past provision for income tax, no longer required," would not be included in the current year's revenue.

So much for the point at which total profits are struck. The next problem concerns their distribution. According to

WATNEY COMBE REID



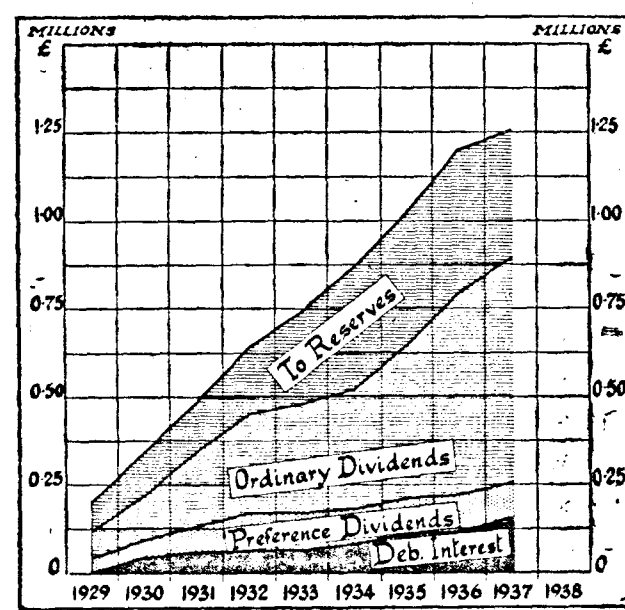
our definition of profits, four distinct groups of capitalists share in the rewards of successful trading. First come debenture holders, who are legally entitled to interest whether profits have been earned or not, but in practice must rely on profit-earning power for their regular payments. Next come preference shareholders, whose "fixed" area is separately shaded on each chart. All profits above the "preference line" are equity earnings, and their annual fluctuations and current trend can be seen at a glance. Finally, the charts show how these earnings are distributed between ordinary dividends and allocations to "free" reserves and adjustments in the credit balance carried forward. Special features in the trading position which the charts do not reveal will be discussed in the text accompanying each chart, and we shall continue, as before, to give a complete table of earnings and dividend figures for the three most recent years of each company's history.

To illustrate the points which our charts are designed to bring out, we may discuss in detail each of the companies whose charts accompany this article. Watney Combe Reid is a brewery concern of proved earning power, yet its fluctuations in net trading profits, during the span of a trade cycle, have been substantial. Total profits for the year to June 30, 1937, were still £195,000 below those of the peak year, 1929-30. Except in 1933, the directors,

had they so chosen, could have maintained dividends at their pre-depression levels without drawing upon past profits. In fact, they have made steady appropriations for property improvement and contingencies reserve, and these, so far as the ordinary shareholder is concerned, can appropriately be regarded as a species of fixed charge. Consequently ordinary dividends have fluctuated in close correlation with total profits, and have yet to regain their pre-depression level. Moreover, the rate of recovery in total profits has in recent years shown a slight tendency to slow down. On the whole, the chart suggests that the long-term potentialities of Watney deferred stock units are steady rather than geometric.

For contrast, the chart showing the profits of Marks and Spencer since 1929 (years to March 31st) opens out like a fan from the earliest year to the latest. For a period of four years lasting from 1932 to 1936, indeed, profits were rising at an increasing pace each year. Now, this feature is crucially important for the ordinary shareholder, since Marks and Spencer is a company which distributes regular capital bonuses. If the rate of dividend on a steadily increasing capital is to be maintained, earnings must increase in geometric progression. Are the profits of Marks and Spencer so increasing? The chart shows that the answer is affirmative. Actually, the rate of growth in net trading profits between 1929 and 1936 was of the order of 25 per cent. compound. A regular capital bonus policy, stabilised (except for one year) at 10 per cent., has thus

MARKS AND SPENCER



been well within the company's power.

The chart, however, suggests one question concerning the future course of profits. The 1936-37 total showed an advance at a somewhat lower rate than at any time since 1929. Does this check indicate a turning point in earning power? Will the advance in profits at some future time become "arithmetic" instead of "geometric"? Saturation point comes after a time to all new industries and to most companies. No chart, of course, can answer such a question, though the present chart does, in fact, show that a similar—though slighter—check to the rate of advance in profits occurred between 1932 and 1933, and had only a temporary significance.

A chart, in short, offers no short-cut solution of the investor's ultimate problem—the valuation of future profits in terms of current share prices. But the experience of different companies and different industries tends to run to varying but characteristic patterns during the phases of the trade cycle. The function of our new chart "service" is to illustrate these patterns and thus to place current investment questions in some sort of perspective. Memories are short, but history, in finance as in politics, is a continuous process; and what happened nine or ten years ago may have undoubted relevance this year, or the next . . . or the next

Finance and Banking

The Discount Houses.—In these days of very cheap money bill-broking is an unremunerative pursuit. Nevertheless, two out of the three leading discount houses have increased their profits since a year ago. Broadly, bills today hardly earn their keep, and profits are derived mainly from interest upon securities. Alexanders, with slightly lower profits, has reduced its dividend from 19 to 17½ per cent. for the year, but, as was explained at the general meeting, this was a reduction purely in the interim dividend, and was due to the fall in gilt-edged prices in the early part of the year. Latterly conditions have improved, and last year's final dividend has been repeated. The National dividends and bonus are unchanged. The Union is paying a dividend of 10 per cent., equal to last year's dividend and bonus combined.

(£ millions)						
December 31st	Alexanders		National		Union	
	1936	1937	1936	1937	1936	1937
Liabilities						
Capital	1.0	1.0	1.0	1.0	2.7	2.7
Reserve fund	1.0	1.0	1.0	1.0	1.0	1.0
Loans, deposits, etc.	28.2	26.7	36.3	37.4	57.3	56.2
Redeemments	0.9	1.4	18.5	16.8	8.2	10.2
Rebate	0.1	0.2	0.3	0.4	0.3	0.4
Assets						
Cash	0.6	0.7	1.0	1.0	1.5	1.6
Investments	13.4	14.0	11.2	12.4	16.1	9.5
Loans	1.7	0.4	0.5	0.3	1.4	2.2
Discounts	15.7	15.4	44.5	43.1	50.4	57.0
Net profits*	165	154	179	188	244	251

* £'000.

The balance sheets show few big changes from a year ago. Alexanders has slightly increased its securities, while the Union has apparently switched over a small part of its resources from securities to bills. After allowing for bills rediscounted, the National figures show little change.

Credit Ease Accentuated.—The course of events in the short-loan market since the turn of the year has not been in accordance with precedent. It has been customary in past years for the expansion of credit which normally takes place at the end of the year to disappear rapidly under the combined influence of repayment of market borrowing at the Bank of England and open market sales of securities by the Bank. The former has cancelled the inflation of bank cash caused by year-end accommodation granted by the Bank, while the latter has neutralised the expansionist

effect on bank cash of the return of notes from circulation. This year there was no market borrowing at the Bank. The burden of the year-end pressure was, in fact, shifted to the Treasury, which was forced to borrow £55,750,000 on Ways and Means Advances from the Bank at the end of December. These advances have been repaid and the expansion of credit arising from them has been cancelled. Of open market operations designed to neutralise the effect of the contracting circulation there has been no evidence whatsoever. On the contrary, the quarters which operate for the Bank of England and the Treasury in the discount market have been buyers rather than sellers of bills since the beginning of the year.

The result has been the maintenance of the volume of bank cash at a level approaching the inflated year-end peak for a more extended period than is usual. The position can best be illustrated by the following table, which shows changes in the essential Bank return items—bankers' deposits, total securities in the banking department and active circulation—from the turn of the year and for the subsequent three weeks in the years 1936 to 1938:—

Million £			
	Bankers' Deposits	Securities in Banking dept.	Circulation
1936 :—			
January 1st	130.5	147.0	411.7
January 8th	107.8	118.7	405.6
January 15th	110.1	116.4	397.7
January 22nd	118.9	120.5	394.9
1936-37 :—			
December 30th	150.6	173.1	476.1
January 6th	110.2	128.8	462.7
January 13th	106.7	116.5	455.0
January 20th	100.3	105.9	450.5
1937-38 :—			
December 29th	120.6	144.6	505.3
January 5th	129.2	144.6	492.6
January 12th	123.4	126.5	482.1
January 19th	124.3	139.1	475.7

These figures confirm the day-to-day experience of the market, both as regards open market operations by the authorities and the abnormal glut of short-term credit. They suggest strongly that the accentuation of ease in the money market in the early weeks of 1938 has been the product of conscious policy. It has been suggested in the market that the position would be rectified with the return of the fiduciary circulation to the figure of £200 millions. This step, however, can have no effect on the



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Established 1829

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Spring Gardens, MANCHESTER 2
PRINCIPAL LONDON OFFICE :
75 Cornhill, E.C.3
PRINCIPAL LIVERPOOL OFFICE :
3 Water Street

FOREIGN DEPARTMENT :
13 Spring Gardens, Manchester 2
76 Cornhill, London, E.C.3
2 Castle Street, Liverpool 2
TRUSTEE DEPARTMENT :
13 Spring Gardens, Manchester 2
46 Old Bond Street, London, W.1
Market Square, Hanley

Subscribed Capital £10,560,428 Paid-up Capital £2,976,428
Reserve Fund £2,976,428 Deposits £81,059,979
Total Assets £96,839,736
31st December, 1937

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credit position since it has been taken by exactly reversing the procedure adopted when the fiduciary circulation was raised in November. By this reversal, some £20 millions of Government securities have this week been re-transferred from the Issue to the Banking Department and the £20 millions of cancelled notes deducted from the reserve of unissued notes in the Banking Department. This, other things being equal, has left the total of bankers' and other deposits quite unaffected.

Bank Loans and Investments.—An interesting analysis of current banking trends was given by Mr Edwin Fisher at the Barclays Bank general meeting this week. Beginning with deposits, he showed that the total amount lodged on deposit account had fallen since 1932 from 45 to 37 per cent. of total deposits. This is one consequence of recovery, which tends to bring more money into active use. On the assets side of the bank's accounts there had been some expansion in the volume of commercial bills available for discount, but there was still room for improvement. The chairman explained that the growing (and welcome) demand for advances had been provided for in part by a reduction in the bank's investments. Of the total advances, loans to productive industry accounted for 32.2 per cent. Advances to farmers had increased since last year. The amount of the average advance had increased from £854 to £887, and the number of borrowers from 202,228 to 215,688. Discussing the bank's profit and loss account, Mr Fisher described the addition of £500,000 to the published reserve fund as a prudent step in view of the continued increase in the bank's business.

Bankers and Exports.—Both Mr Fisher and Sir Richard Holt, the new chairman of Martins Bank, made cogent remarks at this week's meeting on the importance of export trade. Sir Richard Holt described 1937 as another year of prosperous internal trade, in which industrialists again showed a disposition to neglect the export side of their business. He welcomed the Anglo-American trade negotiations, and roundly condemned the present system of standstill and debt clearing arrangements, exchange controls and other Government measures. Mr

Fisher described overseas trade as a vital necessity, and in a late passage of his speech discussed the whole question of the resumption of overseas lending. He agreed that for the moment the expansion in imports had reduced our ability to lend abroad. Nevertheless, he described the revival of overseas lending as constituting, with freer trade and the stabilisation of currencies, the three interlocking measures necessary to a return to more satisfactory world conditions.

December Clearing Bank Averages.—The War Loan dividend payment at the beginning of December replenished joint-stock bank cash, and so the December returns of the English clearing banks show an increase in cash of nearly £10 millions since November. Deposits have risen by just over £20 millions, but the aggregate cash ratio has improved from 10.2 to 10.5 per cent.

(In £ millions)

	Dec., 1936	Aug., 1937	Sept., 1937	Oct., 1937	Nov., 1937	Dec., 1937
Capital and reserves	131.9	132.5	132.5	132.5	132.5	133.3
Acceptances, etc.	108.8	116.1	114.2	115.6	114.9	114.0
Deposits (including undivided profits, etc.)	2,276.9	2,245.9	2,249.8	2,275.2	2,272.9	2,293.3
Total liabilities	2,517.6	2,494.5	2,496.5	2,523.3	2,520.3	2,540.6
Cash	240.6	231.0	234.3	230.7	231.6	241.0
Cheques, balances and items in transit	75.2	64.6	60.1	62.9	65.8	77.9
Money at call	189.3	156.7	157.4	159.7	154.8	158.5
Discounts	320.7	275.8	279.2	294.6	296.0	298.5
Investments	644.4	630.4	626.0	624.6	619.4	620.4
Loans and advances	869.0	952.6	957.5	967.3	969.8	962.5
Investments in affiliated banks	24.9	23.5	23.5	23.5	23.6	23.7
Cover for acceptances, etc., premises, etc.	153.5	159.9	158.5	160.0	159.3	158.1
Total assets	2,517.6	2,494.5	2,496.5	2,523.3	2,520.3	2,540.6

Among earning assets, discounts rose only slightly. As the banks did not buy many bills in December the market had to take cover, so call and short loans correspondingly rose by £3.7 millions. Advances have fallen by £7.3 millions, but this decrease may be entirely due to the gradual repayment during December of the French railways' sterling credit of £40 millions. The downward trend of investments has, for the present, been checked.

MONEY MARKET NOTES

The Money Market

With bankers' deposits running at a high level, money remains extremely abundant. The plethora was accentuated early this week, as the market had refused to apply for Treasury bills maturing on Easter Sunday or Monday.

	Jan. 21, 1937	Jan. 13, 1938	Jan. 20, 1938
Bank Rate	2	2	2
London Deposit Rate	12	12	12
Short Loan Rates:			
Clearing Banks	12-1*	12-1*	12-1*
Others	12	14 1/2	12-6 1/2
Discount Rates:			
Treasury bills	12	12	12
Three months' bank bills	17 1/2-9 1/8	17 1/2	17 1/2

* Viz. 1 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 3/4 per cent. from loans against 1 per cent. Treasury bills and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

Outside loans were freely obtainable at 1/2 per cent, but there was no report of lower rates this week. The banks bought a few March and early April Treasury bills, but the market were not keen sellers. The volume of Treasury bills issued by tender is diminishing, and has already fallen from a peak figure of £622 millions at the New Year to £597 millions for the current week.

The Bank Return

This week there has been a further reduction of £6.4 millions in the note circulation, making the total contraction since Christmas £33.6 millions. This is considerably greater than last year's contraction of £23.6 millions. As we anticipated last week, the fiduciary note issue has been reduced from £220 to £200 millions.

	Jan. 20, 1937	Jan. 5, 1938	Jan. 12, 1938	Jan. 19, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.

Issue Dept.	313.7	326.4	326.4	326.4
Gold	450.5	492.6	482.1	475.7
Notes in circulation	63.6	54.5	64.9	51.3
Public Depts.	13.6	14.4	13.2	11.0
Bankers' Depts.	100.3	129.2	123.4	124.4
Other Depts.	37.6	37.4	36.8	36.9
Govt. Secs.	74.9	108.3	90.2	104.4
Discounts and Advances	8.9	15.1	15.8	13.0
Other Secs.	22.1	21.1	20.5	21.8
Proportion	42.0%	36.1%	37.4%	29.7%

In the banking department, the change of £20 millions in the fiduciary note issue explains both the increase of £14.2 millions in Government securities and the reduction of £13.6 millions in the Reserve. Had it not been for this change, Government securities would have fallen by £5.8 millions, while the Reserve would have risen by £6.4

millions. Public deposits are on the low side, owing to the absence of market payments for new Treasury bills during the first two days of this week. Bankers' deposits remain unusually high.

Foreign Exchanges

The market has been mainly under the influence of French politics. On Friday of last week, following the Government's resignation, dealings in Paris were suspended. In London the spot rate for sterling rose to Frs. 154, while one month's francs widened to Frs. 8 discount, and three months' to Frs. 11 discount. This week, however, there was a definite rally. Forward francs narrowed on Thursday morning to Frs. 1 and Frs. 4 for the two positions, going out later in the day to Frs. 1 1/2 and Frs. 5 discount. The spot rate also came back to Frs. 148 1/2, moving out later to Frs. 149 1/2. The French Control was also able to recover some of its previous heavy gold and foreign exchange losses. Several factors contributed to this recovery. First, several earlier forward sales of francs fell due to be covered. There was a fear that the trend of political events might end in the imposition of exchange control, and this encouraged further cover-

ing. Finally, while the market does not regard the new Chautemps Government as either strong or permanent, it was encouraged by M. Blum's approach to M. Reynaud earlier in the week. Other foreign exchange rates have been featureless, with practically no change in rates.

The Bullion Market

The Continental demand for gold persists, but has been on the whole met out of official sales and also out of some re-sales from the Continent. On

Thursday, however, only a limited quantity was in the market, and buyers had to be rationed. Nervousness over future American monetary policy gave rise to a slight demand for gold against dollars, but this was not a serious movement.

As we anticipated last week, further bear covering in a poorly supplied market has driven the price of silver still higher. On Thursday, however, there was a slight reaction, but the spot price remained above 20d. per ounce. The short-term view is that there may be further advances, as many bear positions still remain open. Current prices, however, are above the American ship-

ping parity, and so they cannot be regarded as having any permanency.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. *	Amt. dealt in	Cash	Two Mths.
Jan. 14 ...	139 7 1/2	3 1/2 pm	713	191 1/2	191 1/2
" 15 ...	139 7 1/2	5 1/2 pm	132	193 1/2	191 1/2
" 17 ...	139 8 1/2	6 pm	885	191 1/2	191 1/2
" 18 ...	139 7 1/2	5 1/2 pm	374	201 1/2	193 1/2
" 19 ...	139 7 1/2	7 pm	631	20 1/2	20 1/2
" 20 ...	139 7 1/2	6 1/2 pm	504	20 1/2	191 1/2

* Above or below American shipping price. The New York price of silver remained at 45 cents per ounce .999 fine during the week.

BANK BALANCE SHEETS

MIDLAND BANK LIMITED

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
Share capital issued	2,899,079	2,899,079	Coin, notes, etc.	52,941	53,968
2,899,079 £12, with £2 1/2 paid	7,173	7,173	Balances with other banks	22,092	18,701
1,921,677 £12, fully paid	4,804	4,804	Money at call and notice	28,688	25,449
3,175,921 £1, fully paid	2,271	3,176	Investments	127,892	117,386
Reserve fund	11,500	12,405	Bills discounted	21,791	30,626
Dividend payable Feb. 1, 1938	869	909	British Treasury bills	52,623	52,533
Profit and loss	547	591	Advances	189,265	207,948
Current deposit and other accounts	479,767	490,851	Midland Bank executor (loans)	251	250
Due to affiliated cos.	7,181	5,445	Acceptances, etc.	18,600	20,730
Acceptances	11,054	12,080	Bank premises	8,891	8,837
Engagements	7,546	8,650	Other properties	994	844
			Yorkshire Penny Bank	938	938
			Belfast Banking	1,715	1,756
			Clydesdale Bank	3,105	3,141
			Nth. of Scotland Bank	2,497	2,540
			Midland Bank executor etc.	429	437
Total	532,712	546,084	Total	532,712	546,084

WESTMINSTER BANK LIMITED

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
7,070,990 £4 shares, £1 paid	7,071	7,071	Coin, notes, etc.	41,144	38,578
2,249,167 £1, fully paid	2,249	2,249	Balances with other banks	12,148	13,884
Reserve	9,320	9,320	Money at call and notice	44,983	27,899
Current deposit, etc. as at 367,878	367,878	368,855	Bills discounted	44,742	51,781
Notes in circulation, Isle of Man	14	14	Investments	111,057	112,013
Acceptances, etc.	20,557	20,945	Advances	125,336	136,455
Profit and loss	1,109	1,185	Acceptances, etc.	20,557	20,945
			Westminster Foreign Bk.	1,080	1,080
			Ulster Bank	1,912	1,912
			Premises	5,239	5,092
Total	408,198	409,639	Total	408,198	409,639

NATIONAL PROVINCIAL BANK LIMITED

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
Share capital issued	120,000	120,000	Coin, notes, etc.	34,338	32,449
120,000 £25, with £5 paid	420	420	Balances with other banks	10,527	12,539
1,972,334 £20, with £1 paid	7,889	7,889	Money at call and notice	29,436	21,846
234,000 £5, fully paid	1,170	1,170	Bills discounted	44,190	35,098
Reserve fund	8,000	8,500	Investments	86,262	85,975
Profit and loss	971	574	Bank of British West Africa	50	50
Current deposit and other accounts	320,898	320,246	Lloyds and National Provincial foreign	600	600
Due to subsidiaries	259	292	Yorkshire Penny Bank	281	281
Acceptances, etc.	8,376	9,532	Courts and Company	2,040	2,040
			Grindley and Company	514	514
			Advances	122,077	140,445
			Bank premises	7,332	7,294
			Acceptances, etc.	8,376	9,532
Total	347,983	348,623	Total	347,983	348,623

UNION DISCOUNT COMPANY OF LONDON LIMITED

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
Stock issued	2,750	2,750	Cash	1,526	1,563
Reserve	1,000	1,000	Investments	16,126	9,542
Loans	57,286	56,153	Loans	1,451	2,206
Bills re-discounted	8,164	10,167	Bills discounted	50,357	57,011
Rebate provision and res.	347	359	Debtors	168	264
Final dividend	129	129	Union Discount Sub. Co.	149	100
Profit and loss	305	203	Premises	75	75
Total	69,852	70,761	Total	69,852	70,761

DISTRICT BANK LIMITED

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
1,896,000 "A" shares	1,896	1,896	Coin, notes, etc.	8,988	8,675
£5, £1 paid	316	316	Balances with other banks	2,885	3,018
316,000 "B" shares	764	764	Money at call and notice	8,765	8,283
£1, fully paid	2,976	2,976	Investments	6,533	5,430
£1, fully paid	2,976	2,976	Brit. Govt. securities	27,147	27,037
Dividend for half-year to Dec. 31, 1937	181	195	Dominion and Colonial Govt. securities	2,024	2,310
Profit and loss	270	286	Other investments	227	275
Current deposit and other accounts	78,218	81,060	Advances	27,398	30,835
Acceptances	1,032	772	Acceptances	7,282	9,347
Endorsements	6,250	8,575	Bank property	1,554	1,580
Total	91,903	96,840	Total	91,903	96,840

WILLIAMS DEACON'S BANK LIMITED

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
1,562,500 "A" shares, £1 paid	1,562	1,562	Coin, notes, etc.	4,088	3,994
312,500 "B" shares, £1 paid	313	313	Balances with other banks	2,370	2,361
Reserve fund	800	800	Money at call and notice	5,600	6,037
Unpaid dividends	2	2	Bills discounted	2,500	2,045
Dividend, Dec. 1937	117	117	Investments	12,878	11,505
Profit and loss	102	149	Advances	11,955	14,457
Current deposit and other accounts	37,578	38,564	Bank premises	1,081	1,068
Acceptances	596	435	Acceptances	596	435
Endorsements	764	1,091	Endorsements	764	1,091
Total	41,834	43,033	Total	41,834	43,033

COUTTS AND COMPANY

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
Capital paid up	1,000	1,000	Coin, bank notes, etc.	2,392	2,376
Reserve fund	23,805	23,441	Balances with other banks	789	811
Current deposit and other accounts	501	744	Money at call and notice	1,676	2,245
Acceptances, etc.			Investments	8,925	8,901
			Bills discounted	1,293	1,423
			Advances	10,578	9,275
			Bank premises	412	412
			Acceptances, etc.	501	744
Total	26,366	26,185	Total	26,366	26,185

LLOYDS BANK LIMITED

(£ thousands)

	Dec. 31, 1936	Dec. 31, 1937		Dec. 31, 1936	Dec. 31, 1937
LIABILITIES			ASSETS		
14,372,956 "A" shares			Cash	45,217	43,841
£5 with £1 paid up ...	14,373	14,373	Balances with other bks.	16,853	17,442
1,437,296 "B" shares			Money at call and notice	37,782	24,541
£1 fully paid	1,437	1,437	With banks abroad	2,513	2,625
Reserve fund	9,000	9,500	British Govt. Treas. Bills	41,850	39,750
Profit and loss	1,225	1,198	British bills of exchange	2,874	2,700
Current deposit & other accounts	406,061	410,071	Colonial & foreign bils.	1,146	1,061
Notes in circulation (Isle of Man)	6	6	Investments	116,127	114,003
Acceptances	4,095	3,761	Nat. Bank of Scotland ..	2,725	2,925
Endorsements	28,917	24,902	Indian Premises Co.	55	55
			Lloyds, etc., Foreign Bk.	600	600
			Loans and advances	149,270	170,842
			Items in transit	6,412	7,524
			Other assets	1,869	1,641
			Bank premises	7,600	7,528
			Acceptances	4,055	3,610
			Endorsements	28,917	24,902
Total	465,074	465,098	Total	465,074	465,098

Investment

Markets Stand Steady.—Since the end of November, the London stock markets have had time to take breath after nearly a year of falling prices. The result has been an unexciting but perceptible rise in *The Financial News* ordinary share index from 93.1 to 96.3. The volume of business is well below the level of a year ago, but this is not necessarily an unfavourable sign, since a falling-off in dealings, combined with increased stability of prices, is usually reckoned of good augury after a falling market. There have even been tentative professional endeavours to resurrect speculative interest in gold mining shares, but they have not gone very far. For the most part, the market has taken the impact of disturbed conditions overseas with a stoicism which, again, is itself a favourable sign. On the whole, investors are not over-sanguine of a spectacular recovery in America this year. They argue that recession may even have to go further before President Roosevelt abandons, or even suspends, his re-affirmed intention of pursuing his campaign against holding companies and the big business battalions. The French Cabinet crisis has had no striking effect on sentiment in London, though French demand was a factor in the firmness of gilt-edged stocks at the beginning of the week. The market still thinks that the franc will go worse before it goes better, and is inclined to believe that the formation of the new Cabinet has settled none of France's immediate problems, either financial or political. Meanwhile, there is hope of an ultimate commercial agreement with Eire as a result of this week's conversations, but a disposition to assume that its beneficial effects, so far as Stock Exchange securities are concerned, will be a matter for Irish rather than for English investors—apart from a select number of stocks of which L.M.S. ordinary is, perhaps, the most noteworthy. As a whole, the market has reached an indeterminate state, without any decided upward or downward trend, which may well endure for some time and is inconducive to speculative activity on either tack. The process of discounting the possible industrial recession was carried so far last year that investors can well afford to wait and see how far trade in 1938 confirms or belies their fears.

Canada Converts.—Until the lists opened on Wednesday morning, the strength of the Funds was a favourable omen for the Canadian Conversion issue. This consists of £10,000,000 3½ per cent. stock, redeemable 1958-63, and issued at £98 10s. per cent. It replaces £7,658,472 Canada 3 per cent. stock (of which £2,054,041 is held by the sinking fund trustees) and £3,093,700 C.P.R. 3½ per cent. Land Bonds, both of which mature on July 1st, and are convertible into the new stock. The conversion lists remain open until next Wednesday, and cash applicants consequently enjoy a free option on the gilt-edged market for seven days. Some observers regard the price as favourable to the borrower. Events in Ontario and Alberta, and even the defaults of certain western cities, may have only an indirect connection with the credit of the Dominion authorities in London. But last year's serious drought has somewhat set back the fiscal improvement which Mr. Dunning has creditably achieved. And provincial opposition and constitutional problems stand in the way of his ambition to form a loan council for the Dominion.

Hungarian Bond Position.—Last June the League Loans Committee published an agreement for a "permanent settlement of debt payments" by the Hungarian Government. Under the scheme (which has been accepted by some 80 per cent. of holders in this country) there was

a permanent reduction in the service of the 7½ per cent. sterling bonds of 1924 to 4½ per cent. and an extension of the redemption period. The trustees for the bondholders, however, registered an immediate protest on the ground that the agreement infringed the general terms of the bond governing the debt, which alone they were able to recognise. Hitherto the Hungarian Government have provided 50 per cent. of the service in currency, and the remaining 50 per cent. has been deposited in the form of pengő cash and bills, to cover the untransferred portion, with the National Bank. These bills, it appears, have been renewed regularly, until recent months. It is now reported, however, that the Hungarian Government have requested the return of untransferred balances in respect of coupons which have been partly paid in the past. At present, therefore, an *impasse* has arisen, since the trustees control these substantial untransferred balances at the National Bank. The situation has become the more complex since the paying agents announce that the coupon due on February 1st may be presented for payment on the basis agreed by the League Loans Committee. The precise value of the untransferred funds, and the question of a permanent alteration of the terms of the bond, are no doubt receiving the attention of the trustees, whose advice to bondholders would be authoritative and valuable.

Building Societies in 1937.—Although the majority of building societies have yet to issue their reports for 1937, results published recently suggest a number of pointers to the general tendency of business last year. In the main, these accounts confirm the impression made by the housing statistics, and the admissions of authorities, such as Sir Harold Bellman, who has suggested that the housing boom is on the wane, and that house building at so high a rate as 300,000 a year cannot always be maintained. The expected has happened, and the amount of new business is, in most cases, somewhat below that of 1936. Thus the National Building Society, whose results to October 31st were reviewed in some detail by Mr W. F. Foster at last week's meeting, made advances of £4,496,900 in 1936-37, compared with £7,022,000 in 1935-36. Advances by Temperance Permanent are about 25 per cent. lower at £961,748. Comparison with a peak year, however, is not wholly reliable, and it seems that in the main 1937 has been a reasonably satisfactory year. The serious threat of N.D.C. in its original form was averted, and the Building Societies Association played a considerable part in its amendment. Following the internal dissensions of the movement a year ago, greater uniformity of view seems to have been achieved. The Building Society's Association, whose membership in June comprised 210 societies with assets of £475 millions, is effecting a revision and simplification of the earlier Code of Ethics and Procedure. A draft Code of Practice was approved by the Council of the Association last month, and will be discussed shortly. The outlook for business during the current year is somewhat obscure. There is no apparent reason to expect a resumption of the upward trend in advances, though the present decline in the demand for housing and rising building costs may be offset in part by a demand for better and not merely more houses. In this connection the formation of the National House-Builders' Registration Council is of interest, though there has not been time for the scheme to get into full working order.

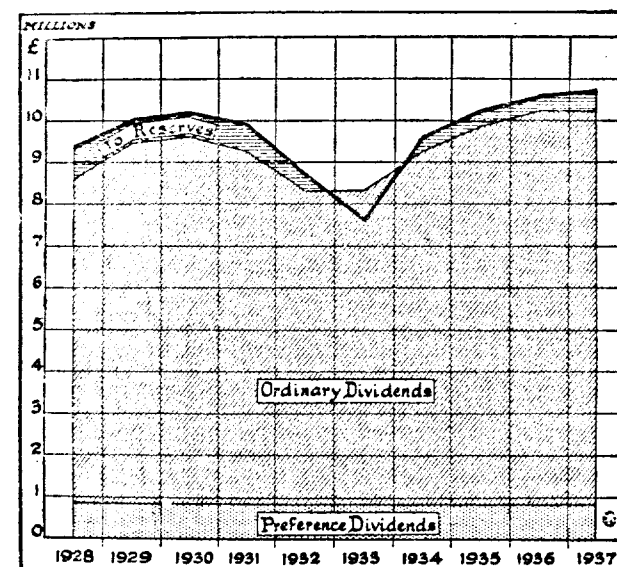
Imperial Tobacco Record.—For some days before Tuesday's dividend announcement, the market had been revising its earlier bullishness. The dividend, as finally

expected, has been maintained at 25 per cent. tax free for the year to October last. From the form of the statement, it is possible to infer that profits have reached the new record level of £10,750,204, compared with the 1935-36 total of £10,636,316.

	Years to October 31st		
	1935	1936	1937
Profit	£10,268,210	£10,636,316	£10,750,204†
Preference dividends	852,209	852,209	852,209
Ordinary stock (tax free):			
Earned	9,416,001	9,784,107	9,897,995
Paid	9,015,131	9,390,762	9,390,762
Earned %	25.1	26.0	26.4
Paid %	24	25	25
General reserve	500,000	250,000	250,000
Carried forward	1,040,422	1,183,767	1,441,000
	† Computed.		

The annexed chart shows Imperial Tobacco profits and their distribution since 1929:—

IMPERIAL TOBACCO PROFITS—1929-37



Imperial Tobacco ordinary, at 7½, yield £3 9s. net and £4 12s. gross. This return appears to be broadly in keeping with their essentially stable character. The lesson of Imperial Tobacco distribution policy in recent years is that large, well-established companies do not change their dividend payments substantially, nor without good reason. Yet the market still cherishes the hope that a large capital bonus may be paid, some time or other, from reserves. The published reserves do not support this view. A sounder long-term investment argument for Imperial Tobacco ordinary is the relative stability of dividend payments during periods of recession, and their moderate increase during recovery.

Cable and Wireless Estimates.—The publication of the December traffic index number of Cable and Wireless—which, at 82.5, shows a satisfactory increase of 10 points on the November figure—makes possible approximate estimates of net profits for 1937. For the year as a whole, the average monthly traffic index was 78.9, compared with 74.4 for 1936. As an indication of the movement in total message receipts this figure is not wholly accurate, since new sources of revenue have been tapped since 1929, the basis-year of the index. As it stands, however, the figure suggests that message receipts, after provision for Government taxes, have increased by something like £275,000. Changes on the operating side are difficult to forecast, but it may be fair to assume that further operating economies have been roughly offset by the additional expense of handling a larger volume of traffic. Maintenance is an elastic item, which increased by

nearly £50,000 in 1936. In that year, again, the operating concern showed a somewhat unexpected fall in income from shares in subsidiary and traffic companies. In default of any indication of probable experience under either head in 1937, it may be safest to make no guess at all, and assume no change in the total. But a further saving in pensions and payments to retired staff—perhaps of the order of £30,000—may be expected.

So far, we have estimated for an increase of some £300,000 in the net receipts of the operating company. If it distributed its income fully to the four constituent cable companies, and they, in turn, maintained their income from other sources, that sum would be ultimately available for the Holding company. The latter might also benefit from a further increase in the Marconi Wireless Telegraph dividend in respect of 1937, and from increased receipts from its moiety in the equity of Cables Investment Trust. The sum of £35,000 under both these latter headings represents, perhaps, a maximum potential increase. Altogether, the net surplus of the Holding company would then be increased from £942,737 to, say, £1,277,000. After gross preference dividends of £922,000, the balance of £355,000 would represent earnings of 5½ per cent. gross on the ordinary. These calculations assume that group earnings are distributed on the same basis as in 1936. Last April, the directors suggested that a 4 per cent. ordinary dividend might be paid for the year—at a time when it seemed that earnings might run appreciably higher than they have run in fact. The traffics in recent months have not maintained their earlier rate of increase and on the whole it might be wise not to expect a higher dividend than the directors suggested last year. The market, indeed, has adjusted the price of the ordinary from a high level of 83½ in 1937 to a present quotation of 64½.

BOROUGH BUILDING SOCIETY

Comparative Statement 31st December, 1936/37

LIABILITIES		
	1936	1937
Shareholders	£3,726,472	£3,958,400
Depositors	594,269	769,195
Sundry Creditors	5,035	4,638
Income Tax	15,233	20,007
Suspense Account	965	963
Office Premises Depreciation Account	—	16,307
Reserves	216,693	243,392
	£4,558,667	£5,012,902
ASSETS		
	1936	1937
Advances on First Mortgage	£4,351,345	£4,656,055
Office Premises (Reserve 1937 £16,307—see contra)	19,464	35,271
Sundry Assets	2,884	2,645
Sundry Debtors	351	—
Corporation Mortgages and Government Securities	37,071	136,349
Cash at Bank and in hand	147,552	182,582
	£4,558,667	£5,012,902

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LOUIS GAUGHAN, Secretary

12 Nicholas Street,
BURNLEY

Platts' Revised Capital Scheme.—Of the making of capital schemes there is no end. Yet those responsible for their formulation are still occasionally unsuccessful in bringing sacrifice and recompense into line. This week has produced three schemes. The directors of Platt Brothers and Company (Holdings) introduced a scheme in August last year, re-affirmed their intention of proceeding with it in September, and then withdrew it. Now, a new scheme has been prepared. It goes some way towards meeting the objections of the second preference shareholders to the first scheme, but it is doubtful even now, if it goes far enough. Briefly, the second preference shareholders are to receive a cash payment in respect of net dividend arrears from March, 1930, to September, 1933—less than half the payments now due, which amount to approximately 10s. 6d. per share gross. Arrears from September, 1933, to date are to be cancelled. In compensation, new ordinary capital is to be created to the extent of 205,202 shares of 6s. 8d. It is proposed to distribute these shares to the second preference shareholders at the rate of one new ordinary for every three preference held. Finally, the preference shares will remain entitled to a 7 per cent. dividend, but of this rate only 5 per cent. will be cumulative. In terms of cash recompense the scheme is far from generous, for even if the payments are related to net arrears there remains a gap of about 2s. 6d. between the values of cash arrears and new ordinary share rights and the net worth of 7½ years' arrears. The clean-up of the balance sheet, which entails a reduction in the ordinary capital from £1,855,000 to £618,360 and appropriations from reserves, calls for a sum of £1,745,497. The ordinary shareholders, in effect, give up only one-tenth of their equity—a rather nominal sacrifice in relation to the permanent alienation of rights which is demanded of the second preference shareholders. Further consideration of the revised scheme appears to be called for.

Two Other Schemes.—The Greyhound Racing Association are endeavouring to persuade their second preference shareholders to release their participating rights.

At present these shares are entitled to an 8 per cent. cumulative dividend and to 25 per cent. of remaining profits. It is proposed, in substitution for these rights, to distribute five 1s. ordinary shares, by capitalising reserves, in respect of every three participating shares. It has been pointed out, however, that there already exists a general reserve of £110,000 which has been built up from profits. Before the question of compensation for future loss of rights is considered, therefore, it is suggested that the participating preference shares should be entitled to their equitable share in this reserve, whose accumulation reduced, *pro tanto*, their distribution during the years in which it was set aside. In other respects, however, the scheme appears fair. Of the proposals of Maple and Company it is possible to say little on the basis of information supplied to shareholders. Ultimate control has always rested with the holders of management shares, which carry special dividend rights. Briefly summarised, the scheme appears to contemplate an arrangement whereby the holders of these shares may transfer their existing equity rights into a species of prior charge, but with a minimum sum payable when profits fall below a given figure and full maintenance of their existing rights during years of prosperity. The directors, however, have not stated what this minimum sum would be, nor do they explore the accounting effect of the proposed changes upon the position of the public shareholders.

Rhokana Earnings.—Rhokana Corporation has announced this week that profits for the half-year to December 31st, after provision for debenture interest, depreciation and development, but before income tax, amount to £1,136,000. During the half-year the corporation's production of copper was 25,443 tons of blister and 16,241 tons of electrolytic. The total of 39,684 tons covered a period of five months of free production, and one month under renewed restriction at the rate of 105 per cent. of the standard quota. During the current half-year the investor must take two factors into account. The first is a reduction in output, assuming that production quotas are maintained at 105 per cent., of some 4,300 tons. Secondly, there is the question of price. During the six months to which these results refer the average price of standard copper was £48 10s., for rough purposes of calculation, compared with a present price of about £42 per ton. It is difficult to make any reliable forecast of the trend in prices during the remainder of the company's financial year, but an appreciable recovery has been recorded since the metal market depression in November. A conservative estimate, indeed, might assume that the average price for the whole year would lie between £42 10s. and £45 per ton for standard. On this basis, allowing for the premium on electro, for a higher return from the Mufulira holding, and for a full year's N.D.C., earnings for the ordinary capital might range between 82½ and 92½ per cent. Thus, the potential earnings would be little changed compared with 1936-37. The corresponding yield on Rhokana ordinary at their present price of £12 ranges between 7 and 8 per cent. If last year's dividend of 62½ per cent. were expected, the cash return would be no higher than 5½ per cent.—which is not high for a mining share, even of the status of Rhokana.

Other Company Results.—Owing largely to the publication of some 19 bank and discount company reports and of a considerable number of investment trust results for 1937, our usual analysis of profit and loss accounts appearing on page 207 covers roughly 60 companies in all. The number of industrial reports is, however, not unusually large. On page 182 we discuss the results under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of this week's company meetings will be found in this issue commencing on page 190. The chairmen's speeches at the

Martins Bank and *Barclays Bank* meetings are discussed on page 174. The trend of money rates in 1937 was surveyed by Sir Sigismund F. Mendl at the *National Discount* meeting. The year had been like its predecessors, for the course of events had reinforced the Treasury's determination to keep money easy. The resemblance between 1937 and 1936 and the importance of Treasury policy were also stressed in Mr Colin Campbell's address at the *Alexanders Discount* meeting. Addressing shareholders of *Rio de Janeiro Flour Mills and Granaries*, Mr S. C. Sheppard discussed the effect of the new Brazilian exchange decree, which allocates exchange according to the trade surpluses with each country and to the 3 per cent. tax on all remittances. The continued success of

"Cleveland Driscoll" and "Cleveland Guaranteed" motor spirit was emphasised by Mr E. A. Radford at the *Petroleum Storage and Finance* meeting. Sir Michael Naim informed the shareholders of *Michael Naim and Greenwich* that the apparent reduction in profits was due almost entirely to a fall in Dominion Income Tax relief received during 1937. Mr W. F. Foster disclosed that the *National Building Society's* average mortgage advance last year was only £622. Mr H. Eric Miller announced that *United Serdang (Sumatra) Rubber Plantations* had already sold 3¼ million lbs. of the 1937-38 crop at an average price of 10.1d. per lb. Mr Kenneth M. Carlisle reported to *Liebig's Extract of Meat* shareholders that better pastoral conditions had restored profits to the ranching subsidiaries.

THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
FEBRUARY 8 FEBRUARY 10

Rather colourless conditions prevailed during the first stage of the three-week Account. In the absence of a clearly defined lead from New York and, for the first part of the week, of a French Government, business subsided. Recent speculative activity in the Kaffir markets was reduced, and the gains which gilt-edged had recorded during the preceding Account were not fully held. It has been left, indeed, to Brazilian issues to provide one of the few features.

The *Funds* gained initial support from the continued influx of refugee money from Paris on Monday, but lost their impetus on later days, when confidence returned to the Bourse. Business, however, remained very restricted. The movement affected home corporations' scrips and Dominion issues, though New Zealand stocks showed a slight initial recovery.

In the *foreign bond* market Brazilian issues were the feature, on buying which the market regarded as well-informed. No new developments in the debt situation, however, were reported. Further weakness in Far Eastern bonds developed, and Chinese issues lost part of the previous week's recovery.

No new business was reported in *home rails*, and after the publication of rather indifferent traffics, except for L.M.S., the stocks receded further. Selling also affected the junior preference issues. After a prolonged spell of dullness, Argentine rail stocks improved somewhat in mid-week.

Although the undertone in the *industrial market* was fairly satisfactory, conditions became dull after a fairly firm start on Monday and the volume of business remained small. There was little activity in iron and steel shares; the listlessness of the market prevented any response to good trade reports or to specific news concerning such companies as Babcock and Wilcox and Thornycroft. Motors made a mixed showing, with small price changes, and colliery shares were somewhat neglected. Electrical equipment issues remained fairly firm, but little business was passing. Although dealings in aircraft shares were no more numerous than in other sections, prices were well maintained, despite some profit-taking in mid-week.

Among textiles, Lancashire Cotton were well supported at first, while rayon

issues reacted on a reduction of American yarn prices. Brewery shares were undecided and uninteresting. Attention in the tobacco section turned chiefly to Imperial Tobacco; the unchanged dividend caused a small setback in the ordinary shares, which had been gradually lowered before the announcement. The miscellaneous group was featureless. Shipping shares received more attention on the improved freight outlook, but became easier later. Transatlantic issues were irregular, for good opening prices were not maintained as the week proceeded.

Oil shares were quiet and conditions proved unsatisfactory. Early in the week business was dominated by the Ecuadorian situation. The Continent kept aloof, while the Burmah Oil strike and further threats to Mexican Eagle disturbed the market.

The tone in the *rubber shares* market was thoroughly flat. On Monday prices remained firm, but there was little business. Prices sagged later, though the volume of dealings was insignificant. *Tea shares*, however, followed their uncertain start by a distinct improvement in mid-week.

Mining shares began well, but failed to maintain their first pace, moderate though it was. Among Kaffirs interest in developing mines was shown at first, but prices turned easier, though there was no selling pressure. Paris and the Cape showed no initiative. West Africans continued one of the brightest features of the market, public as well as professional support being evident. The comparative cheerfulness of Monday was not maintained, but Bibiani in particular made further headway. Rhodesian copper issues were neglected, and Rhokana made no response to the profits statement.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 14	6,620	13,501	96.9	129.7
Jan. 17	7,475	13,250	96.7	129.9
Jan. 18	6,705	11,100	96.7	129.9
Jan. 19	7,075	10,420	96.5	129.9
Jan. 20	6,735	10,430	96.3	130.0
1938 High...	...	...	97.2	130.0
Low...	...	...	95.7	129.2
			Jan. 3	Jan. 3

† Approx. total recorded in S.E. List. * July 1, 1935 = 100. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 151 industrial ordinary share prices on Tuesday last show a slight fall to 73.8, compared with 74.2 on January 11th, but remains at the same as a month earlier. The corresponding yield for Tuesday last is 4.84 per cent., against 4.81 per cent. and 4.90 per cent. for the previous week and the previous month respectively. We give below a selection of the component series, and now show the highest and the lowest price indices for each of these series in 1938:—

Group (and No. of Securities)	Prices (Dec. 31, 1928=100)			Prices 1938 High
	Dec. 21, 1937	Jan. 11, 1938	Jan. 18, 1938	
Banks, etc. (10)	113.5	117.0	115.8	117.0
Building mats. (6)	88.7	87.1	85.5	87.1
Coal (9)	105.4	106.1	105.4	106.7
Cotton (6)	36.1	37.1	36.4	37.1
Iron and St. (17)	65.9	66.4	65.7	66.4
Home rails (4)	71.2	68.0	67.2	71.0
Stores, etc. (18)	64.1	64.7	65.3	65.3

Group	Yields %			Prices 1938 Low
	Dec. 21, 1937	Jan. 11, 1938	Jan. 18, 1938	
Banks, etc.	4.16	3.87	4.02	115.8
Building mats. .	6.09	6.05	6.80	85.5
Coal	4.54	4.87	4.92	105.4
Cotton	2.61	2.57	3.64	35.7
Iron and steel ..	6.04	6.10	6.15	65.5
Home rails	3.05	3.18	3.19	67.2
Stores, etc.	4.36	4.58	4.57	64.3

New York

Wall Street reassembled this week in the after-glow of a sizeable week-end rally, in which turnover rivalled that of a full working day—by recent standards—and stocks rose as much as \$3. The business talks and the imminence of a defence message fed the rise, but it was not maintained when the market reopened. The cloud which hovered over the market for the first part of the week was the Administration's policy towards the utilities and the holding companies. Operators held off the market, despite the rise in steel activity, according to *Iron Age*, from 27.8 to 29.8 of capacity. On Tuesday, conditions were unsettled by the Erie reorganisation scheme, which affected the whole rail list. Wet stocks were also affected by the fear of imminent price-cutting. In mid-week, a late rally attended the news that a settlement of the T.V.A.-Commonwealth and Southern dispute seemed hopeful. Utilities rose somewhat, but the further fall in the

(Continued on page 182)



1938

BONUS YEAR

★

SCOTTISH WIDOWS' FUND

Head Office:
9 St. Andrew Square, Edinburgh

London Offices:
28 Cornhill, E.C.3
17 Waterloo Place, S.W.1
107 Fleet Street, E.C.4

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1937				Prices, Year 1938				Name of Security	Price, Jan. 19, 1938	Change since Jan. 12, 1938	Yield Jan. 19, 1938	Last two Dividends			Name of Security	Price, Jan. 19, 1938	Change since Jan. 12, 1938	Yield Jan. 19, 1938
High	Low	High	Low	High	Low	High	Low					(a)	(b)	(c)				
Jan. 1 to Jan. 19, inclusive				Jan. 1 to Jan. 19, inclusive				Jan. 1 to Jan. 19, inclusive			Jan. 1 to Jan. 19, inclusive							
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(Continued from page 179)

domestic copper price depressed metal stocks. Although current reports show that steel consumption remains on a hand-to-mouth basis, some steel spokesmen are anticipating a rise in operations to 60 per cent. of capacity during the second half of the year.

New York Prices

Close Latest Jan. 19, 1938
Close Latest Jan. 19, 1938

1. Rails & Transport 38 1/2 38 1/2 25 1/4 25 1/4

2. Utilities and Communications 12 1/2 12 1/2 10 1/2 10 1/2

3. Extractive and Metal 24 1/2 24 1/2 20 1/2 20 1/2

4. Manufacturing 24 1/2 24 1/2 20 1/2 20 1/2

5. Retail Trade, &c. 24 1/2 24 1/2 20 1/2 20 1/2

6. Finance 24 1/2 24 1/2 20 1/2 20 1/2

7. Public Offers 24 1/2 24 1/2 20 1/2 20 1/2

8. Shorter Comments 24 1/2 24 1/2 20 1/2 20 1/2

9. Retained Imports 24 1/2 24 1/2 20 1/2 20 1/2

10. Wholesale Price Movement 24 1/2 24 1/2 20 1/2 20 1/2

11. Wages and Living Costs 24 1/2 24 1/2 20 1/2 20 1/2

12. Co-operative Trading 24 1/2 24 1/2 20 1/2 20 1/2

13. British Exports 24 1/2 24 1/2 20 1/2 20 1/2

14. Exports were generally higher last month than in December, 1936, though a number of important items, such as automobiles, railway materials, cotton yarn and piece goods, wool tops, yarns and tissues, linen piece goods and leather goods, showed a decline.

15. Wages and Living Costs.—The accompanying chart shows the trend of wage rates and the cost of living since 1927 on the basis of the Ministry of Labour's indices. Although real wages remain substantially higher than in 1929, the diagram shows that the cost of living has tended to increase relatively faster than weekly wage rates during the past year.

16. COST OF LIVING AND WAGE RATES (1927 = 100)

17. Returns from industries and services for which information is available show that the increase in weekly wage rates during 1937 amounted to £780,000, against £492,900 in 1936 and £192,100 in 1935. The tendency of the cost of living to rise faster than wage rates is reflected in the increase in the number of working days lost through industrial disputes, from 1,830,000 in 1936 to 3,420,000 in the past year. Had not the increase in business activity and industrial profits enabled industry to concede higher wages, a more serious deterioration in industrial relations might well have occurred.

18. Co-operative Trading.—The eight divisional meetings of the Co-operative Wholesale Society were held on January 15th to consider the directors' report for the weeks ended October 9, 1937. The sales for the period

19. 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):—

20. WEEKLY AVERAGES

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

22. High: 116.9 January 11th. Low: 101.9 January 3, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Jan. 13	973	6,650	227
Jan. 14	850	6,950	186
Jan. 15	740	3,820	123
Jan. 16	930	7,060	179
Jan. 17	780	8,880	143
Jan. 18	1,000	8,410	147

* Two hour session

Capital Issues

APART from Canada's conversion offer (discussed in a Note on page 176), the only public issue of the week is of *Associated Paper Mills*, who are issuing 150,000 5 per cent. cumulative £1 preference shares (at par) and 425,000 5s. ordinary shares (at 55 per cent. premium). This concern owns two subsidiaries, and is making the issue to acquire the capital of a third, with net assets of £144,376, for £204,110. The combined profits rose sharply in 1936-37. The preference shares are covered twice as to capital by combined net assets, after deducting the excess of £198,322 of book value of investments in subsidiaries over their net assets. The ordinary shares offer a high earnings yield, but will appeal chiefly to the specialist investor. A statement for information only has been published this week by *Second British Steamship Trust*.

CAPITAL ISSUE TOTALS

Week ending Jan. 22	Nominal Capital	Conversions	New Money
To the Public	10,256,250	9,850,000	314,672
To Shareholders	77,500	...	77,500
By S.E. Introduction	585,000	...	829,323
By Permission to Deal	506,448	...	1,017,298
Sav. Certs. w/c Jan. 15	...	...	Nil
Year to date—	Including Conversions	Excluding Conversions	
1938 (New Basis)	20,254,441	10,404,441	
1937 (New Basis)	36,058,705	39,344,347	
1938 (Old Basis)	13,144,672	3,294,072	
1937 (Old Basis)	20,134,193	14,459,733	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign
1938 (New Basis)	9,054,336	1,320,000	30,105
1937 (New Basis)	23,275,399	5,862,946	86,000
1938 (Old Basis)	3,284,672	...	...
1937 (Old Basis)	13,214,848	1,244,885	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date—	Deb.	Pref.	Ord.
1938 (New Basis)	2,450,533	1,136,658	6,817,250
1937 (New Basis)	12,878,630	3,220,612	14,135,103
1938 (Old Basis)	477,500	480,000	2,337,172
1937 (Old Basis)	9,726,000	737,718	3,996,015

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Associated Paper Mills.—Issue of 150,000 5 per cent. cumulative first £1 preference shares at par, and 425,000 5s. ordinary shares at 7s. 9d. (Total issued capital is £161,660 5 per cent. debenture stock, 300,000 5 per cent. first preference, 331,993 8 per cent. non-cumulative 10s. preference shares, and 1,480,000 5s. ordinary shares.) Proceeds to acquire Cooke and Nuttall capital. Company's net assets £656,778 (investments, etc., in subsidiaries,

£333,675); profits, including dividends, after depreciation and interest, years to September 30: 1935, £29,682; 1936, £39,270; 1937, £113,622. Combined profits: 1935, £69,822; 1936, £80,007; 1937, £164,124. Cooke and Nuttall: net assets, £144,376; capital acquired for £182,110 and £22,000 adjustments.

CONVERSIONS AND REPAYMENTS

Dominion of Canada.—Offer, in conversion, of £10,000,000 3½ per cent. stock at 98½, to holders of £7,658,472 3 per cent. inscribed stock, etc., and £3,093,700 C.P.R. 3½ per cent. land grant stock, etc. (both due July, 1938). New stock redeemable July, 1963, or from 1958 on notice. Holders converting to receive £1 10s. cash per £100. Estimated population, 11,120,000. Funded debt and bills \$3,275,544,000; bonds guaranteed, \$1,003,336,000. Total exports 1936-37, \$1,074,244,000; imports, \$671,876,000. Cash Lists closed at 3.30 p.m. January 19th. Conversion Lists will close at 3.30 p.m. on January 26th.

STOCK EXCHANGE INTRODUCTIONS

Second British Steamship Trust, Ltd.—Particulars of issue of £250,000 4 per cent. debenture stock, redeemable at par February, 1968, or from August, 1962, on notice. Ranks with existing £200,000 4½ per cent. and £300,000 3½ per cent. debenture stocks. Stock being issued for cash at 101.

PRIVATE PLACING

Star Brewery, Eastbourne.—This company has placed privately 10,000 5 per cent. cumulative £1 preference shares. This raises total to £150,000, the authorised amount.

ISSUES TO SHAREHOLDERS ONLY

Steel Ceilings.—Issue of 775,000 2s. shares at par (two new shares for five held).

Associated British Picture Corporation.—Issue of 1,500,000 5s. ordinary shares at 14s. Proceeds to pay off advances and for general purposes.

SHORTER COMMENTS

Company Results of the Week.—Net earnings of LAW DEBENTURE CORPORATION are a little lower at £61,045, but the balance-sheet figure for investments (which are chiefly in bonds, etc.) is exceeded by the valuation at the end of 1937. Investment trusts, generally, continue to show increased profits but, in the main, market values are below the book cost of investments. Good advances have been made, for instance, by GENERAL CONSOLIDATED, RIVER PLATE AND GENERAL and LONDON STOCKHOLDERS, the latter company now returning to the dividend list. The full report of LEYLAND MOTORS shows that the depreciation allocation was £7,000 higher at £78,055, while tax and contingencies provision was as high as £224,075, against £119,677. The balance sheet does not reveal any notable changes, though expanding trade is illustrated by a substantial rise in debtors. Continued improvement is shown by rubber companies. Among the larger companies, the SEDENAK dividend is doubled at 12 per cent. Extension of the associated companies' interests has resulted in a rise from £88,964 to £109,566 in NATIONAL OMNIBUS AND TRANSPORT COMPANY net

(Continued on page 200)

Industry and Trade

Wholesale Price Movement.—In Great Britain *The Economist* complete index of wholesale prices has now fallen back slightly to the level of three weeks ago. The past fortnight witnessed a drop of 1.1 per cent. in the sterling prices of primary products. American prices are firmer. Primary products have risen by 0.7 per cent. and the complete Irving Fisher index number by 0.8 per cent.

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 Reichsbank
	British Complete Index (sterling)	Primary Products (sterling)					
1936							
Dec. 8th 1931	131.3	163.9	187.3	166.7	128.8	113.0	116.3†
Jan. 27th 1937	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 24th 1937	136.3	168.2	185.5	167.4	131.8	116.8	96.2
Mar. 31st 1937	144.3	181.9	199.7	167.4	137.3	121.8	97.5
Apr. 28th 1937	142.0	179.9	183.5	165.4	135.6	120.5	97.0
June 2nd 1937	142.0	179.2	178.9	165.6	134.3	119.8	97.5
June 30th 1937	149.5	165.9	176.8	165.7	134.1	119.8	97.5
July 2nd 1937	140.2	167.1	171.8	164.5	133.8	130.8	97.9
Aug. 25th 1937	137.9	164.4	165.3	164.2	133.0	133.3	98.1
Sept. 8th 1937	137.4	165.1	166.9	165.3	132.2	136.7	97.7
Sept. 22nd 1937	136.0	164.0	166.3	165.1	133.7	139.4	97.6
Oct. 6th 1937	135.1	159.7	153.7	165.5	136.2	139.9	97.4
Oct. 20th 1937	135.6	156.2	152.3	165.4	129.5	138.8	97.4
Nov. 3rd 1937	131.9	152.7	147.2	165.5	127.4	136.5	97.3
Nov. 17th 1937	129.7	147.3	141.6	164.5	124.8	134.5	97.0
Dec. 1st 1937	127.5	145.4	138.9	164.8	125.1	134.0	97.0
Dec. 15th 1937	127.8	146.7	137.5	164.5	121.6	134.7	96.9
Dec. 29th 1937	127.8	147.4	135.3	164.2	120.5	135.8	97.0
1938							
Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	96.9
Jan. 19th	127.9	146.5	137.7	164.3	121.6*	143.6	96.9*

* These figures relate to January 12th. † Monthly averages.

The index numbers for the groups composing the index are given below, with comparative figures for a fortnight ago, a year ago and also for September 18, 1931.

The Economist INDEX (1927 = 100)

	Sept. 18, 1931	Jan. 13, 1937	Jan. 5, 1938	Jan. 19, 1938
Cereals and meat...	64.5	88.2	93.1	90.9
Other foods...	62.2	65.2	63.7	62.4
Textiles...	43.7	69.4	58.8	58.4
Minerals...	67.4	98.0	95.6	95.8
Miscellaneous...	65.8	82.3	79.6	79.8
Complete index	60.4	80.7	77.8	77.2
1913 = 100	83.1	111.0	107.1	106.2
1924 = 100	52.2	69.7	67.3	66.7

Food prices are mostly lower than a fortnight ago. Textiles moved irregularly. Metal prices were slightly firmer. In the miscellaneous group, there was a small recovery in the price of rubber.

Overseas Trade by Commodities.—As a footnote to our leading article on overseas trade (see page 155), we give below an analysis of quantitative changes in the imports and exports of important commodities between December, 1935, 1936 and 1937:—

RETAINED IMPORTS—MONTH OF DECEMBER

Item and Measure	1935	1936	1937
Wheat.....	9,107	8,886	7,986
Beef and veal.....	898	1,011	1,135
Mutton and lamb.....	587	584	603
Sugar (unrefined).....	2,816	3,857	4,338
Iron ore and scrap.....	423	544	881
Raw cotton.....	2,130	1,704	2,018
Sheep and lambs wool.....	567	658	449
Flax, hemp and jute.....	44,101	46,504	30,595
Crude petroleum.....	33,820	35,558	31,319
Hides, wet and dry.....	159	179	190
Wood pulp.....	235	206	178
Rubber.....	108	110	239
Unwrought copper.....	24,738	26,842	28,031
Pig lead.....	17,395	35,951	46,328
Tin: Ore and concentrates.....	5,665	5,403	4,850
Blocks, ingots, slabs and bars.....	57	292	797
Iron and steel manufactures.....	113	95	288
Machinery.....	5,615	9,991	11,386

Retained imports show no uniform trend. Purchases abroad of iron and steel and machinery, and of a number of raw materials, such as rubber, cotton, unwrought copper and pig lead, were substantially greater in December, 1937, than a year earlier. On the other hand, wheat, wool, flax, hemp and jute, crude oil and wood pulp were imported in smaller quantities than in December, 1936.

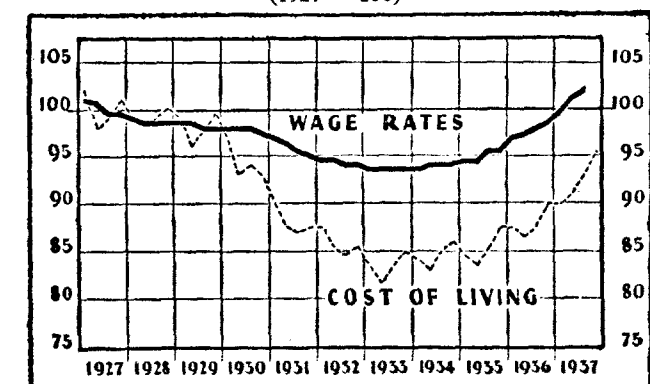
BRITISH EXPORTS—MONTH OF DECEMBER

Item and Measure	1935	1936	1937
Coal.....	2,867	2,970	3,088
Iron and steel scrap.....	9,482	15,457	7,652
Pig-iron and ferro-alloys.....	10,162	11,032	10,895
Railway materials.....	11,792	25,077	23,220
Total, iron and steel manufactures.....	188,417	204,829	196,807
Textile machinery.....	4,641	4,783	8,118
Cotton piece-goods.....	30,320	32,257	40,796
Cotton yarns.....	11,848	12,292	11,018
Cotton piece-goods.....	147,629	170,084	141,038
Wool tops.....	4,249	5,214	2,356
Woolen yarns.....	2,814	2,644	1,931
Woolen tissues.....	5,407	6,159	5,990
Woolen tissues.....	3,282	3,802	3,438
Linen piece-goods.....	5,582	8,240	5,561
Leather boots and shoes.....	26,756	28,910	27,063
Leather.....	21,110	26,036	15,619
Paper and cardboard.....	320,328	371,795	381,590
Locomotives and parts.....	2,796	1,406	3,221
Motor vehicles and chassis.....	6,542	10,174	9,697

Exports were generally higher last month than in December, 1936, though a number of important items, such as automobiles, railway materials, cotton yarn and piece goods, wool tops, yarns and tissues, linen piece goods and leather goods, showed a decline.

Wages and Living Costs.—The accompanying chart shows the trend of wage rates and the cost of living since 1927 on the basis of the Ministry of Labour's indices. Although real wages remain substantially higher than in 1929, the diagram shows that the cost of living has tended to increase relatively faster than weekly wage rates during the past year.

COST OF LIVING AND WAGE RATES (1927 = 100)



Returns from industries and services for which information is available show that the increase in weekly wage rates during 1937 amounted to £780,000, against £492,900 in 1936 and £192,100 in 1935. The tendency of the cost of living to rise faster than wage rates is reflected in the increase in the number of working days lost through industrial disputes, from 1,830,000 in 1936 to 3,420,000 in the past year. Had not the increase in business activity and industrial profits enabled industry to concede higher wages, a more serious deterioration in industrial relations might well have occurred.

Co-operative Trading.—The eight divisional meetings of the Co-operative Wholesale Society were held on January 15th to consider the directors' report for the weeks ended October 9, 1937. The sales for the period

were £85,969,307, an increase of £9,142,659, or nearly 12 per cent. Of these the Society's own productions accounted for £30,395,406. The turnover of the grocery department was £64,634,197, or almost three-fourths of the total business. The export trade was £371,476, an increase of £152,804 compared with the corresponding 39 weeks of 1936. Higher prices were reflected in the 8 per cent. advance in margarine sales and the 7½ per cent. increase in the output of the three butter factories. In view of the very great difficulty in securing an economic return on the surplus funds invested with the C.W.S. by the distributive societies the directors have recommended a reduction of the interest on share capital from 4½ per cent. to 3¼ per cent., to become operative on April 9th. Until January 12, 1935, the rate of interest was 5 per cent.

* * *

Wages in the Building Industry.—On February 1st the standard wage of craftsmen in the building trades will be advanced by ½d. per hour, in consequence of the recent increase in the cost of living. In 1924 it was agreed that when the Ministry of Labour's cost of living index (July, 1914=100) stood at 178, the standard wage for craftsmen should be 1s. 8d. per hour. For every variation of 6½ points in the annual average of the cost of living the craftsmen's standard wage was to vary by ½d. per hour. It was further agreed that the labourers' standard wage should not be less than 75 per cent. of the craftsmen's. These standard rates are not of universal application, for the country is divided into districts, graded in accordance with local conditions. In the lowest grade the craftsmen's wage is 4d. per hour less than the standard rate, while in London it is 1½d. per hour above the standard. Alterations in the standard rates (per hour) during the currency of the agreement have been as follows:—

Crafts- men		Labour- ers		Crafts- men		Labour- ers	
Aug. 1, 1924	1s. 8d.	1s. 3d.		Feb. 1, 1933	1s. 5½d.	1s. 1½d.	
Feb. 1, 1928	1s. 7½d.	1s. 2½d.		July 1, 1935	1s. 6d.	1s. 1½d.	
Feb. 1, 1930	1s. 7d.	1s. 2½d.		Jan. 1, 1936	1s. 6½d.	1s. 2d.	
Feb. 1, 1931	1s. 6½d.	1s. 2d.		Feb. 1, 1937	1s. 7d.	1s. 2½d.	
Feb. 1, 1932	1s. 6d.	1s. 1½d.		Feb. 1, 1938	1s. 7½d.	1s. 2½d.	

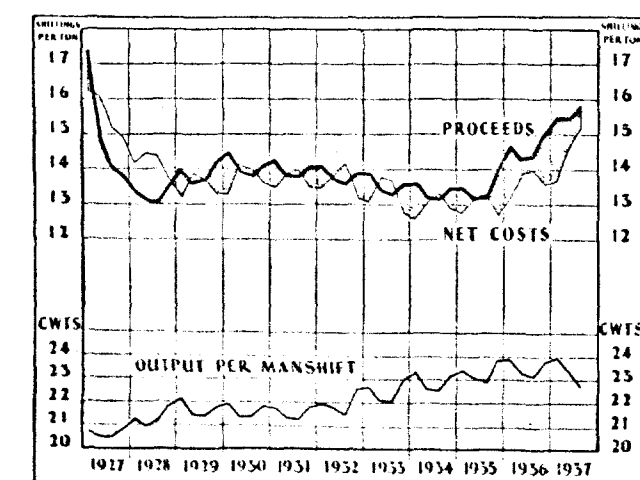
(Source: Building Industries National Council)

In April, 1935, a reduction of the datum cost-of-living figure from 178 to 165 raised the craftsmen's wage by 1d. per hour. The three-year respite from re-grading, which was simultaneously agreed on, expires in May, 1938. There is no reason to suppose, however, that the long period of peace in the building industry will be interrupted by any untoward incident.

* * *

Rise in Coal-Mining Profits.—The accompanying chart reveals the remarkable change in the profit-earning capacity of the coal-mining industry during the past two years.

COSTS AND PROCEEDS PER TON AND OUTPUT PER MAN-SHIFT



After many years of losses or slender profits, the gap between costs and proceeds per ton, as ascertained in 1938.

quarterly, has widened considerably during the past two years, although production failed to recover to the pre-depression level. To some extent, the improvement is due to the increased efficiency of the industry, reflected, for example, in the steady rise in the output per man-shift during recent years. But the increase in profits per ton during the past two years has been achieved, despite a sharp rise in costs as a result of the virtual elimination of price-cutting in the industry. Both wage-earners and shareholders have thus been able to draw bigger incomes, though exports, where competition remains keen, have not risen as fast as those of other countries, especially Germany.

* * *

Lancashire and India.—Exports of British cotton piece-goods to British India in 1937 were 355.8 million square yards, valued at £5.7 millions. In 1929, some 1,374 million square yards, valued at £26.1 millions, were exported, and in 1933, during the world depression, 485.7 million square yards to a value of £6.7 millions. This continued decline of manufactured exports to a major market is causing grave concern in Lancashire. Simultaneously, exports of Indian-made cotton goods to the Dominions and Colonies have advanced relative to British exports; and the failure of the commercial negotiations between India and the United Kingdom during 1937 lends point to the allegation of British exporters that, while the agreements of 1932 facilitated the sale of Indian cottons throughout the Empire, no commensurate reciprocal concessions have been accorded by India to Lancashire. The inclination of the Lancashire cotton interests is to press for discrimination by quotas and other means against Indian cotton goods in the colonies and dependencies. Such reprisals would be inexpedient and regrettable in every way. But some agreed basis of co-operation between Lancashire and British India is none the less imperative.

* * *

Home Margarine Production.—An estimate of the output of margarine in the United Kingdom is published monthly in the Imperial Economic Committee's *Weekly Dairy Produce Notes*. The figures, which are published in the form of weekly average invoiced deliveries, are believed to cover practically all the margarine produced in this country and are now available on a comparable basis for a period of three years:—

Period ended:—	Weekly Average		
	1935 Tons	1936 Tons	1937 Tons
January 30th	2,784	3,009	2,815
February 27th	3,406	3,580	3,224
April 2nd	3,502	3,590	3,528
May 1st	3,340	3,456	3,387
May 29th	3,163	3,430	3,349
July 3rd	3,133	3,335	3,345
July 31st	3,130	3,415	3,431
August 28th	3,140	3,264	3,245
October 2nd	3,536	3,459	3,577
October 30th	3,772	3,477	3,798
November 27th	3,624	3,465	4,285
December 31st	3,793	3,779	4,165
Annual average	3,370	3,458	3,527

Total production rose by 2 per cent., from 179,800 tons in 1936 to 183,400 tons in 1937, though the improvement was not evenly spread throughout the year. Deliveries in the first five months of last year actually fell below the previous year's corresponding figures, but during the last seven months (excluding August) production exceeded the 1936 level. These figures support the view that the demand for butter is highly elastic. During the past three years, when butter prices have been gradually advancing, the consumption of butter has been stationary at around 25 lb. per head; whereas the demand for margarine, the price of which has shown little alteration, has increased. The sharp advance in butter prices last autumn was followed by an appreciable expansion in margarine output. In short, when butter prices rise the consumer looks for a substitute—and the margarine manufacturer reaps the benefit.

London's Meat Supplies.—The Central Markets, Smithfield, form the largest meat market in the world. Covering an area of about ten acres, and handling produce to the value of £35 millions annually, the Central Markets serve the teeming millions of Greater London. The volume of produce passing through Smithfield, after declining by 1.6 per cent. in 1936, showed a slight recovery last year. But supplies remained below the 1935 level, as the following figures show:—

	VOLUME OF SUPPLIES (TONS)		
	1935	1936	1937
Beef and veal	248,269	248,738	248,820
Mutton and lamb	142,846	134,927	137,386
Pork and bacon	50,273	50,088	45,838
Poultry and game	23,312	23,169	24,694
Miscellaneous	12,077	12,320	13,179
Total	476,777	469,242	469,917

The most striking feature brought out by these figures is the stability of London's beef consumption. Mutton and lamb, after declining in popularity, were in greater demand last year, but pork and bacon showed a sharp decline. In the miscellaneous category, the consumption of rabbits rose from 7,724 to 8,764 tons.

* * *

Dutch Tin Amalgamation.—The chief interest in the tin-mining industry of the Netherlands East Indies is that of the East Indies Government. The largest concern, at Banka, is a Government enterprise. The other com-

panies, at Billiton and Singkep, are controlled by a limited company in which the Government holds five-eighths of the shares. The remaining three-eighths are held by the Billiton Maatschappij. A Bill was introduced into the Dutch Parliament to end the competition between these separate undertakings by amalgamating them. It was proposed to organise the new company on similar lines to Billiton and Singkep, with the Government holding 90 per cent. of the shares and the Billiton Maatschappij the remainder. Early in 1937, however, the People's Council of the Netherlands East Indies, by 43 votes to 7, advised against the scheme. They objected to the transfer of the control of the Banka concern from the East Indies to Europe—although the management of the tin enterprises of Malaya, Bolivia, Siam and the Belgian Congo has been similarly shifted, largely because the tin market is in Europe, and the international restriction schemes call for continuous contact between producers. In addition, the People's Council feared that the Billiton Maatschappij, provisionally given management of the joint undertaking for ten years, would have too much influence, despite the safeguard that the management would be controlled by a board on which the Government would have a majority. Nevertheless, the Council admitted that the Billiton concern was better run than the Government enterprise at Banka, and their only alternative to the amalgamation was to suggest the reorganisation of Banka. The Dutch Parliament will now have to decide. If the amalgamation is effected, the new company producing nearly one-fifth of the world output will be the largest single producer—and, possibly, the lowest cost producer—in the world.

INDUSTRIAL REPORTS

STEEL consumption remains at a high level and output, which is tending to expand, is easily absorbed. The relation between demand and supply is steadily improving and there is less of a scramble for materials. As a result of the slackening of demand in other countries, the pressure on prices abroad is now tending to increase, reflected in the Continental Cartel's decision to abolish the premium on early delivery. Despite the understanding between the Cartel and the leading United States producers, any further fall in demand abroad may render difficult the maintenance of current quotations. Domestic consumption of coal remains heavy, but export business failed to improve. Rather surprisingly, the December returns of the value of building plans passed by 140 local authorities showed an increase of 12½ per cent. over the corresponding month a year earlier. The improvement was due to an increase in plans passed for dwelling houses, all other categories of construction showing a decline. Some cotton spinners and manufacturers have received more inquiries, and useful orders have been booked, but there have been no signs of any general buying movement.

Coal

Sheffield.—On inland account the demand is active, and collieries are working full time. Industrial requirements are of a nature to leave little spare fuel on offer. Gas coal requirements are very heavy, and house coal moves freely. Small coal is in demand for electricity works and boiler purposes. Coke business is on a big scale. Blast furnace quality is quoted 30s. per ton on rail at ovens for inland, while large selected patent oven coke is 30s. on rail at ovens in the Rotherham area and about 34s. at Sheffield.

Newcastle-on-Tyne.—North-East collieries, particularly those situated in Durham, are meeting a strong demand from home consumers for prompt supplies, but foreign demand shows no marked extension, and is limited to a few odd cargoes. The Northumberland steam coal section is steady, prices being unchanged. In Durham an improved forward inquiry from foreign consumers would be appreciated, though the position remains firm. Patent oven coke is a quiet market; domestic consumers now appear

to be able to obtain full supplies of this fuel without any difficulty.

*

Glasgow.—Market conditions are not greatly changed. A strong inland demand remains the outstanding feature, industrial, public utility and domestic requirements being at peak levels. On occasion producers find difficulty in satisfying consumers' needs, and in the case of house coal, delivery delays of about a fortnight have been mentioned. In these circumstances there is little surplus seeking an outlet in the shipping market, and it is considered a relief that foreign inquiry remains limited. That must, however, be regarded as a short-term factor, for while home industrial needs should be on a brisk scale for some considerable time, inland consumption will tend to fall off with the advance of the season, and the lack of foreign business may then be of greater significance in the colliery position.

*

Cardiff.—Spot prices for all classes of coal continue very firm on the Cardiff market. Production is being well maintained, but the tonnage position is not quite as good as it was a few weeks ago, and shipments in the foreign and coastwise trades have declined. In the week ended January 16th, shipments totalled 375,600 tons, compared with 425,284 tons in the corresponding week of 1937, and for the first fortnight of the year they show a decrease of about 25,000 tons.

No new contracts have been reported, but those to which the collieries are already committed are absorbing practically the whole of their current output, and stocks are very small. Arrangements have been made with the Portuguese authorities for the supply

of about 200,000 tons of pitwood for delivery during 1938, and representations have been made to the Portuguese Government against the recent diversion of coal orders from South Wales to Germany. The coke market is as strong as ever, while for patent fuel demand is restricted, with prices steady.

COAL OUTPUT AND EMPLOYMENT

District	Week ended January 1 1938		Week ended January 8 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	261.2	45.4	261.3	45.4
Durham	598.1	117.2	662.7	117.4
Yorkshire	502.6	142.0	964.1	142.3
Lancs, Cheshire and N. Wales	248.0	69.2	334.3	69.2
Derby, Nottingham & Leicester	467.0	98.2	766.3	97.9
Staffs, Worcs, Salop & Warwick	243.0	67.5	426.2	67.5
South Wales and Monmouths	471.3	136.4	820.2	136.7
Other English districts*	75.3	22.5	123.9	22.5
Scotland	594.2	91.4	428.1	91.3
Total	3,430.7	789.8	4,790.1	790.2

* Including Cumberland, Westmorland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that current production may be readily consumed. In one or two departments conditions are slightly easier, giving the makers an opportunity of reducing their arrears of deliveries. In most departments of the steel trade, however, manufacturers still find it necessary to ration deliveries to consumers on the basis of their requirements in 1936.

In the pig iron market, however, there is now no stringency in any branch. This is due chiefly to increased home production, for purchases of foreign iron are now seldom reported. The consuming trades seem well employed and lately fresh sales have been made for delivery during the first half of the year.

There has been a considerable improvement in the semi-finished steel market. Most re-rollers are now receiving adequate supplies, partly as a result of the rising home production and partly owing to larger imports of Continental material. Most of the consuming works using this class of steel are now operating at capacity.

New domestic business in finished steel has become more active, although there is little inclination to enter into far forward commitments. Export demand is somewhat irregular, but lately there has been an increase in the volume of inquiry for several overseas markets.

Sheffield.—Business in the iron and steel market is at a good level, but consumers show no great eagerness. The majority are well covered by contract over the first quarter for forge and foundry iron. Supplies appear to be coming nearer to requirements, and delivery delays are much less pronounced. Business in East and West Coast hematite is easier to transact, and bar iron demand is more amply met. There is no easing of the pressure for basic and acid steel billets. Wire rod demand is at a high level, and require-

ments of structural steel cannot be met in full. There is a steady demand for iron and steel scrap. Supplies of most qualities are adequate, and imported material is neglected. Business in high-speed steel scrap has declined, and the price has fallen to £60-£80 per ton, according to specification. Basic steel for melting is freely offered at the controlled price.

Middlesbrough.—Supplies of heavy melting steel scrap are being readily absorbed at the official list price. The relation between demand and supply of pig iron is now more satisfactory. Larger quantities of foundry iron from the Midlands have been available recently for users in this district. Continental iron is still offered, but there has been a lull in sales owing to the loyalty rebate which is offered to consumers of British iron. East Coast hematite is well sold ahead, but makers would welcome increased delivery instructions against contracts. Small quantities are becoming available for export. Prices remain unchanged.

Steelmakers are exceptionally busy on the production of both semi-finished and finished steel. Sheets are in good demand at home, but the export trade is almost at a standstill.

Glasgow.—Output is passing rapidly into the hands of consumers, but so far little impression has been made on arrears of orders on makers' books. Many of the re-rolling industries are now receiving adequate supplies of semis, and generally plants are running near capacity. Demand for finished steel is good. New business has been fairly plentiful for manufacturing concerns in Glasgow and district during the past week and several important contracts have been received, including a considerable tonnage of sheet metal work. A number of shipbuilding tenders are under consideration, and it is confidently expected that further contracts will shortly be placed at several Clyde yards.

Cardiff.—The heavy branches of the iron and steel industry are very active. But quieter conditions are ruling in the tinplate section, and during the week ended January 8th output was at only about 60 per cent. of capacity, against an average weekly output last year at over 73 per cent. of capacity. The output of the members of the Pool last year was 955,034 tons, the largest in the records of the industry, and 130,000 tons greater than in 1936. In spite of the quieter conditions, however, it has been decided to maintain the minimum price of 22s. 6d. per box f.o.b. Quotations for sheets and steel bars are also unchanged. Shipments of tin-plates at Swansea last week totalled 5,716 tons, compared with 8,532 tons the previous week and 3,685 tons in the corresponding week last year.

Textiles

Cotton (Manchester).—A fairly steady tone has prevailed in the raw cotton markets, partly because substantial amounts are being "sterilised" in the United States under the loan scheme.

The yarn market has been steady. An increased turnover has taken place in American yarns which are not under any price agreement. No relief is in sight for producers of medium ring beams and curtailment of output continues. More inquiry has been met with in Egyptian qualities.

The larger inquiry in the cloth section has been maintained. The most active foreign outlet has been India and encouraging orders have again been booked in dhooties, light whites and printed and dyed cloths. Some manufacturers have obtained a little relief and the stoppage of further looms has been prevented. Only occasional transactions have been mentioned for Egypt and the Near East. Any improvement in West African trade is dependent upon a rise in the price of cocoa. Irregular operations have taken place for South America and the Continent, without individual contracts being at all important. A little more activity has shown itself in standard makes for the home trade.

RAW COTTON delivered to Spinners (Million bales)

Variety	Week ended		Total Deliveries	
	Jan. 7, 1938	Jan. 14, 1938	Aug. 1, 1936-1937	Aug. 1, 1937-1938
American	30.0	33.3	562	612.9
Brazilian	4.3	4.6	168	158.9
Peruvian, etc.	2.3	2.7	75	65.8
Egyptian	9.4	12.0	170	164.1
Sudan-Sakel	2.8	3.2	71	80.0
East Indian	5.0	7.6	150	129.9
Other countries	2.5	4.2	99	95.6
Total	56.3	67.6	1,325	1,307.2

THE COMMODITY MARKETS

The rising tendency of the prices of primary products during the first fortnight of this month, accompanied by a recrudescence of speculative activity, gave way to a slight reaction this week, both in this country and in the United States.

The easier tendency on Wall Street, the political crisis in France, and the publication of the copper statistics for December, for example, led to profit-taking in non-ferrous metals. Similarly, the prices of rubber and American raw cotton were marked down a little. On the rubber market interest is now focused on the outcome of next week's meeting of the International Rubber Regulation Committee. Exceptionally, the prices realised at the London wool auctions showed an increase of between 5 and 10 per cent. over those obtained at the close of the preceding sales, partly owing to keen competition of buyers from the U.S.S.R. The market in wheat was steady, but cocoa prices underwent wide fluctuations.

The easier tendency of prices in the United States is reflected in the decline of Moody's daily index of staple commodities, from 152.1 on January 12th to 150.8 on January 19th. A month ago the index stood at 148.2, and a year earlier at 207.3

Metals

Copper.—The rather disappointing nature of the December statistics and the reactionary tendency on American markets caused a setback, the standard cash quotation showing a loss of £1 16s. 3d. per ton on the week at the close on Wednesday. But, while demand was smaller, offerings were also curtailed, and there was no serious loss in confidence. World copper stocks rose from 413,840 short tons on November 30th to 471,750 short tons on December 31st, the bulk of the increase being due to the fall in United States apparent consumption from 33,890 to 18,100 short tons—the lowest since the slump. But the latter figure should not be taken as a true indication of the country's genuine requirements.

Despite the recent decline in American demand, total consumption in the United States during 1937 amounted to 808,272 short tons, against 769,250 short tons in 1936. Meanwhile, outside the United States, consumption fell from 120,690 to 103,860 short tons between November and December. This, however, is a purely seasonal movement, the decline actually being smaller than in the previous year when the trend of demand was strongly upwards. In short, the December statistics are less unsatisfactory than might at first appear, and the outlook may still be regarded as favourable. Sharp advances, such as that recently witnessed, will, however, do the market no good.

Tin.—Prices fluctuated within fairly wide limits and closed on Wednesday at the week's lowest—£6 15s. down on the week. After the stoppage of American buying, there was little demand. Although the statistical position can be regarded as satisfactory, the immediate outlook is almost entirely dependent on the trend of demand in the United States.

Lead and Spelter.—The market showed no new features, but both metals declined in sympathy with copper and tin. Lead lost £1 10s., and spelter 16s. 3d. per ton, compared with a week earlier. Meanwhile, reports from consuming centres, both in this country and on the Continent, speak of increased activity. Demand may therefore show an improvement shortly; but since production continues to increase it is doubtful whether prices will show a sustained improvement.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938				
January 7	2,200	350	2,300	1,400
" 10	3,200	525	1,850	1,900
" 11	4,200	575	2,900	2,700
" 12	3,350	600	3,400	2,900
" 13	2,300	315	2,750	1,500
" 14	3,000	225	1,950	1,300
" 17	2,050	225	1,950	1,450
" 18	1,450	260	1,100	650
" 19	3,400	335	2,200	1,800

U.K. STOCKS

	Jan. 8, 1938	Jan. 15, 1938
Copper (Br. official w/houses):		
Refined	11,116	10,825
Rough	21,560	21,847
Tin (London and Liverpool)	2,523	2,342

Grains

The wheat markets have been rather quiet in the period under review.

WORLD SHIPMENTS OF WHEAT AND FLOUR (000 Quarters)

	Week ended		Season to	
	Jan. 8, 1938	Jan. 15, 1938	Jan. 14, 1937	Jan. 15, 1938
From—				
N. America	446	512	16,007	11,600
Argentina and Uruguay	132	207	4,938	2,430
Australia	101	449	4,486	4,644
Russia	202	36	11	3,992
Danube and dist.	101	69	6,112	4,133
India	...	24	858	923
Other Countries	...	...	638	334
Total	982	1,297	33,050	28,056
To—				
U.K.	167	385	9,399	7,571
Orders	125	366	5,932	5,644
France	69	11	650	381
Belgium	62	36	2,465	2,766
Holland	46	61	984	1,744
Italy	27	23	2,920	559
Greece	93	80	985	831
Scandinavia	61	19	916	744
Austria, etc.	49	33	1,001	993
Other European Countries	106	67	369	1,635
Ex-European Countries	177	216	7,429	5,188
Total	982	1,297	33,050	28,056

Source: The Corn Trade News.

SALES OF BRITISH CEREALS

	Week ended	
	Jan. 8, 1938	Jan. 15, 1938
Wheat	181,016 cwt.	219,664 cwt.
Barley	115,779 cwt.	177,855 cwt.
Oats	26,822 cwt.	59,724 cwt.

Demand has slackened, but prices are about unchanged on the week. Meanwhile, the official estimate of the Australian crop has been reduced from 163,000,000 to 161,781,000 bushels, against 150,500,000 bushels actually harvested last season; but a warning is added that an upward revision may have to be made at a later date. Broom-hall states that heavy shipments of Australian wheat are expected in January and February.

The flour market has been exceptionally quiet. Bakers are taking delivery slowly on their recent forward purchases and spot demand remains small. Demand for maize has contracted and, as there has been some pressure to sell, prices have eased. Imported feeding barley has been an irregular market.

BARCLAYS BANK LIMITED.

EDWIN FISHER, Chairman.
WILLIAM MACNAMARA GOODENOUGH, Deputy Chairman.
HUGH EXTON SEEBOHM, Vice-Chairman.
General Managers: A. W. TUKE, W. O. STEVENSON, N. S. JONES.
Foreign General Manager: B. J. FOSTER.

Statement of Accounts 31st December, 1937.

	£	£
LIABILITIES.		
Current, Deposit and other Accounts, including Reserve for Taxation and Contingencies and Balance of Profit and Loss	421,115,001	
Balances in Account with Subsidiary Banks	13,530,322	434,645,323
Acceptances and Endorsements, etc., for account of Customers	.. ..	8,532,516
Paid-up Capital	.. ..	15,858,217
Reserve Fund	.. ..	10,750,000
ASSETS.		
Cash in hand and with the Bank of England	.. ..	54,839,825
Balances with other British Banks and Cheques in course of collection	.. ..	15,943,494
Money at Call and Short Notice	.. ..	27,068,850
Bills Discounted	.. ..	50,362,681
Investments	.. ..	102,423,395
Investments in Subsidiary Banks (at cost, less amounts written off):—		
The British Linen Bank—£1,240,060 10s. Stock	.. ..	3,720,182
The Union Bank of Manchester Limited—300,000 Shares of £5 each, £2 10s. paid	.. ..	750,000
Other Banks—(including fully paid Shares and \$00,000 "B" Shares of £5 each, £1 per Share paid up, in Barclays Bank (Dominion, Colonial and Overseas) and 1,000,000 Shares of £1 each, 5s. per share paid up, in Barclays Bank (France) Limited)	.. ..	2,498,362
Advances to Customers and other Accounts	.. ..	196,264,896
Liability of Customers for Acceptances and Endorsements, etc.	.. ..	8,532,516
Bank Premises and Adjoining Properties (at cost, less amounts written off)	.. ..	7,381,855

HEAD OFFICE:

54, Lombard Street, London, E.C.3.
Over 2,100 Branches in England and Wales.

Other Foods

Provisions and Meat.—Demand for bacon on the London Provision Exchange was active and the market had a firmer tone. Butter was in quiet request with Colonial grades rather cheaper. New Zealand and Australian cheese, on the other hand, were firm on short supplies, other sorts being a steady market. The seasonal decline in egg prices was continued, although there was little change in new laid. Meanwhile, at Smithfield Market, business was on quiet lines; prices were about unchanged, except for beef, which scored a slight recovery.

Colonial Produce.—The feature of the week was the sharp fluctuations in cocoa prices. A rumour that some farmers on the Gold Coast were being forced at last to sell their crops owing to a shortage of cash caused a sharp break in cocoa prices in London on Tuesday. The denial of the rumour caused an equally sharp recovery on Wednesday, though the New York market refused to follow London's lead. It is now reported that delegates from the Nigerian cocoa-producing industry have pledged their support to the Gold Coast and Ashanti chiefs and cocoa producers to fight the cocoa-buying pool. The end of the dispute is apparently not yet in sight. Meanwhile, the London spot market in coffee has been quiet; raw sugar was also quiet and slightly easier in price. At the tea auctions, however, Indian sorts were firm on a strong demand while Ceylon descriptions were generally dearer.

Fruit.—Business at Covent Garden continued steady with prices generally well maintained, states *The Fruitgrower's* report. Demand for apples remained good and, despite heavy imports, prices showed little alteration. Californian pears were a consistent trade and there was a steady inquiry for hothouse grapes at firm prices. South African plums, peaches and nectarines met a better demand. Supplies of oranges were moderate for the time of year, but demand was more active. Business in grape fruit improved and lemons were steady.

Milk.—The appended statistics relative to the operation of the Milk

	Dec. 1936	Oct. 1937	Nov. 1937	Dec. 1937
Prices (per gall.)	d.	d.	d.	d.
Liquid	17	17	18	20
Av. manufacturing	6.254	7.237	7.525	7.673
Contract sales (mill. galls.)				
Liquid	47.30	52.25	50.38	51.26
Manufacturing	16.11	15.32	12.08	12.85
Total contract	63.41	67.57	62.46	64.11
Used by farmhouse cheesemakers	0.43	2.08	0.94	0.66

Marketing Scheme in recent months is issued by the Milk Marketing Board.

Vegetables.—According to *The Fruitgrower*, trade in vegetables at Covent Garden has been active at fair prices. Increased supplies of forced asparagus caused prices to decline slightly, but house-grown beans remained firm. Some green peas from Madeira and English frame lettuce have been on the market, while there was also a moderate showing of forced marrows and new potatoes. Sprouts, savoy and cauliflowers did well, but cabbage was a poor trade. Celery sold well and onions were firmer, despite abundant supplies. Parsnips were in rather short supply, carrots were easier and turnips were in dull demand. Meanwhile business in old potatoes at London markets showed no new features and prices were unaltered.

OTHER FOODS: STATISTICS

	Jan. 8 1938	Jan. 15, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,412	14,004
Canadian	8,293	9,232
Dutch	1,678	1,408
Lithuanian	1,695	1,247
Polish	3,229	2,693
COCOA:		
Movements in Lond. (bags):		
Landed	795	4,074
D for home consumption	3,467	5,942
Exports	210	
Stocks, end of week	127,212	125,344
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	80	173
" D for home consn.	4	
Exports	1,959	1,861
Stocks, end of week	2,273	3,487
Central and S. American:		
Landed	2,115	2,513
D for home consumption	803	367
Exports	59,393	60,000
Stocks, end of week	11,713	3,643
Other kinds—Landed	3,797	5,189
" D for home consn.	141	703
Exports	67,320	65,071
Stocks, end of week		
MEAT:		
Supplies at Smithfield (tons):		
Total	9,480	9,809
Beef and veal	5,016	4,983
Mutton and lamb	2,564	3,042
Pork and bacon	929	1,940
Poultry, etc.	971	744
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	19	10
" Delivered	1	
Stocks, end of week	1,984	1,974
White—Landed	38	78
" Delivered	11,097	11,019
Stocks, end of week		
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	5,741	11,590
Deliveries	14,105	14,484
Stocks, end of week	274,006	271,712
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	46,144	45,308
S. India	7,858	7,859
Ceylon	24,123	23,030
Java	3,619	2,915
Sumatra	1,722	1,503
Africa	4,131	3,367
Total	87,797	84,087

* Week ended January 13.

Miscellaneous Commodities

Oilseeds and Oils.—Markets are steady with a fair business passing. The scarcity of linseed on spot and close at hand is pronounced, and seed recently shipped is in good demand. The new Plate crop is reaching the seaboard in larger volume, and shipments are improving. The quantity shipped last week was 55,200 tons or 11,000 tons more than in the preceding week, but India was represented by only 300 tons. The quantity now on passage to Europe is 131,000 tons, including 3,300 tons from India, compared with 177,500 tons at the corresponding date last year. Some part of this may be expected in this country in three or four weeks' time. Prices have tended to fluctuate, and opened this week on an easier note, though intrinsically the position is sound, for world supplies are short, and the United States is a probable large importer in coming months.

Furs.—The improved tendency noted at the opening of the silver fox auctions in London last week has not since been maintained. French manufacturers—normally the largest purchasers of silver foxes—became very reserved on account of the uncertain future of the franc, and the bulk of the offerings was consequently withdrawn. This prevented prices from losing much ground.

Meanwhile, the results of a census which have first come to hand reveal that there are now some 132,000 silver foxes on Swedish farms. For Norway the latest figure relates to September, 1936, when there were about 390,000 silver foxes in that country; the number is believed to have shown little change since that date. Breeding of silver foxes was not begun in Scandinavia until shortly before the war, and by 1929 the number of animals was still below 40,000. Since then, progress has been rapid and Scandinavian silver foxes are now more numerous, though still lower in quality, than Canadian at the London auctions.

Rubber.—Price fluctuations have been narrow and the market has been rather inactive. Both buyers and sellers have tended to refrain from operating until after next Tuesday's meeting of the International Committee.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Jan. 8 1938	Jan. 15, 1938
Landed	2,026	2,753
Delivered	1,043	1,828
Stocks, end of week	58,796	59,721

AMERICAN WHOLESALE PRICES

	Jan. 12 1938	Jan. 19 1938
GRAINS (per bushel):		
Wheat, Chicago, May	96.4	95.8
Winnipeg, May	126.8	124.2
Maize, Chicago, May	61.8	60.4
Oats, Chicago, May	32	31.8
Rye, Chicago, May	75.2	74.4
Barley, Winnipeg, May	64.4	63.8
METALS (per lb.):		
Copper, N.Y., Domestic spot	10.60	10.32 1/2
Producers' export	10.82 1/2	10.55

	Jan. 12 1938	Jan. 19 1938
METALS (per lb.):—cont.		
Tin, N.Y., Straits spot	42.87 1/2	41.37 1/2
Lead, N.Y., Spot	4.90	4.90
Spelter, East St. Louis, spot	5.00	5.00
MISCELLANEOUS (per lb.):		
Cocoa, N.Y., Accra, January	5.87	5.56
Collet, N.Y., cash	6.14	6.14
Rio, No. 7	8.12	8.12
Santos, No. 4	8.68	8.59
Cotton, N.Y., Am. mid., spot		

	Jan. 12 1938	Jan. 19 1938
MISCELLANEOUS (per lb.):—cont.		
Cotton, Am. Mid., Feb.	8.54	8.47
Lard, Chicago, Jan.	8.40	8.20
Petroleum, Mid-cont. crude		
33 deg. to 33.90, at well,		
per barrel	116	116
Rubber, N.Y., smkld. sheet spot	14 1/2	14 1/8
Do. Do. Feb.-Mar.	14 1/8	14 1/8
Sugar, N.Y., Cuban Cento, 96		
deg., spot	3.23	3.23

BRITISH WHOLESALE PRICES

	Jan. 12, 1938	Jan. 19, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	61 0	58 9
Eng. Gaz. av., per cwt.	8 4	8 4
Liv. March, per cental	7 7 1/8	7 7 5/8
Flour, per 280 lbs.—		
Straits, d.d. London	37 6	37 6
Manitoba, ex store	40 6	40 6
Barley, Eng. Gaz. av.	13 4	13 4
Oats	8 6	8 7
Maize, La Plata, landed, 480 lb.	35 3	34 0
Do. January		
Rice, No. 2 Burma, per cwt.	8 7 1/2	8 7 1/2
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 10	5 0
Argentine chilled hinds	4 0	4 0
Mutton, per 8 lbs.—		
English wethers	5 0	5 0
N.Z. frozen wethers	4 2	4 2
Lamb, per 8 lbs.—		
N.Z. frozen	4 10	4 10
Perk, English, per 8 lbs.	6 2	6 10
BACON (per cwt.)—		
English	98 0	98 0
Danish	96 0	96 0
Dutch	93 0	93 0
Irish	92 0	90 0
United States	84 0	84 0
HAMS (per cwt.)—		
Canadian	88 0	88 0
United States	82 0	82 0

OTHER FOODS

BUTTER (per cwt.)—		
Australian	112 0	110 0
New Zealand	113 0	111 0
Danish	135 0	135 0
CHEESE (per cwt.)—		
Canadian	74 0	74 0
New Zealand	68 0	71 0
English Cheddars	98 0	98 0
Dutch	63 0	63 0
COCOA (per cwt.)—		
Accra, L.I.	27 6	28 6
Trinidad	20 0	48 0
Grenada	48 0	45 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	32 6	32 6
Costa Rica, medium to good	55 0	70 0
Kenya, medium	44 0	44 0
EGGS (per 120)—		
English (15-15 1/2 lb.)	16 0	16 0
Danish (15 1/2 lb.)	13 6	13 6
FRUIT—		
Oranges, Jaffa	7 3	8 3
„ Brazilian	13 0	13 9
„ Sicilian	11 0	11 0
Apples, Amer. (var.)	15 0	15 0
„ (var.)	8 0	7 6
Grapes, Almeria	11 6	11 0
Grapefruit, Jaffa	7 0	8 0
LARD (per cwt.)—		
Irish, finest bladders	64 0	64 0
U.S.	52 6	51 6
PEPPER, per lb.—		
Black Lampung	0 2 1/2	0 2 1/2
White Muntok	0 3 1/2	0 3 5/8
POTATOES (per cwt.)—		
King Edward	6 6	6 6
„ c.f. U.K. Cont.	6 11 1/2	6 0
Yellow Crystals	19 7 1/2	19 6
Cubans	23 10 1/2	23 9
„ 24 4 1/2	24 3	

† 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.

	Jan. 12, 1938	Jan. 19, 1938
SUGAR (per cwt.)—cont.		
Crushed	22 1 1/2	22 0
Granulated	20 10 1/2	20 9
Home Grown	19 10 1/2	19 9
TEA (Auction Average) (per lb.)—		
N. India	13.93	13.98
S. India	14.18	14.15
Ceylon	15.15	15.36
Java	13.14	12.97
Sumatra	11.34	11.66
Africa	13.17	13.09
Total	14.16	14.25
TOBACCO (per lb.)—		
Virginia leaf, common to fine	0 8	0 8
Rhodesian leaf	0 9	0 9
Nyasaland leaf	0 7	0 7
East Indian leaf	1 10	1 10
TEXTILES		
COTTON (per lb.)—		
Raw, Mid.-American	5.00	4.90
„ Sakellaridis, F.G.F.	8.43	8.36
„ Giza, F.G.F.	7.60	7.53
Yarns, 32's Twist	11 5/8	11
„ 40's Twist (Egyptian)	10 3/4	10 5/8
„ 60's Twist (Egyptian)	17 3/4	17 3/4
Cloth, 32 in. Printers, 116 yds.	18 5	18 4
„ 36 in. Shirtings, 75 yds.	25 0	24 10
„ 38 in. ditto, 38 yds.	10 7 1/2	10 7
„ 39 in. ditto, 37 1/2 yds.	9 7 1/2	9 7
„ 16 x 15, 8 1/4 lb.	6 10	6 10
FLAX (per ton)—		
Livonian ZK	68 10	69 10
Pernau HD	67 0	69 10
Slanetz Medium, 1st sort	83 0	84 0
HEMP (per ton)—		
Italian PC	69 0	69 0
Manila, Dec.-Feb. "J2"	30 0	29 0
JUTE (per ton)—		
Native 1st mks., c.f. H.A.R.B.	£19 0 0	£19 0 0
Jan.-Feb.	£18 2 6	£18 5 0
Daisee 2.3 c.f. Dundee, Jan.-Feb.	£18 0 0	£18 0 0
SISAL, African		
„ 1st mks.	18 0	17 0
„ 2nd mks.	19 0	19 0
SILK (per lb.)—		
Canton	7 9	7 9
„ 6 9	6 6	6 6
Japan	7 6	7 3
Italian, raw, fr. Milan	8 0	8 0
WOOL (per lb.)—		
English, Southdown, greasy	16 1/2	16 1/2
„ Lincoln hog, washed	14 1/2	14 1/2
Queensland, scd. super combg.	22 24	22 24
N.S.W. greasy, super combg.	13 14	13 14
N.Z., greasy, half-bred 50-56	12 13	12 13
„ Crossbred 40-44	11 12	11 12
Tops—		
Merinos 70's average	29	29 1/2
„ 64's	27	27 1/2
Crossbred 48's	17	17 1/2
„ 46's	16 1/2	17
MINERALS		
COAL (per ton)—		
Weish, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	22 6	22 6
Sheffield, best house, at pits	24 0	24 0
IRON AND STEEL (per ton)—		
Fig. Cleveland No. 3, d.d.	109 0	109 0
Bars, Mildcastrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tin plates	23 0	23 0
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	£44 2 6	£42 6 3
Three months	£44 3 9	£42 7 6
Spot	£44 6 3	£42 11 3
Aluminium, ingots and bars	100 0	100 0
„ rolling bullets	102 0	102 0
Nickel, home and export	180 0	180 0
Antimony, Chinese	66 0	66 0
„ 67 0	66 0	66 0
Wolfram, Chinese	77 6	70 0
Platinum, refined	82 6	75 0
Quicksilver	12 17 0	12 17 0
„ 12 17 6	12 17 6	12 17 6

	Jan. 12, 1938	Jan. 19, 1938
GOLD, per fine ounce	139 7 1/2	139 7 1/2
SILVER (per ounce)—		
Cash	1 7 1/2	1 8 3/8
MISCELLANEOUS		
CEMENT, best Eng. Portland, d.d. site, London area,		
each, or paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s.	per ton
1 and up to 4-ton loads	44s.	per ton
CHEMICALS—		
Acid, citric, per lb., less 5%	1 0 1/4	1 0 1/4
„ Nitric	0 2 0	0 2 0
„ Oxalic, net	0 5 0	0 5 0
„ Tartaric, English, less 5%	1 1 1/4	1 1 1/4
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb.	20 0 0	20 0 0
„ Sulphate	7 11 0	7 11 0
Arsenic, lump	35 0 0	35 0 0
Borax, gran.	13 6	13 6
„ powder	15 0	15 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4 1/2	0 4 1/2
Sulphate	10 0	10 0
Soda Bicarb.	11 0	11 0
Crystals	5 0	5 0
Sulphate of Copper	18 10 0	18 10 0
COPRA (per ton)—		
S.D. Straits, c.f.	14 2 6	13 6 3

COMPANY MEETINGS

BARCLAYS BANK LIMITED

A YEAR OF FURTHER PROGRESS

THE RECENT RECESSION FROM HIGH LEVELS

LITTLE JUSTIFICATION FOR UNDUE CONCERN

IMPORTANCE OF OVERSEAS MARKETS

RECORD CURRENT AND DEPOSIT ACCOUNT TOTAL

SATISFACTORY ABSENCE OF WIDE FLUCTUATIONS

MR EDWIN FISHER'S REVIEW

The forty-third ordinary general meeting of the shareholders of Barclays Bank, Limited, was held, on the 20th 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 Kemp, Chatteris, Nichols, Sendell and Company, and Messrs Price, Waterhouse and Company, the auditors.

The Chairman:—My Lords, Ladies and Gentlemen,—Is it your pleasure that the report and accounts submitted be taken as read? (Agreed.)

Before dealing with the ordinary business of the meeting, I would refer to the great loss which we have suffered through the death of the Right Hon. the Earl Peel, P.C., G.C.S.I., G.B.E., whose association with the bank dates from the time of the amalgamation with the London Provincial and South Western Bank, of which he was a director. By his death the country has lost a great public servant, and we have been deprived of a colleague whose exceptional qualities and wide experience of affairs were most valuable to us.

RETIREMENT OF DIRECTORS

I also have to report that the Right Hon. the Viscount Wimborne, P.C., whose retirement from the board falls due by rotation this year, has intimated that, for reasons of health, he does not wish to seek re-election. Lord Wimborne has been a director of the bank since the year 1921, and I should like, on behalf of the board and of the shareholders, to take this opportunity of thanking him for his services and of wishing him complete restoration to health.

Mr Charles Henry Dent, another director who retires by rotation, has also decided that, on the ground of advancing years, he will not seek re-election. He has been associated with the bank for nearly half a century and for the last 24 years he has been a valued member of our board. For many years he was a local director at Darlington and more recently has held a similar position at Exeter. We desire to place on record our appreciation of his long service. Happily for us, he is retaining his local directorship at Exeter, so that we shall continue to have the benefit of his advice in relation to our business in that district.

It is with a deep sense of regret that we report the death of our staff manager, Mr Claude Douglas Carruthers. He had, in large measure, just those qualities of character, sympathy and sense of justice which fit a man for the important post that he filled so admirably, and we all deplore his untimely death.

I would also specially refer to the loss which we feel, in common with our Canadian associates, through the death of the Right Hon. Sir Robert Laird Borden, P.C., G.C.M.G., LL.D., K.C., who was president of Barclays Bank (Canada) since its inception in May, 1929. Sir Robert Borden's great experience and wise judgment were of the utmost value to Barclays Bank (Canada), and we counted ourselves fortunate in having associated with us a man of such distinction, character and personal charm. We recognise how deeply his

death has been felt in Canada and that, in him, the Empire has lost one of its outstanding personalities.

NEW LOCAL HEAD OFFICES

Before I pass to a review of our business, there is a point relating to the internal organisation of the Bank which should be of interest to shareholders. You are aware that, in order to maintain, as far as possible, that close personal touch between the bank and its customers, which was characteristic of the private banks from which Barclay and Company, Limited, was originally formed, we adopted a system of decentralised control of our country branches, through local boards. Subsequent amalgamations, which furnished us with branches in other parts of the country, did not in every case provide the means of establishing immediately this method of control, but we have gradually filled the gaps, by the creation of new local head offices, and I am pleased to say that, with the formation, a few weeks ago, of a local head office at Swansea to control the branches in West Wales, our network of local districts is now complete.

The system is also applied, in a limited degree, to London, where we have three local head offices, representing the old private banking firms of Barclay, Bevan, Tritton and Company, Ransom, Bouverie and Company, and Goslings and Sharpe, in Lombard Street, Pall Mall East, and Fleet Street respectively. This system provides for the administration of all but major matters by local directors and district managers possessing local knowledge and an understanding of the problems of their respective areas, and I am convinced that it is of great value both to the bank and to its customers. We enjoy the advantage of having members of our board who are also local directors and as such are in daily touch with the affairs of the bank in one or other of our local districts.

THE ECONOMIC SITUATION

The twelve months covered by our accounts—a year made memorable by the Coronation of our King and Queen—have been eventful in many respects. The year has seen industrial production in this country and the employment of insured workers raised to record high levels, an improvement in the position of the Special Areas, advancing wages and company profits, and rising internal and external trade. It has not been, however, without its anxieties, which, as the months have passed, may have served to cause some diminution in that confidence which has carried us through five years of recovery. The political outlook abroad has remained clouded, and the situation has been disturbed by the continuance of civil war in Spain and by the outbreak of hostilities in the Far East between China and Japan.

In the United States of America, there has been a definite decline in business activity, which, in view of the economic importance of that country, must be taken into account in considering the prospects for world trade. It would appear, however, that the reasons underlying much of the recession in business on the other side of the Atlantic have been domestic rather than international, and in so far as the remedy lies in the hands of the United States, it is to be hoped that lost confidence will soon be regained, and that private enterprise will be encouraged to exert its influence towards the betterment of trade in that country, which is so important a factor in world

prosperity. Nations may talk of the security of isolation, but the fact remains that we all are highly sensitive to what is going on elsewhere—such is the interlocking of our several interests. A prosperous America, with her great population, her wide territory, and her natural resources, could do much to promote a greater degree of well-being among the other countries of the world.

THE GOVERNMENT'S PART

That trade is good in the United Kingdom at the moment, no one will deny. All the evidence we have goes to show that this is indisputably the case. But the very existence of this satisfactory state of things causes some people, unwilling to count their blessings, to look with unwholesome persistence for the "slump" which they feel must of necessity be round the corner. We should have a proper sense of values. That bad times follow good is common knowledge, and trade charts, with their peaks and depressions, supply evidence of this: but, as the stage is set to-day—and it is a different setting from that of 1929—there is little justification for undue concern. We must count ourselves fortunate that we, in this country, have a measure of general prosperity which is by no means universal. But no country can prosper in isolation, and every effort should, therefore, be made to widen the circle of well-being, so that all nations may share in the improvement which scientific and technical developments have made possible. In accepting, with proper appreciation and thankfulness, the condition of affairs at home, we must not be unmindful of the part played by our Government, which, through its administration of our national finances, its trade negotiations, and its contacts with industry, has done much to restore confidence to the trading community: for confidence is the breath of life to business, and its absence produces that state of hesitation and half-heartedness, which lowers the general system, and has a paralysing effect on all enterprise. (Hear, hear.)

THE RE-ARMAMENT PROGRAMME

We cannot, however, ignore the fact that recently there has been some fall from the high levels of production and employment attained earlier in the year. This movement has been due in part to seasonal influences which appear to have been more marked in 1937 than in recent years, and in part to a setback in some industries which have been particularly affected by the severe decline in prices of their raw materials. The heavy industries, which include iron and steel, engineering and shipbuilding, may be expected to remain active, and although naturally the Government's re-armament programme has affected them favourably, there are other factors which have helped to make the heavy industries, as a whole, leaders in the general prosperity which is being enjoyed.

Inasmuch as the re-armament programme looms large in our minds and must necessarily have an important influence on our national expenditure, it is appropriate to make some special reference to it. For reasons which are well known and universally accepted, we have been forced to embark upon a re-armament programme of unprecedented dimensions in time of peace, involving a heavy burden upon the country—a burden which does not cease with the completion of the programme, since provision for maintenance must necessarily be large, if we are to retain that measure of strength which is so essential under present conditions. This expenditure involves a sacrifice on the part of the community as a whole and must, in the long run, tend to depress the standard of living. It is to be hoped, therefore, that a growth of goodwill and mutual understanding between the nations may make it possible to reduce expenditure on armaments and so lead to a lightening of national budgets.

OVERSEAS TRADE

The armaments programme, superimposed upon an already high level of industrial activity, naturally caused a certain degree of dislocation of production, until the necessary adjustments could be made. As the programme proceeds, however, it will provide, directly and indirectly, employment for a large number of persons for a considerable period, but it is clear, when all is said and done, that outlay on armaments must be classed as unproductive expenditure. Our aim must be to ensure that, as the work is completed, other work will be ready to take its place and that preoccupation with production for defence purposes does not cause us to neglect our overseas markets. Overseas trade is a vital necessity to this country and, although the substantial rise which took place in our exports last year is encouraging, it was overshadowed by a still greater increase in imports. The resulting rise in our unfavourable balance of merchandise trade will no doubt be partly made good by an expansion in "invisible" exports, and if in the future we are to avoid deficits on our balance of international payments, it seems

that we must endeavour to narrow the gap between imports and exports of merchandise. This should be brought about by an increase of exports rather than by a curtailment of imports, for the restriction of imports would press hardly upon those countries who, through their sales to us and to others, are enabled to buy those things which are requisite to their needs. At the same time, the high level of our import trade demands a flourishing export trade if we are to enjoy the continuance of our relatively high standard of living. In the architecture of our island economy the export trade might justly be regarded as a keystone, and, in appreciating the value of this keystone to the general structure, it is our duty to see that nothing is done to impair its strength. The need for exports has never been greater than it is to-day, and of all the problems facing us it ranks amongst the foremost in importance. (Hear, hear.) Our efforts to secure markets abroad should, therefore, be active and unceasing. Competition is very keen and we should be ever on the alert to sense the changing needs of our customers and be ready to adapt our productive organisation to meet them.

Whatever the future may hold, we may safely say that on balance we are in a stronger position to meet any changes which may cause fluctuations in the level of prosperity, than we were only a few years ago. Taking all the various factors into consideration, therefore, we may regard the year 1937 as one of further progress, and this is reflected in the accounts which have been submitted to you and to which I now propose to refer in some detail.

CURRENT AND DEPOSIT ACCOUNTS

The total of our current, deposit and other accounts on December 31st last, amounted to the record figure for this bank of £434,645,323 and showed an increase of about £5 millions compared with the figure twelve months earlier. The shareholders will be interested to know that the average of our deposits for 1937, as shown in our monthly statements, was greater by £12.6 millions than for the preceding year. Our monthly figures reveal a marked degree of steadiness, and while the tendency is upward, there is an absence of wide fluctuations—a feature which we consider most satisfactory.

The money deposited with us by our customers consists of the funds left with us on current account, which are withdrawable on demand, and of the sums held on deposit account, which are placed with us for varying periods. The total is very widely spread, both as to locality and industry. We have about 1,850,000 accounts, and the increase during the year has been well maintained. It will be seen, therefore, that the average amount held on current or deposit account is in the neighbourhood of £230. On December 31st, about 37 per cent. of the total was held on deposit account, and this proportion tends to fluctuate in accordance with variations in the rate of interest paid and the level of business activity in the country. In this connection, it is perhaps worth recording that, at the end of the year 1932, when trade was still backward, the proportion held on deposit account was 45 per cent. of the total.

The total of our cash in hand and with the Bank of England, at £54,839,825, is higher by nearly £3 millions than at the end of December, 1936, and the ratio of this item to the total of our current, deposit and other accounts, stands at 12.61 per cent., compared with 12.08 per cent. a year ago. Our money at call and short notice, at £27,068,850, is a little higher than at the end of December, 1936.

BILLS DISCOUNTED

At the close of 1937, the total of our bills discounted shown in our balance sheet was £50,362,681, of which over £25 millions were Treasury bills. The total is rather less than £9 millions below the level of a year ago. This movement was in accordance with the trend in evidence during most of the year, both for our own bank and for the London clearing banks as a whole, and it accompanied a reduction in the average allotment of Treasury bills at the weekly tenders throughout the past year, to £43.3 millions, against £44.7 millions in 1936. Discount rates have shown little change compared with the previous year, the average tender rate at which Treasury bills were allotted during 1937 having fallen slightly to the low level of 11s. 2d. per cent., against 11s. 7d. per cent. for the preceding twelve months.

The proportion of our funds employed in discounting bills rose considerably during the years when the demand for loans and overdrafts was declining, and the reduction which has since taken place in the item of bills discounted reflects a return to more normal conditions. There was evidence last year that the volume of commercial bills available for discount had shown some expansion on the previous twelve months, but there is still room for improvement in this direction.

INVESTMENTS

It will also be recalled that, when the demand for banking advances was falling off during the depression years, and for some time after recovery had set in, the banks bought investments and so found employment for the funds released and for the new deposits that were being accumulated. Now that the recovery in trade has brought about a welcome increase in the demand for loans and overdrafts, it would be natural to expect some decrease in their holdings of securities, and the figures for our own bank show that the funds required to satisfy the larger demands of our customers for accommodation have been provided in part by a reduction of our investments which, excluding our holdings in affiliated banks, have fallen to £102,423,395, compared with £109,367,473 at the end of 1936.

The London clearing banks as a whole are large investors in Government securities, but they are not the only large holders. It is not always appreciated that the holdings of Government securities by Government Departments and by public institutions and public funds, such as the Post Office Savings Bank, the National Health Insurance Fund, the Unemployment Insurance Fund, and the Trustee Savings Banks—whose investments are managed by the National Debt Commissioners—are greater than those of the clearing banks. There can be little doubt, therefore, that, with these large resources, dealings by the National Debt Commissioners, on behalf of these various funds, can and may at times appreciably influence the market for gilt-edged securities. During a period of prosperity, when certain of these funds are accumulating resources, investments made by the National Debt Commissioners would afford support for the gilt-edged market; but the fact has to be borne in mind that in bad times the movement might be in the other direction. On the other hand, as a counteracting factor, experience of the depression has shown that a decrease in business activity and a lack of opportunities for the employment of capital usually attract investors to the gilt-edged market.

ADVANCES

There has been a considerable expansion in our advances during the past twelve months, the total on December 31st last being £196,264,896, compared with £179,655,011 at the end of 1936. This rise, which has been well distributed, reflects the increased trading activity of the country and the higher level of prices. An analysis of our advances as at the end of November last, shows that the number of customers borrowing from the bank at that time had increased, compared with the end of November, 1936, from 202,228 to 215,688, and there had been a slight rise in the amount of the average advance, from £854 to £887. It is also notable that the increase in the number of borrowers occurred mainly amongst those having advances not exceeding £1,000.

Loans to productive industries accounted for no less than 32.2 per cent. of the total outstanding at the end of November, and only one case, namely, coalmining, was there a reduction, although that industry undoubtedly had a busier year. Of the increases, particular importance attaches to the rise in the accommodation granted to the heavy industries, the activity in which has been especially pronounced.

As an indication of the widespread nature of the growth in our advances last year, I would mention that amongst those to whom we lent more, were textile manufacturers, the clothing industries, merchants and wholesalers in both primary goods and manufactured articles, retailers, local authorities and public utility undertakings, builders—including building material manufacturers and public works contractors—and building societies.

BUILDING ACTIVITY

The expansion in building activity in recent years, of which evidence can be seen on every side, is important owing to the many other trades dependent upon it, in a greater or lesser degree, as suppliers of the materials used in construction. It is this characteristic of the industry which has no doubt prompted fears in certain directions as to the effect on the general level of prosperity should a substantial reversal of the trend take place. When we come to examine the position, however, we find notable omissions in the statistics available. For instance, there are no estimates of the cost of plans approved in the London County Council area, while the figures compiled by the Board of Trade for the purpose of the quarterly Index of Production relate to only 30 per cent. of the activity in the building industry, against 90 per cent. for all other groups.

Nevertheless, the statistics which are available, while they show some falling off compared with 1936, reflect the high level of con-

struction maintained. For the first eleven months of 1937 the building plans approved by 146 local authorities—which, by their nature, indicate at any one time the future rather than the current output—amounted to an estimated cost of £100.8 millions, and while this figure did not reach that for the same period of the preceding year, namely £108 millions, it greatly exceeded the totals of £63 millions and £73.1 millions for the whole twelve months of each of the years 1931 and 1929 respectively. Moreover, while the Board of Trade Index of Production for building materials and building in the third quarter of last year was slightly lower than in the same period of 1936, it was 61.6 per cent. greater than the quarterly average for 1930. Cheap money has undoubtedly assisted the building trades in recent years, and this factor is still operative.

ADVANCES TO FARMERS

Our advances to farmers were greater last year than a year earlier. The agricultural industry provides employment for about 1,350,000 persons in Great Britain, and in this respect ranks high among the great productive industries of the country. There has been a noticeable improvement in the condition of agriculture in this country in recent years, as indicated by the latest statistics of output and prices, and it is to be hoped that the new legislation passed last year will be successful in furthering the economic interests of the industry and, in particular, in securing greater productivity of the land. To Englishmen, the countryside is their heritage, and any steps taken to improve the lot of the farmer, so that he may be enabled to make a living and to pay fair wages, must make a direct appeal. Failing such steps, the depopulation of the countryside will continue, and land will tend to go out of cultivation, with the gradual disappearance of those "key men" who, by virtue of long tradition, know the land and the acts of husbandry. It is for this reason that the measures of assistance afforded by the Government to an industry vital to our needs, are to be welcomed. In the final analysis, there is no divergence between the respective interests of the agricultural and of the industrial communities of the country.

It is imperative that the nation should make the best possible use of its resources for economic food production. Nevertheless, in framing our policy, we must realise that we are dependent upon the rest of the world for a very large part of our essential foodstuffs, and that our ability to compete in international markets, and at the same time to maintain our standard of living, with a proper level of nutrition for the population, depends on the availability of an adequate volume of cheap food. (Hear, hear.)

NET PROFIT

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 £2,133,825 3s. 11d. and showed an increase of £239,464 3s. 6d. compared with the previous year. The sum of £639,767 13s. 4d. was brought forward from December 31, 1936, making a total to be dealt with of £2,773,592 17s. 3d. The directors have decided to appropriate the sum of £500,000 as an addition to the published reserve of the bank, making that fund £10,750,000. In view of the continued increase in our business, we feel that this is a prudent step and one which will meet with the approval of the shareholders. A sum of £200,000 has been applied towards the reduction of premises account. Our premises now stand in the balance sheet at £7,381,855, which we regard as a conservative figure. After making these appropriations, the directors recommend the payment of dividends at the same rates as previously, namely, 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 a total of £1,562,202 2s. for the year, leaving the sum of £511,390 15s. 3d. to be carried forward.

Year by year the transactions which the bank carries out on behalf of its customers show steady expansion, and this has been due in large measure to the growth in the facilities which we place at their disposal. There has again been an increase in the entries at the various branches of the bank passed to accounts of customers. Our turnover for 1937 was £9,780 millions, and shows a growth of over £900 millions compared with 1935—a two-year period of comparison.

THE INTERNATIONAL SITUATION

The experience of our affiliated banks operating overseas and of our foreign branches in London and the provinces confirms the indications, apparent in other directions, of the improvement in economic conditions which has been a feature in many parts of the world during 1937. The increase in internal trade in most countries in recent years has overflowed into external markets and, according to

NEED FOR INTERNATIONAL MONEY SYSTEM

The disturbance caused to commodity and financial markets in April last when rumours, which were subsequently denied, were circulating as to the possibility of a reduction in the United States buying price for gold, indicates the uncertainty that will always be present until it proves possible to revive an international monetary system. We should therefore not wait indefinitely before taking some steps in a direction which holds such great possibilities for the improvement of world trade. There must be a readiness in creditor and debtor countries alike to see beyond the present and, by an appreciation and understanding of each other's circumstances and difficulties, to do their utmost to resume more normal international relationships. The international financial machine has been impeded for too long, and there is a risk of the brake becoming rusted to the wheel.

A resumption of overseas lending, if and when it becomes possible and prudent, would supply a much-needed lubricant and would bring nearer the goal of stabilisation. Countries which have so ordered their national affairs to render themselves, at some sacrifice, largely independent of outside help, would come again upon the scene, and would be able to buy the raw material essential for their needs, if they are to increase their exports to the markets of the world. It cannot be too strongly emphasised, however, that the three interlocking measures necessary to a return to more satisfactory world conditions, namely, freer trade, a revival of overseas lending and the stabilisation of currencies, depend upon a revival of confidence.

Confidence must be based on something tangible. If countries are to pursue more liberal trade policies, they must have confidence in the international political situation. If investors in the creditor countries are to lend, they must have confidence in the ability of the borrowers to meet the charges for interest and redemption of their loans and in their determination to honour their obligations. If an international monetary system is to be restored, each country must ensure that its economic and financial policies are such as to inspire confidence in its own currency. Unfortunately in recent years, action by individual countries has not always been such as to contribute to that confidence without which real progress cannot be made. The effect of the war has been to disturb both material and moral values. If the world position is to be improved, as we should wish to see it improved, every country must be prepared to make its contribution in at least one of these directions. (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, 1937, 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 motion. (Applause.)

Mr W. M. Goodenough (Deputy Chairman):—My lords, ladies and gentlemen, I beg to second the motion.

SHAREHOLDERS' VIEWS

Mr A. J. Waley said that not only as a shareholder but also as one who had been a customer of the bank for many years he wished to thank the chairman for his interesting and comprehensive address. The system of decentralisation through the further extension of local boards of directors could not fail to be advantageous to the bank's customers and equally to the bank, giving, as it did, a wider power of initiative and responsibility so valuable in all branches of business.

The large increase in advances by all the banks showed how greatly the credits which the banks gave assisted in the expansion and development of trade, bringing with it an increase in employment and a higher scale of wages. He agreed that no real improvement in world trade could be looked for until confidence could be generally restored, the first essential, as the chairman had pointed out, being the removal of existing restrictions. When exchanges were freed, when capital could move freely from one business centre to another, when gold instead of being hoarded could circulate and perform its function of providing credit, then, perhaps, better times might be expected.

Mr Cecil Braithwaite said he was quite sure that all the shareholders would be thoroughly satisfied with the chairman's excellent speech and with the report and accounts. Never during its long and honourable history had Barclays Bank stood in a stronger position than it did at the present time. When he looked back over his fifty-eight years of City life and to the wonderful history of their

calculations made by the Economic Intelligence Service of the League of Nations, the volume of world trade has advanced and is only slightly below the level of the year 1929. Satisfactory as this progress may be in some respects, it only tends to show what could be accomplished if a substantial reduction could be made in the numerous restrictions which still hamper and obstruct international commerce; we are approaching a time when the raising of the standard of living will depend more and more upon the lessening of these restrictions.

This fact was publicly recognised over a year ago, in the declaration on Monetary policy made by the Governments of France, the United States and this country, which emphasised the necessity for the development of international trade and for early action to relax progressively the system of quotas and exchange controls, with a view to their abolition. This declaration and the adjustments which were made in the values of a number of Continental currencies—notably those of France, Switzerland, Holland and Italy—were followed by action on the part of certain of the countries concerned, in reducing tariffs and relaxing quota restrictions. In 1937 there have been other instances of the unilateral reduction of trade barriers, and some countries have also found it possible, in various ways, to lighten the restrictive effect of exchange regulations. But much remains to be done, and the method of bilateral agreement, slow as this must necessarily be, still seems to be the main practicable way of reducing trade barriers between countries. It is to be hoped that the negotiations for an agreement between this country and the United States will be brought to an early and successful conclusion. (Hear, hear.)

WIDESPREAD LACK OF CONFIDENCE

When we come to analyse the reasons underlying many of the restrictions at present in force and the inability to set in motion those measures which would help to increase the flow of goods between nations, one is struck by the widespread lack of confidence prevailing. The effect of this lack of confidence can be seen in the endeavours of countries to make themselves as far as possible self-sufficient, in the large hoarding of gold by individuals, and in the absence of any marked revival in foreign lending in the international capital markets. In the past this country has greatly assisted in the development of the resources of the world by the provision of long-term capital. In recent years the new money provided for this purpose by the creditor countries has suffered a drastic reduction—partly as a result of the restrictions imposed and partly owing to unsatisfactory world conditions as shown by the defaults that have taken place in respect of existing obligations. In fact, there are indications that the amount of new issues on foreign account in the important lending markets of the world has been less than the redemption, repayment and repatriation of old foreign loans.

The benefit of having a large volume of capital invested overseas as a reserve in times of emergency has been demonstrated in the past, and it is not always fully appreciated that a very large part of the imports which we need to maintain the standard of living of the country is paid for by the income received in respect of the savings of British investors. For example, in the year 1936, had we not been in receipt of this income, this country would have had to sell abroad an additional £195 millions of exports, or increase the value of the services rendered to countries and individuals abroad, or reduce her purchases from overseas, which would lead to a reduction in the standard of living. To argue that losses in the past have been made in respect of loans from this country for development abroad, takes us nowhere, and to refrain from foreign lending on that score alone would be unreasonable, although it is realised that at the present time the number of creditworthy borrowers in a position to approach the international capital markets for funds is limited. Care must of necessity be used in the selection of the project to be financed, and the test as to whether or not it will be remunerative should be applied in each case.

Owing to the Government's defence programme and the expansion in imports to form the basis of domestic consumption, there has been a large rise in the adverse balance of merchandise trade, and it might well be that a substantial proportion of any money lent abroad should be expended here upon the purchase of British goods. In 1936 it was estimated that this country had a small net deficit on her international balance of payments, and although during the past year there has no doubt been an expansion in our receipts from "invisible" exports, the large increase in the excess of imports of merchandise must tend to reduce our ability to lend abroad. We should, however, aim at least at maintaining our external capital and keep before us the desirability where possible of providing funds for sound development abroad, which in itself would do much to increase world trade.

bank, he was convinced that every shareholder was proud to be interested in it.

Their bank had been intimately connected with the Quaker banks all over the country, so many of which were now absorbed into the great bank of which they were all shareholders. It was gratifying to see so many old Quaker family names amongst the directors, for the Quaker banks were the solid foundation upon which had been built a bank second to none in this country and in the Dominions overseas.

Sir James E. Woods asked whether the change from the old pass-books to mechanised sheets had been a success.

The Chairman thanked Mr Waley and Mr Braithwaite for their appreciative remarks and in reply to the question put by Sir James Woods said that the directors had no doubt in their minds that the mechanisation employed in branches of a suitable size had been a decided benefit.

The resolution was then put to the meeting and was carried unanimously.

The Chairman then proposed the following resolution: "That Mr Francis Lawrence Bland, Lt.-Col. Edward Hoblyn Warren Bolitho, D.S.O., Mr Lionel Gurney Buxton, M.V.O., M.C., Mr Arthur Bevington Gillett, Mr Quinten Edward Gurney and Mr Walter Somerville Gurney, the retiring directors be re-elected directors of the company."

Mr W. M. Goodenough (deputy chairman) seconded the resolution and it was carried unanimously.

SERVICES OF JOINT STOCK BANKS

Mr H. Eric Miller then proposed: "That Messrs Kemp, Chatteris, Nichols, Sendell and Company, and Messrs Price, Waterhouse and Company, Chartered Accountants, be re-appointed auditors to the company, at the usual remuneration, to hold office until the next annual general meeting." In doing so he said he would like to take the opportunity of saying that, throughout the chairman's address, one theme had caught his notice, and that was how vital confidence was in the structure of the civilisation in which we live. The chairman, as the head of one of the great banks, could not very well refer to the part which the London Joint Stock banks were playing in maintaining confidence in this country and throughout the world, but his fellow shareholders would appreciate the services which the banks were rendering in that way. (Applause.)

Mr F. W. Raffety, in seconding the resolution, said he would like to join in the congratulations to the bank on the success of the past year's working and to the chairman on the speech to which they had listened with such satisfaction. He expressed agreement with the policy of instituting local head offices.

The resolution was unanimously adopted.

MR BLAND'S TRIBUTE TO THE STAFF

Mr F. L. Bland then proposed 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 had carried out their duties during the past year. The privilege of proposing this resolution, he said, was tempered on the present occasion by the sense of a great void in their staff organisation. The chairman had alluded to the death of Mr Claude Douglas Carruthers, a man whom they all loved and would miss more deeply than he could express.

The extent to which Barclays' system of decentralisation included the staff in its orbit might not be generally appreciated, nor probably would all shareholders realise that more than three-quarters of the board of directors were, or had been, executive officers, working side by side with members of the staff, sharing their aspirations, hopes and disappointments, accessible at all times for consultation or advice on problems, personal or otherwise, that might arise in their daily lives.

It would be realised that it was from first-hand experience of their organisation that a director who worked also as an executive officer could confidently ask the shareholders to pass this resolution with gratitude. Sympathy and co-operation between every section of the staff combined to give the service to the public for which Barclays was renowned, and by that service to secure such results as the chairman had been able to submit. (Applause.)

Sir Follett Holt, K.B.E., seconded the resolution, which was cordially approved.

MR A. W. TUKE'S RESPONSE

Mr A. W. Tuke (one of the general managers) said that the staff would very much appreciate the vote of thanks that had been so kindly accorded by the shareholders. The fact that they were doing

a larger business to-day than ever before naturally involved their having an increasing staff, and he thought he could fairly claim that not only was the staff increasing in numbers but also in keenness and efficiency. He thought that the shareholders and the board could rely upon the staff to continue to put forward their best efforts in the interests of the bank.

In responding to the vote of thanks he felt that the staff would wish him to add something on their behalf to what had already been said as to the great loss that the bank in general and the staff in particular had sustained in the death of Mr Carruthers. Something had been said, and much more might be said, about his qualities of character and intellect, but it might all be summed up by saying that both from the point of view of the management and from the point of view of the staff as a whole Mr Carruthers might be regarded as having been the ideal staff manager.

On the motion of Mr A. J. Waley, seconded by Mr C. Braithwaite, a hearty vote of thanks was accorded to the chairman and his colleagues for the successful way in which they had conducted the business of the bank during the past year.

The chairman having expressed his thanks on behalf of his colleagues and himself, the proceedings terminated.

THE NATIONAL BUILDING SOCIETY

PROGRESS AND CONSOLIDATION

The annual meeting of The National Building Society was held, on the 14th instant, at Southern House, London.

Mr W. F. Foster, F.R.I.B.A., F.S.I. (the chairman), said that it was a very great pleasure to refer to the satisfactory position of the Society's business in its 88th year. The National had consolidated its excellent position amongst the great building societies of the country.

At the end of the financial year total assets stood at £33,016,310 and members' share capital at £29,346,527. Mortgage assets at £30,131,602 were the greatest in the Society's history. During the year £4,496,897 had been advanced on mortgage. The policy of prudent lending had been maintained, and safety margins preserved. The average mortgage during the year was only £622, and 84 per cent. of mortgages granted were for less than £1,000 each. Reserve funds totalled £1,849,274, an increase of £271,469 during the year. These figures indicated the Society's financial strength.

The balance of profit was £1,240,047 of which share interest absorbed £922,681. The remainder was allocated as follows: (1) Writing down of premises by £14,817. Premises now stood at the round figure of £250,000. (2) Transferring £86,469 to reserve No. 2. (3) Transferring £185,000 to general reserve. (4) £31,078 carried forward.

The Chairman went on to say that the board had continued its policy of extending the Society's activities over a wider area. It was the board's intention to add to its local offices as and when opportunities occurred.

No change had occurred in the directorate. Mr R. Bruce Wycherley, appointed last year as a director, had been appointed managing director. They regarded the future with confidence. The Society's reputation and widening field of activities would enable them further to consolidate their position as one of the great building societies of the country.

The report and accounts were adopted and the retiring directors and members' auditor re-elected.

At the conclusion of the annual general meeting a special meeting was held at which a partial alteration of the rules was authorised.

The proceedings terminated with a cordial vote of thanks to the chairman.

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.

Telephone: Central 8631

MARTINS BANK LIMITED

EXTENDED ACTIVITIES

TRADE BORROWINGS REFLECT HOME PROSPERITY

INCREASED PROFITS AND DEPOSITS

NEED FOR WORLD CO-OPERATION

SIR RICHARD D. HOLT'S REVIEW

The one hundred and seventh annual general meeting of shareholders of Martins Bank, Limited, was held, on the 18th instant, at the Bank's Head Office, Liverpool.

Sir Richard D. Holt, Bart., LL.D., Chairman, who is suffering from eye strain, was prevented from attending, and his place in the chair was taken by Lord Colwyn, P.C., D.L., LL.D., one of the deputy chairmen, who read Sir Richard's speech as follows:—

My lords, ladies and gentlemen, I assume you will take the report and accounts as read.

During the year we have suffered severe losses by death. Mr Orme, our widely esteemed chairman, passed away in November to the profound sorrow of us all. He joined the board in 1924 and became chairman in 1934. The interest he took in the bank was intensified during his chairmanship. His clear judgment in difficult situations was invaluable, and his cheerfulness inspired confidence. Messages of sympathy from the public were all couched in terms of admiration of his high character. We shall miss him sorely from our councils.

By the death of the Right Honourable Sir Austen Chamberlain, K.G., a member of our London board, in March last year, we were deprived of a director with a world-wide reputation and great breadth of view. We deplore the loss we have sustained by his death.

With deep regret I also announce the death, ten days ago, of Sir J. H. B. Noble, Bart., a director on our North-Eastern board. His family have long been connected with the bank through the North-Eastern Banking Company, of which Sir John became a director in 1902. On the amalgamation in 1914 he joined our Newcastle board, and gave valuable service.

In May last Mr Peart Robinson, feeling that he could no longer give that close attention to the bank which he had so long maintained, resigned. He joined the board as far back as 1906 on the amalgamation with the Craven Bank, of which he was a director. The Board record their appreciation of his highly valued services.

THE NEW DIRECTORS

To fill vacancies upon the General and London boards we have elected the Honourable David Bowes-Lyon, a partner in the firm of Messrs Edward de Stein and Company, of London. His election will add strength to both boards. Sir John F. R. Reynolds, Bart., has also been elected to the General board. A partner in the firm of Messrs Reynolds and Gibson, who are among the oldest of the bank's customers, he is the third of his line to become a director of the bank, his father and grandfather having served respectively in the capacity of chairman and deputy chairman. Sir John's knowledge of the cotton industry will be of great value. We are pleased to have both these gentlemen with us to-day.

The board have honoured me by election to the post of chairman. I recognise its high distinction, and will do all in my power to further the interests of the bank.

LARGER PROFITS

Will you now please turn to the accounts. I hope you have found them of more than usual interest this year, and with this in mind I will refer to our profit and loss account first. Increasing business throughout the year has led to an increase of £83,578 in our net profit, which is £853,566. To this must be added £296,048 brought into profit and loss account from last year. We have, therefore, £1,149,614 available for distribution. In July a dividend of 7 per cent. was paid, and we propose to repeat that for the December half-year, making 14 per cent. for the year. This will require £582,406.

The bank's centenary took place in 1931 at a time of unexampled trade depression. The payment of a centenary bonus was discussed, but postponement to a more suitable time was deemed advisable. In our view that time has now arrived, and we propose to pay, in addition to the dividend, a centenary bonus of 2 per cent. to the

shareholders, subject to income tax. That will cost £83,201. We have also declared and paid a centenary bonus of 5 per cent., with a maximum of £100 and an appropriate minimum, subject to income tax, upon all salaries and pensions, including those to widows of deceased members of the staff, and also a suitable bonus to all wage-earners. It is a pleasure on these occasions to refer to the staff, but I am sure you will be especially pleased to hear of this recognition of their efficient services.

Seventy-five thousand pounds has been added to premises redemption account, £100,000 to pensions fund, and we have carried forward £309,007. Published reserve has been increased to £3,500,000 by a transfer of £200,000 from our investment reserve.

Turning to the balance sheet, you will notice the bank's customary liquid position. Cash in hand and at the Bank of England represents 10.6 per cent. of our liabilities to the public, while our total cash items are 22.7 per cent. of those liabilities. Investments have remained fairly constant during the greater part of the year and now stand at £31,223,000, some £1,590,000 less than twelve months ago. Bank premises and rentable properties show an increase of £50,000 at £2,646,000. The movement in foreign trade is indicated in the item of acceptances, endorsements, etc., which at £9,818,000 exceeds last year's figure by £1,967,000.

DEPOSITS—A RECORD

Deposits continue to expand and are at the high-water mark of £95,508,000, an increase of £2,033,000. Advances amount to £42,420,000. Last year we recorded the very large increase of almost £12,000,000 in this item, but, as the chairman said, certain of the new advances were temporary, and we might expect some decline. Repayment duly took place, but the expansion then indicated has developed, and the net increase to-day is £1,143,000. The character of our advances is closely watched, and it is interesting as showing the trend of various trades. The advances are widely spread, 86 per cent. of the total number being for amounts of £1,000 or less. The overdraft for personal and professional purposes is still the most important in our classification of advances, accounting for one-half the number of borrowers and one-fifth of the amount lent. Business has broadened out, but follows generally the course forecast in last year's speech. It is interesting to know in which industries increases have taken place. Food provides the largest increase indicating the greater spending power of the people and the betterment of conditions. This is followed by textiles—cotton, wool and silk all participating—another pointer to improving circumstances. The heavy industries, that is engineering, shipbuilding and iron and steel, together with agriculture, building, and general produce, have all been factors in the increase.

THE OUTLOOK FOR TRADE

The result of our year's operations may be regarded as satisfactory, but when we look into the immediate future we discern signs warning us against over-confidence. We notice some hesitancy in trade, but I deprecate untimely references to impending depression. This is due, no doubt, to an excess of fear or caution, prompted by recollection of previous recessions and the desire not to be caught unaware. Caution is desirable in business, but along with talk of coming depression it has caused holding off in various trades, as buyers hoped to purchase in cheaper markets, and the combined effect has been to accentuate the slowing down. Certainly in this country there should be little justification for pessimism, especially when we observe the results of the majority of trading concerns and the increased spending power of the wage-earners. We must, therefore, look elsewhere for the cause of this pessimism, and we find it in the grave political conditions prevailing in various parts of the world and the disturbed affairs of the United States. We cannot measure the effects of world political crises, except to realise that a major outbreak will mean universal disaster. As traders we must apply ourselves to our

problems, solving them by practical methods. We should be critical of new theories for lifting us out of our troubles, but ordinary caution suggests that we should examine practical proposals for the regulation of employment in the light of past experience. Man has proved himself capable of counteracting harmful causes in many directions.

BRITAIN AND AMERICA

If there are ways of passing from prosperity to periods of quieter times less violently than hitherto let us adopt them, if we can do so without interfering with fundamental principles, but the first essential requisite is a wider world collaboration than we possess at present. That is what we should aim at, but there is no reason to suppose that in this country the position is not closely watched and that wise steps are not being taken to deal with economic problems. We have proof of this in our national position to-day. Conditions in America have reacted upon this country, but as the United States are going through a period of trial we may see a new starting point there from which we may witness a recovery that will not only restore her own fortunes, but be felt internationally. The strife between American Government circles and financial interests—"Big Business," in the picturesque language of the day—has discouraged private enterprise. We hope that an early solution will be found so that capital in that country may flow once more into productive channels, create purchasing power in the hands of a vast population, and enable her great industries to function normally. When this is accomplished there is no doubt the effect will be beneficial to America and the rest of the world, whose affairs she widely influences.

A survey of the basic industries of this country provides cause for satisfaction, as I have indicated in dealing with the progress of our own business, but I emphasise that we must not lose sight of the dangers of over-production and over-development inherent in expansion, particularly during a period when some branches of trade are being stimulated by Government expenditure.

COTTON AND COAL PROBLEMS

The problems of two of our most important industries—cotton and coal mining—are at present receiving attention by the Government. Both are still organised on the basis of a large number of comparatively small competing units. In the cotton trade an approach to unanimity has been reached as to the type of reorganisation desired, and Government support for the trade's agreed proposals has been sought. This, subject to reasonable safeguards, will doubtless be forthcoming. The industry in general has had a more successful year than for some time. While the various agreements have contributed to this, normal causes have also come into play, and trade improvement has helped to solve the redundancy of spindles. Progress has been made towards stability of control, and with the operation of these constructive measures further recovery may be expected this year.

The position as regards the new Coal Bill at present before Parliament is not so satisfactory, for much of the criticism levelled at the Bill comes from the coal-owners themselves, many of them being unreconciled to the proposals for compulsory amalgamation of collieries contained in Part 2 of the Bill. Whatever may be the merits of rival opinions of this portion of the Bill, it is desirable that before it is passed in final form means should be found of securing the willing acquiescence of the more efficient owners, for it is clear that without their co-operation the task of the Coal Commission charged with giving effect to the Bill will be difficult. After a long period of depression, the past year has been one of progress, and there appears no reason why this should not continue if stability can be given to the industry by composing the differences to which I have referred.

IRON AND STEEL AND SHIPPING

The iron and steel industry has also had a busy year, due to activity in shipbuilding and general engineering and—we must not forget—increasing Government orders. The output of steel ingots was a record at 13,000,000 tons. Demands upon the industry are such that heavy expenditure on installation of new rolling mills and other plant has been needed. As this comes into operation the capacity to produce finished steel during the present year will be greatly increased.

Shipping, generally, has had an excellent year, particularly in the cargo-carrying class, and this, as in other industries, is due to co-operation. At the meeting a month ago of representatives of the International Shipping Conference continuance of the principle of co-operation was reaffirmed. By following that wise policy the best

results will be obtained, but as conditions are not so good as they were in the early part of last year, there can be no relaxation of the efforts which have rescued this vital industry from a position bordering on collapse. With improvement in shipping, shipbuilding has been active, but high costs and inability to obtain delivery of steel and other materials have created great difficulty. Those owners were fortunate who placed orders early in the trade recovery.

World supplies of wheat are not excessive and the trading position, therefore, is satisfactory. Conditions in some sections of agriculture have improved and prospects are good. In the wool textile industry a period of activity met with a set-back in the autumn. There appeared to be little reason for this except lack of confidence. Buying for home trade requirements has since adjusted matters to some extent, and the immediate outlook is good, but world complications are disturbing features.

HOME AND FOREIGN MARKETS

In the wide range over our various industries my remarks have necessarily been inadequate, but sufficient has been said to indicate that our home trade is still satisfactory. If a further upward swing is to come we may ask how it is to be achieved. In previous speeches from this chair emphasis has been laid on the necessity for the revival of international trade and the encouragement of our export trade. That continues to lag, but is improving. The year just ended has resembled its predecessor in that we have had a period of prosperous internal trade, with a disposition on the part of industrialists again to neglect the export side of their business owing to lucrative home markets. The danger of this is obvious; foreign markets once lost are not easily regained. I have stressed the point that we should aim at fostering a wider world collaboration. The problem has been engaging attention for some time, but little outward progress has been shown. Recently, however, we have seen a step forward in the approach to closer trade collaboration with America, and although this has not escaped criticism on both sides of the Atlantic, if it leads to better understanding between the two countries immense good should accrue. With extension of such agreements, followed by the freer flow of world trade, our Lancashire cotton industry, so dependent upon exports, should, for example, benefit materially. At present we live in a world whose trade is shackled by standstill and debt-clearing arrangements, exchange controls, and other measures set up by Governments, which have stifled the enterprise of the old trader. We have lived with these things long enough; let us hope that the coming agreement with America will be the beginning of a new era. It will take time and patience, but we must persevere, in a spirit of give and take.

Lord Colwyn concluded by moving the adoption of the report and the payment of the final dividend of 7 per cent. and the 1931 centenary bonus of 2 per cent.

Mr G. E. B. Bromley-Martin, one of the deputy-chairmen, seconded, and the motion was carried unanimously.

Mr F. R. Briggs moved the re-election of Mr E. R. Bowring, Mr G. E. B. Bromley-Martin, Mr J. J. Ritchie, and Mr H. Mancknols Walton, and confirmation of the election of the Hon. David Bowes-Lyon and Sir John F. R. Reynolds, Bart., as directors.

Mr W. Sutcliffe Rhodes seconded, and the motion was approved. On the proposal of Mr L. Ravenscroft, seconded by Mr W. E. Mounsey, the auditors, Messrs Harwood Banner and Son, Liverpool, Messrs Peat, Marwick, Mitchell and Company, London, and Messrs Thomas Bowden, Sons and Nephew, Newcastle-upon-Tyne, were re-appointed.

VOTE OF THANKS TO DIRECTORS AND STAFF

Mr P. G. Davies proposed a vote of thanks to the directors, the standing committee, the general manager, and other officers and staff of the bank for their services during the year.

He said that when he looked back over his half-century's connection with the bank and saw the enormous strides that had been made he could only say that he was amazed with its progress and proud of the balance-sheet submitted to that meeting. This was due to the care and attention given to the affairs of the bank by those named in the resolution, all of whom possessed the entire confidence of the shareholders. (Hear, hear.)

Mr C. P. Zochonis seconded, and the proposal was heartily carried.

Mr J. M. Furniss, general manager, expressed his appreciation of the help which the management received from the directors and standing committee, and thanked the meeting on behalf of the staff for the acknowledgment so readily given of their services.

On the motion of Colonel J. B. McKaig, a vote of thanks to Lord Colwyn for presiding was carried unanimously.

ALEXANDERS DISCOUNT COMPANY, LIMITED

REVIEW OF MONEY MARKET CONDITIONS

DIVIDEND OF 17½ PER CENT.

MR COLIN F. CAMPBELL'S ADDRESS

DISCOUNT MARKET OUTLOOK

The seventieth ordinary general meeting of shareholders of Alexanders Discount Company, Limited, was held, on the 19th instant, at Southern House, Cannon Street Station, London, E.C.

Mr Colin Frederick Campbell, the chairman of the company, presided.

The Secretary (Mr P. C. Tong), having read the notice convening the meeting and the auditors' report:

The Chairman: Ladies and gentlemen—I assume you will take the report as read as usual. (Agreed.)

The year under review bears a considerable degree of resemblance to that of 1936, inasmuch as the discount market has been contending with a similar set of adverse circumstances. It is no exaggeration to say that for several years past we, as a member of the London money market, have been unable to pull our weight in its affairs, not because we are unwilling to do so but because the conditions now prevailing do not permit of our doing so. We hear of sympathy for us and we hear of hopes expressed that we should exercise patience until times become more normal but, in the meantime, we are forced to a great extent into the position of a spectator.

You may ask why this is so, and the answer is that conditions in the money market are now determined to a considerable degree by the Government requirements. Their policy is to maintain cheap money; I do not wish you to think for a moment that I am questioning the wisdom of this policy, but the result for us is that our discount business consists in the main of obtaining money from the banks at ½ per cent. and employing it in the purchase of Treasury bills at a price which averaged in 1937 ⅞ of 1 per cent. Even this small margin was only secured through the banks lending us money at this low rate and subsequently making their purchase of Treasury bills through us. I need hardly tell you that a margin of about 1s. 3d. per cent. does not cover our working expenses, let alone provide a dividend for our shareholders.

HOLDING OF SHORT-DATED SECURITIES

We are therefore driven into holding large blocks of short-dated Government securities, which return to us a satisfactory margin of profit, always assuming that they do not fall in capital value. This investment of money derived from the banks, and other financial houses, has been a highly profitable business for a number of recent years and we have been able to provide from it no less a fund than £300,000, as I have told you on several occasions, constituting a reserve against a fall in capital value. There is no reason that this method of investment should not continue during the next few years with an annual profitable result, but the risk of capital loss continues, consequently only those possessed of substantial reserves can undertake it with any degree of safety.

What I am saying to you is elementary to those who are familiar with the affairs of the London money market, but I have to keep in mind those shareholders who have no access to this information and who may wish to have a clear understanding of the nature of the business in which their capital is invested.

THE DIVIDEND

You are all aware of the small reduction of 1½ per cent. in the interim dividend paid last July which was recommended by the board. The reason for this was that a material fall in the value of securities took place between December 31, 1936, and June 30, 1937, so that it was not improbable from the outlook at that time that it would be necessary to draw upon the reserve of £300,000. Happily a substantial recovery took place in the second half of the year, so that no such transfer was required, but, as your directors could not possibly foresee the future in June when considering the interim dividend, they decided to recommend a small reduction in the rate as a reminder to the shareholders of the nature of the business now being undertaken.

On this occasion the outlook seems sufficiently clear to justify final dividend of 10 per cent., being the same as a year ago, making return for the year of 17½ per cent., which I have no doubt will cause satisfaction in the minds of the shareholders.

I have dwelt a good deal so far on the abnormal conditions which now prevail so that you will perhaps expect me to say something as to the outlook for the discount market in the future. Neither I nor anyone else can prophesy what is going to happen, but I am one of those who believe that if we exercise patience we shall work our way through our present difficulties and that ultimately international trade will revive and with it the sterling bill on London. (Hear, hear.) There is already a slight improvement in the foreign trade of this country which should be encouraged and developed with all our power notwithstanding the fact that many of our important industries are actively employed in meeting the requirements for re-armament and the demands of the home trade. There is no solid foundation for the assumption that our manufacturers are too busily engaged to be able to deal with the needs of overseas markets.

The prosperity which has prevailed in this country generally is indicated in a striking manner from the figures issued by the London Clearing House running into thousands of millions of pounds which constitute a record. We must also keep in mind the negotiations which are about to take place with the object of securing an Anglo-American Trade Treaty. The benefits of such a Treaty would have a far-reaching effect of a favourable nature, not only for the British Commonwealth of Nations but for the whole world. We most earnestly hope, therefore, that some satisfactory solution of this difficult problem may be ultimately arrived at.

THE ACCOUNTS

Turning now to the accounts, which have been in your hands for several days, you will notice from the balance sheet that our holding of British and Indian Government securities amounts to £13,950,000, as against £13,439,000 a year ago. The bulk of the securities continue to be short-dated with only a few years to run. The bills discounted amounting to £15,387,000 consist almost entirely of Treasury bills, and there are no obligations outstanding relating to foreign governments or foreign municipalities. (Hear, hear.) The remaining figures in the balance sheet call for no special comment.

With regard to the profit and loss account, the current expenses at £37,195 are slightly higher than in the previous year, when they amounted to £34,762. Rebate has been increased from £140,249 to £152,748, and the gross profits amount to £350,319, as against £345,769 in 1936. It will be observed, however, that this year the gross profits are arrived at after provision for income tax, National Defence Contribution and transfer to contingency account, whereas on the last occasion provision for income tax had been charged to contingency account.

I have already referred to the interim dividend of 7½ per cent., which was paid in July, and the final dividend now recommended to the holders of the ordinary shares is 10 per cent., thus making 17½ per cent. for the year. The preference shareholders, of course, receive their usual dividend of 6 per cent. per annum.

It only remains for me to testify to the successful manner in which the affairs of the company have been conducted by Mr Newcomb once again, and to thank the sub-manager and those working with him for the loyal and excellent work carried on throughout the year. (Applause.)

The report and accounts were unanimously adopted.

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.

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Intelligence Branch, THE ECONOMIST
8 Bouverie Street, London, E.C.4

NATIONAL DISCOUNT COMPANY, LIMITED

GRATIFYING INCREASE IN PROFIT FEATURES OF THE MONEY MARKET

The annual general meeting of the National Discount Company, Limited, was held, on the 20th instant, in London.

Sir Sigismund F. Mendl, K.B.E., presided.

Mr Seymour S. Johnson (chief accountant and secretary) having read the notice convening the meeting and the report of the auditors,

Sir Sigismund Mendl said:—Ladies and gentlemen,—I regret that owing to medical orders our chairman, Sir Sidney Peel, is not able to be present to-day, and in his absence he has asked me to read the speech which he had prepared. It is as follows:—

Before we come to the business of the day, I wish to say something of the great loss which the company and the board have sustained by the death of Mr F. W. Green. Mr. Green had been a director of the company for nearly 35 years. He had a remarkable knowledge of business affairs, and he could always be relied upon for a sound and valuable opinion. He did a great deal of useful work in spheres beyond the scope of this company, but you would never have heard of it from his own lips. He was a most agreeable colleague, and, though he often held strong views, he knew how to put them forward without exciting opposition. He will be greatly missed by us all, and I am sure you will wish me to send a message of respectful condolence to his family.

I also regret to have to record the death of Sir Albert Wyon. Sir Albert was, for many years, one of the personal auditors of the company, in fact, until he was succeeded by the distinguished firm of auditors of which he was the head. I think I may say that he took a particular and personal interest in the affairs of this company, which extended beyond the range of his professional duties. He was, in addition, an outstanding figure in the world of business and finance. He, too, will be greatly missed.

RESULT OF YEAR'S OPERATIONS

I will take first the profit and loss account. The results of the year are briefly as follows: Gross profits amount to £234,814, an increase of £11,690 over the preceding year. This increase in our gross profits is a gratifying circumstance, more especially as it is arrived at after making due provision for payment of the National Defence contribution. To this has to be added a balance brought forward from last year of £232,001, making a total of £466,815. After deducting expenses, which are £1,944 up, on the year, we propose to put £10,000 to pensions fund, which will now stand at £165,000, to carry £50,000 to the reserve fund, to maintain the dividend and bonus at the same rate at which they have stood for the last two years, and to carry forward the sum of £216,762. This results in the carry-forward being reduced by the sum of £15,239, but it still stands at a sufficiently substantial figure. I think the fact that we have been able to maintain the dividend at the same figure as last year is satisfactory in itself, all the more so since we have been able at the same time to increase the reserve fund, a process of which few will question the wisdom in these tempestuous times.

The principal features of the balance sheet are an increase in our investments of about £1,200,000, and a decrease in bills discounted of £1,426,000. The increase in investments is due to an increase in our short-dated investments. The decrease in bills is due partly to a cause which I shall mention immediately. The total figures of the balance sheet are slightly down on last year's total. It is to be remembered that the comparison is with the figures of the previous year, which stood at a particularly high level.

The decrease in bills is largely due to the withdrawal from the market of all the Hungarian standstill bills, and of one-third of the German ones. The ease and smoothness with which this process has been effected speaks well for the strength of those who were responsible for the bills. It does not mean of course that the liabilities of the drawers of the bills have been liquidated as they ought to be, but at least, as far as it goes, it reduces the burden on the Bill market, and will, we hope, make room for a new set of bills, representing genuine and self-liquidating trade transactions.

MONEY RATES

In other respects, the year has been remarkably like its immediate predecessors. The Bank of England rate has continued to stand at 2 per cent., and the Treasury bill rate has been in the neighbourhood of 10s. per cent., excepting during short periods in June and December. Money has been extremely easy throughout the year. It is a remarkable fact that, for the first time for many years, the

money market did not have to resort to the Bank of England at the end of the year.

At the end of 1936 there were some indications, such as increase of prices, enhanced trade activities, etc., that the period of extreme ease in money was about to come to an end, but the course of external events has reinforced the determination of the Treasury to keep money easy if possible. It seems probable that London has continued to act as a sanctuary for floating capital, and when we regard the state of affairs, both in the East and in the West, it cannot be said that the owners of such credit are acting unwisely. It looks as though the same causes would continue to operate for some time to come. The London market has been like the space at the centre of a typhoon, surrounded by tempests, but itself calm and serene.

It is easy enough to describe in general terms the conditions of the past year, but that does not make it any easier for those who have to grapple with the problems and difficulties of the day-to-day transactions which make up the operations of a company such as ours. There are times when the average rates for money deposited with us exceed the interest which can be earned by bills and other instruments of credit. That these difficulties are not insuperable has been proved once again by Mr Goldsmith and his staff, and I think we can all congratulate them upon the special ability and unremitting industry which have produced the results we are laying before you to-day.

The Chairman concluded by moving the adoption of the report and accounts.

Sir Charles D. Seligman seconded the motion, which was carried unanimously.

On the motion of the Chairman, seconded by Mr H. S. H. Guinness, the dividends as proposed were approved.

The directors retiring by rotation (Mr H. S. H. Guinness and Sir Sigismund Mendl, K.B.E.) and the auditors (Messrs Price, Waterhouse and Company) were re-elected.

Mr Charles Montefiore moved a very cordial vote of thanks to the chairman, directors, manager and staff, together with an expression of regret at the unavoidable absence of Sir Sidney Peel.

The vote, which was seconded by Mr W. G. Haill, was unanimously accorded, and the Chairman and Mr Francis Goldsmith having briefly acknowledged the compliment, the proceedings terminated.

MICHAEL NAIRN AND GREENWICH, LIMITED

ANOTHER SUCCESSFUL YEAR

The sixteenth annual general meeting of Michael Nairn and Greenwich, Limited, was held, on the 17th instant, at Winchester House, London, Sir Michael Nairn, Bt. (the chairman), presiding.

The Chairman, in the course of his speech, said that the report and accounts bore clear evidence of another year of successful trading on the part of their associated companies. The net revenue receivable from investments, etc., amounted to £255,591, which compared with £281,739 for the previous year, and the directors were again able to recommend a final dividend of 7½ per cent. and a bonus of 2½ per cent., making a total distribution of 15 per cent. for the year, the same as for 1936. He wished to state clearly that the apparent reduction in profits was almost entirely due to difference in the amount of Dominion income tax relief received during 1937 as compared with the much larger amount received in 1936.

The activities of their principal subsidiary, Michael Nairn and Company, Limited, had been fully sustained during the year, and there was abundant evidence that it continued to participate in generous measure in the welcome revival in the trade of the country.

There did not seem to him to be any sound reason for believing that a slump was soon to appear on the industrial horizon in this country, and he was glad to see that on a recent occasion the Prime Minister had given definite expression to that opinion. He was an ex-Chancellor of the Exchequer with the most intimate knowledge of the economic position and resources of the country, and they might take it that he spoke not only with authority, but with that caution that had always characterised his public utterances. He could assure the shareholders that the directors of their various companies were not taking a gloomy view of the future, but, on the contrary, were directing their whole energies towards the development and steady expansion of trade in the various floor coverings for the manufacture of which they were responsible. He was quite aware that they lived in a disturbed world, but he believed that just as they as a nation had overcome difficulties and dangers in the years that were gone, they would in the same spirit of wisdom, courage and goodwill successfully surmount those which faced them now.

The report was unanimously adopted.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR EVER-WIDENING CIRCLE OF CONSUMERS

The seventy-third annual general meeting of this company was held, on the 20th instant, in London.

Mr Kenneth M. Carlisle (chairman and managing director) said that on the whole the more favourable conditions which had characterised their previous year's operations had continued during the period under review, and the improvement then in evidence had been well maintained and even accentuated. On the production side of the business, although the price of raw materials, including cattle, fuel and practically all items employed in manufacturing and packing had shown a tendency to rise, the higher value for products, and more especially by-products, coupled with a greater volume of production, were factors which had combined to offset the increase of factory costs. Their various by-products had been sold at full market values, with an advancing tendency until towards the end of the year, when prices had again declined.

Pastoral conditions had been generally more propitious, and better physical returns, combined with improved prices for the output of their farms—cattle, sheep, wool, karakul skins and agricultural crops—had had the welcome effect of bringing their ranching subsidiaries into profit. Although all were not able to contribute dividends to their final results, profits earned had been materially helpful in reducing to a substantial degree the debit balances accrued during previous years of depressed values, which so heavily weighed upon all farmers and penalised the producers of primary and staple commodities.

DEMAND FOR COMPANY'S PRODUCTS

Trade in the standard proprietary articles of their allied companies had been buoyant, and turnover had responded in satisfactory measure to the improved conditions and greater activity experienced generally in this country. The patronage which their products, marketed under the well-known trade names of Oxo, Fray, Beefex, Lemco, etc., enjoyed at the hands of millions of customers connoted an ever-widening circle of consumers, and their high quality, coupled with their ready application for use in home and kitchen, offered strong recommendation for their further popularity. In their markets abroad there had also been a gratifying development of turnover which, however, in some countries continued to be hampered by the quantitative limitations on the importation of products.

Fluctuations in the values of currencies—invariably downwards in terms of sterling—Government controls by means of exchange regulations and other measures designed to counteract and postpone as long as possible the inevitable rise in the prices of imported commodities which a depreciation of currency must bring in its train, and the time lag which occurred before selling prices could be adjusted to the new cost of imported materials, were disturbing factors which adversely affected results in certain countries, and made their realisation in sterling a matter of uncertainty.

CURRENCY DIFFICULTIES

Their products, however, were so well known and in such good demand, and their trade marks were so firmly established, that they hesitated in following the policy of maintaining their prices in those markets, in the confidence that—when the barriers which at present restricted the flow of trade were lowered and stabilisation in the value of currencies was restored—would be permitted again to bring to this country a fair share of the profits earned.

In the meantime in all those cases in which funds were not freely transferable or convertible into any other readily negotiable currency they had followed the conservative practice of suspending profits altogether or of making full provision pending the time when some tangible value could be determined and assigned to them.

Subject to those reservations and to the provisions which it had been deemed expedient to make in respect of investments, stocks and other contingencies, the figure of profit was returned at £271,000, which was just over £8,000 above that of the previous year, and they proposed a final dividend of 7s., making 11s., free of tax, on the ordinary shares for the year.

The ranching activities in Southern Rhodesia had been reorganised and their ranches in South-West Africa had had a successful year. It was expected that the factory in Kenya would commence work during the coming month.

The company had just entered on its seventy-third year of existence, and the pioneering spirit which had prompted its formation had characterised its policy and guided its progress throughout.

The report and accounts were unanimously adopted.

PETROLEUM STORAGE AND FINANCE CORPORATION, LIMITED

CONTINUED SUCCESS OF

"CLEVELAND DISCOL" AND "CLEVELAND GUARANTEED" MOTOR SPIRIT

The annual general meeting of Petroleum Storage and Finance Corporation, Limited, was held, on the 19th instant, at the Friends' Meeting House, Euston Road, London.

Mr E. A. Radford, F.C.A., M.P., the chairman of the company, presided.

In the course of his speech the chairman said:—The profit for the past year, after charging all expenses, including depreciation and national defence contribution and after making provision for the income tax payable in January, 1938, and also that payable in January, 1939, has been £551,726.

POPULARITY OF THE COMPANY'S PRODUCTS

"Cleveland Discol," our alcohol blend motor spirit, has made continued progress, and unsolicited testimonials from enthusiastic users are continually being received. Practically every motor car manufacturer in Great Britain has now fully tested and approved the use of "Cleveland Discol," which is unsurpassed among motor fuels.

"Cleveland Guaranteed" motor spirit has retained its phenomenal popularity, and our sales of this grade still form the backbone of the company's business.

You will observe that no amount is included on the balance sheet for goodwill, which, in the case of a company such as ours, owning and marketing proprietary commodities which are well known and popular throughout the length and breadth of our country, is undoubtedly its most valuable asset.

With regard to the current year's prospects, the company's business continues to be, in every respect, satisfactory, and your directors are hopeful that it will continue to be so.

The report was unanimously adopted; £100,000 was transferred to general reserve, raising the same to £350,000; an amount of £8,000 set aside for staff pension scheme; and the final dividends recommended in the report were declared, payable on the 28th instant.

The retiring director, Sir William Alexander, was re-elected, and Messrs James Todd, Adams and Wilcock, chartered accountants, were re-appointed auditors for the current year.

RIO DE JANEIRO FLOUR MILLS AND GRANARIES, LIMITED

INCREASED DELIVERIES

The fifty-second ordinary general meeting of this company was held, on the 18th instant, in London.

Mr S. C. Sheppard (the chairman) said that after the payment of the final dividend of 5 per cent. the amount to be carried forward to next year was £51,940, some £3,264 more than the amount brought in.

In reviewing the trade of the past year, he said it was at least satisfactory to note an increase in the aggregate deliveries of flour from the company's mills and those of its two subsidiaries. He emphasised this because of the reckless competition that had continued among the various mills in Brazil, and explained that the company, thanks to the consistency of the good quality of their marks, could invariably obtain preference at price for price.

He then referred to the question of wheat-growing in Brazil, and mentioned that legislation was passed last year making it compulsory for all Brazilian flour mills to use a certain proportion of home-grown wheats.

As to exchange, during the past year the company had obtained a fairly satisfactory amount of cover, although the position at the moment was somewhat obscure owing to a new decree limiting the exchange available for each country according to their surplus trade balance with Brazil. Similarly a tax of 3 per cent. on all remittances was, he reported, now being collected, and this was understood to be a universal charge, the proceeds of which were destined for the formation of an exchange equalisation fund with a view to avoiding wide oscillations in the rate.

The report was unanimously adopted, and resolutions converting the shares of the company into stock and increasing the borrowing powers to £750,000 were approved.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

GRATIFYING RESULTS

The thirtieth ordinary general meeting of the United Serdang (Sumatra) Rubber Plantations, Limited, was held, on the 19th instant, at 19 Fenchurch Street, London.

Mr H. Eric Miller (the chairman) said that last year he had ventured the hope that the year to August 31, 1937, would prove satisfactory, but the actual results had exceeded his expectations, and it was gratifying to present accounts showing a profit of £245,440, after providing the £25,000 written off mature areas, as compared with £142,911 for 1935-36, when £20,000 was written off mature areas. They proposed to transfer £20,000 to taxation reserve and to pay a final dividend of 10 per cent., making 15 per cent. for the year, as compared with a distribution of 10 per cent. for 1935-36.

They had been enabled in their financial year to ship 10,688,941 lbs., leaving them with a balance of 569,769 lbs. harvested prior to

August 31st last, which they carried forward at bare cost of collection, manufacture and distribution. The average net sale price of 9d. per lb. for the year showed an increase of almost 2d. per lb. over the previous year. Cost of production per lb. of rubber showed a small reduction.

As compared with rubber, their interest in gambier, palm oil and kernels was less important, but those subsidiary products had all contributed to the profits of the year. Their output of palm oil steadily expanded. Of the 1937-38 rubber crop they had sold to date, including contracts for forward delivery, 3,250,000 lbs. at an average price equivalent to over 10d. per lb. London landed terms.

The company was in a position of solid financial strength. They had even during periods of depression spent money judiciously to improve their estates, so that, although many of their trees had passed their prime, they could still give a good account of themselves and they had a fair proportion of high quality younger ones coming on. They had a considerable area of plantable reserve land and the money, too, so that, when new planting was again justified, United Serdang would be able to retain its position as one of the leaders of the industry.

The report was unanimously adopted.

SHORTER COMMENTS

(Continued from page 182)

profits. Thanks to a 68 per cent. rise in trading profit, net earnings of SMITH'S DOCK COMPANY are about doubled, at £148,852. BRITISH TOBACCO COMPANY (AUSTRALIA), associated with B.A.T., show the satisfactory increase of 30 per cent. in their net profits of £911,386. A consolidated balance sheet is to be supplied to ordinary shareholders, but will not be available till late this month. In the boot and shoe trade, L. AND J. WEBER AND PHILLIPS have reduced their dividend from 8½ to 6 per cent., but STEAD AND SIMPSON'S profits are practically unchanged at £38,958. WESTINGHOUSE BRAKE AND SIGNAL COMPANY has earned £275,632 against £200,765, and distribute 2½ per cent. more at 17½ per cent. JOHN CROSSLEY AND SONS, the carpet manufacturers, have earned £59,586 against £85,351, but as no allocation to reserve is made (against £30,000 in 1936) the dividend remains at 7½ per cent. The first report of HOUNDSDITCH WAREHOUSE COMPANY shows trading profits of £283,800, a consolidated balance sheet also being issued. Some £28,430 is written off goodwill, from profits earned before incorporation.

Borough Building Society.—The Sixty-Fourth Annual Report for year 1937 shows that the assets stand at £5,012,903. Share capital is £3,958,400, an increase of £231,928. Due to depositors £769,195, an increase of £174,926. The sum of £26,699 has been added to reserves. During the last four years the reserves have been increased by 89 per cent. The amount due from borrowers now stands at £4,656,055. During the year £885,473 was advanced on first mortgage.

Chilean Debt Service.—Revenues from the Nitrate and Iodine Sales Corporation totalled \$2,981,957.53 and income tax on copper undertakings \$3,124,795.88 during 1937. Fifty per cent. of these incomes will be used for payment of interest at the rate of 7.86 per mille. The balance has been used for redemption.

General Consolidated Investment Trust.—Net revenue during 1937 rose by £9,879 to £49,133 (after £16,300, against £9,880 for taxation). Ordinary dividend raised from 6 to 7 per cent. To general reserve £25,328, against nil. Carry forward reduced by £11,755 to £25,245.

Traction and General Investment Trust.—Net revenue for 1937, £66,987, against £65,958. Ordinary dividend raised from 12 to 12½ per cent. Dividend equalisation fund started with £30,000. Carry forward reduced from £55,950 to £32,214.

Law Debenture Corporation.—Net revenue for 1937 £61,045, against £57,113, after taxation. Ordinary dividend, 14 per

cent. for year, as before. Founders' shares receive tax free £70 17s. 4d., against £77 10s. 3d. per share. During 1937 reserve was increased by £19,542 to £214,337.

Smith's Dock Company.—Trading profits for year to September 30, 1937, increased by £70,226 to £172,118 (after tax and N.D.C.). To depreciation £50,000, against £30,000. Ordinary dividend raised from 4 to 7 per cent. To reserve £30,000, against £20,000. Carry forward raised from £20,048 to £27,025.

Bengal and North-Western Railway.—Company's share of net earnings for the year to September 30, 1937, is Rs.1,26,62,140 against Rs.1,20,02,508. Ordinary distribution, 18 per cent., as before. To provision for taxes £245,125, against £196,125. To sinking fund, £35,000, as before. Carry forward increased from £93,609 to £113,986. Number of passengers carried 33,008,248, against 30,928,959.

Trinidad Sugar Estates. Net profit for year to September 30, 1937, £20,448, against £21,279. Ordinary dividend 10 against 2½ per cent. Carry forward raised from £1,623 to £2,571.

National Omnibus and Transport.—Net profit in 1937 £109,566, an increase of £20,602. Ordinary dividend, 8 per cent., tax free, against 8 per cent., less tax. To general reserve £10,000. Carry forward increased from £28,377 to £30,443.

Petaling Tin.—Net earnings for year to October 31, 1937, were £282,604, an increase of £72,030. Ordinary dividend 85 against 70 per cent. To reserve £81,667, against £46,666. Carry forward £944 higher at £35,599.

Capital and Provincial News Theatres.—Mr S. Seeman, of the Classic Cinemas group, is to undertake the re-organisation of the affairs and theatres of this company. Mr Norman J. Hulbert, former chairman and managing director, and Mr V. C. Hardy, a director, have resigned from the Capital and Provincial board.

River Plate and General Investment Trust.—Net revenue for 1937, £49,840, against £43,930. Deferred dividend, 11 against 10 per cent. for year. To general reserve £5,000, raising it to £122,500. Carry forward £51,030. Trustees have applied £128,936 of capital reserve fund to writing down investments; valuation is considerably in excess of balance sheet figure of £1,224,109.

The Venezuelan Oil Concessions Limited.—Production for the week ended January 15, 1938, was: Bolivar District, 1,004,501 barrels; Maracaibo District, 38,872 barrels; Total, £1,043,373 barrels.

Old Silkstone Collieries.—At class meetings held on January 14 to consider the capital reconstruction, the scheme was passed by an overwhelming majority of both classes.

Westinghouse Brake and Signal Company.—Report and accounts for year to September 30, 1937, show net profit £275,632, against £260,765. To reserves: general, £75,000 (against £70,000); staff pensions, £10,000. Goodwill reduced to £1 by writing off £31,993. Ordinary dividend 10 per cent., also cash bonus 7½ per cent. (against 10 and 5 per cent.) absorbing £148,130. Carry forward increased from £60,060 to £70,569.

Scottish Stockholders Investment Trust.—Revenue for the year ended November 30, 1937 (not including surplus on realisations), £60,784, against £43,287. After debenture interest and administration expenses, net revenue of £33,667, against £18,500. This permits payment of the full dividend on the 5½ per cent. preference capital, against 5 per cent. last year, and also reduction of arrears from 11¼ to 6¼ per cent. Carry forward is reduced from £13,605 to £9,475.

Liebig's Extract of Meat Company.—A profit of £271,009 for the year to August 31, 1937 (against £262,839 for previous year). Ordinary dividend increased from 10 to 11 per cent., tax free, and £217,435 is carried forward (against £216,426).

APPOINTMENTS AND PERSONAL

Mr Clifford Henry Figg and Mr Randal Hugh Vivian Smith have been appointed directors of the Mercantile Bank of India.

Mr. John W. Hely-Hutchinson, owing to his absence in Australia, has resigned from the board of the Brazilian Warrant Agency and Finance Company, Ltd.

Sir Joseph Flavell has resigned as chairman and director of the Canadian Bank of Commerce. He is succeeded by Sir Thomas White.

Mr S. J. Ingram has resigned as chairman and technical director of the South-Western Gas and Water Corporation, but remains on the board. Mr R. B. H. Otley has been appointed director and chairman.

Sir Frederick Whyte, formerly President of the Legislative Assembly of India and later political adviser to the National Government of China, has been appointed director-general of the English Speaking Union.

Mr Philip E. Haldin, chairman of Lamport and Holt Line, has also been appointed joint managing director.

The Royal Insurance Company and Liverpool and London and Globe Insurance Company announce that Mr Frederic A. Bates has been elected a deputy-chairman.

Col. Lionel E. Pilkington has resigned his seat on the Manchester board of Martins Bank.

W. T. Henley's Telegraph Works Company announce that Sir Edward Crowe has been appointed a director as from January 1, 1938.

CURRENT STATISTICS

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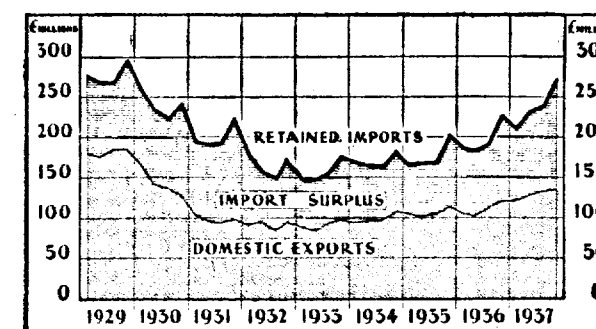
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

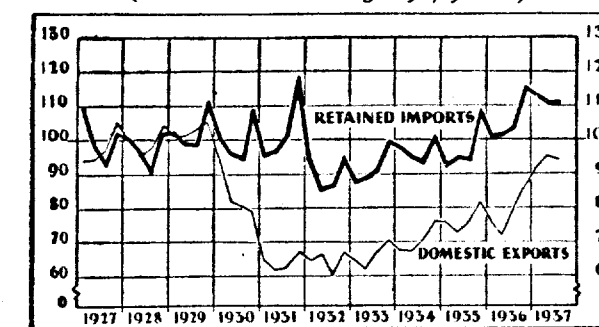
Britain's Overseas Trade

These charts illustrate the course of overseas trade since 1929 and should be read in conjunction with the leading article on page 155. Charts I and II show retained imports and domestic exports by value and volume, respectively. (The Board of Trade index numbers of volume, which are not available on the same basis for the whole period, have been linked to form a continuous series.) The remaining charts refer to individual commodities. The very small degree of recovery in the volume of exports of cotton piece-goods and iron and steel manufactures can be seen in Charts III and IV. In both these charts annual figures for 1929-31 are plotted; in every other case on the page quarterly figures are given. Charts V and VI demonstrate the increase in imports of raw cotton and wheat from Empire sources.

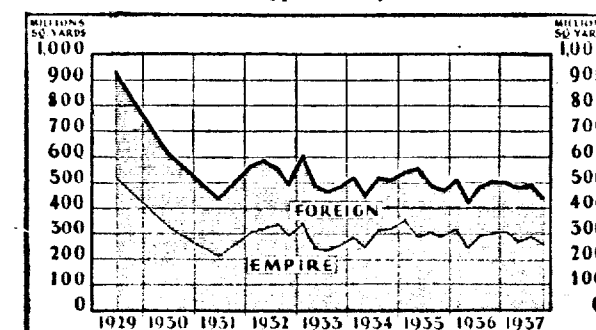
I.—OVERSEAS TRADE: VALUES



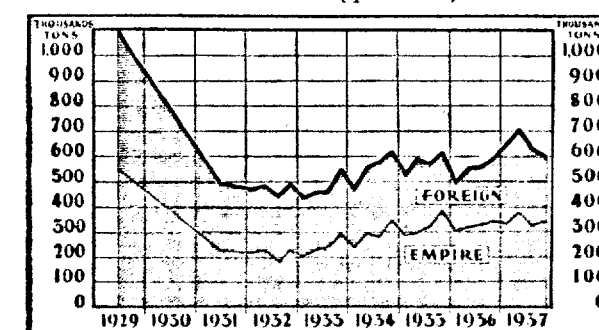
II.—OVERSEAS TRADE: VOLUME
(Index numbers: average 1927-9=100)



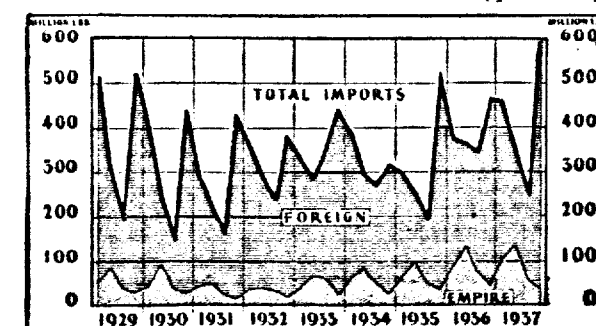
III.—EXPORTS OF COTTON PIECE-GOODS
(quantities)



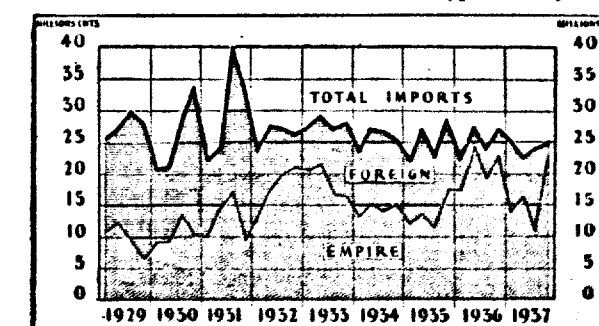
IV.—EXPORTS OF IRON AND STEEL MANUFACTURES (quantities)



V.—IMPORTS OF RAW COTTON (quantities)



VI.—IMPORTS OF WHEAT (quantities)



included in returns
538,583,653 fcs.

BANK CLEARINGS

LONDON

(£ thousands)

	Month of December			Week ended Wednesday		Aggregate from January 1 to	
	1936	1937	Change	Jan. 20, 1937	Jan. 19, 1938	Jan. 20, 1937	Jan. 19, 1938
Number of working days:	25	25	%	6	6	17	16
Town (a) (b)	3,381,643	2,890,859	-14.5	672,280	677,007	2,123,670	1,979,954
Metropol. (c)	181,041	179,177	-0.8	44,416	45,131	1,506,026	1,320,058
Country (c)	313,418	313,695	+0.1	77,283	80,129	2,399,883	2,386,632
Total (d)	3,876,102	3,384,731	-12.6	794,009	802,267	2,499,659	2,350,644

N.B.—In our issue of January 8th, clearings for the week to January 6, 1937, should have been given as (a) £111,106,000; (b) £54,199,000; (c) £96,655,000; (d) £1,061,969,000.

PROVINCIAL

(£ thousands)

	Month of December			Week ended Saturday		Aggregate from January 1 to	
	1936	1937	Change	Jan. 16, 1937	Jan. 15, 1938	Jan. 16, 1937	Jan. 15, 1938
No. of working days:	25	25	%	6	6	14	13
BIRMINGHAM	13,875	12,115	-12.6	3,035	2,876	8,134	7,122
BRISTOL	4,984	3,754	-24.6	978	876	2,709	1,866
BRISTOL	5,339	5,194	-2.7	1,241	1,243	2,930	2,748
HULL	3,754	3,719	-0.9	950	919	2,267	2,157
LEEDS	4,235	4,045	-4.4	1,072	788	2,874	2,514
LEICESTER	3,267	3,202	-2.0	871	826	2,060	1,921
LIVERPOOL	30,806	26,308	-14.6	7,074	5,806	17,882	13,300
MANCHESTER	48,089	44,109	-8.2	11,405	10,091	27,088	24,616
NEWCASTLE	6,170	6,075	-1.6	1,406	1,558	3,204	3,349
NOTTINGHAM	2,124	2,206	+3.7	552	523	1,151	1,410
SHEFFIELD	4,873	5,141	+5.4	1,025	1,069	2,990	3,326
Total: 11 Towns	128,576	116,724	-9.2	29,609	26,575	73,095	64,329
DUBLIN	...	...	...	5,754	5,893	18,493	18,605

* Estimated. † Based on average working day. ‡ 3 full weeks.

MONEY RATES

LONDON

	Jan. 13, 1938	Jan. 14, 1938	Jan. 15, 1938	Jan. 17, 1938	Jan. 18, 1938	Jan. 19, 1938	Jan. 20, 1938
Bank rate (changed from 2 1/2% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bills, 1/2% discount	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
3 months' do.	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
4 months' do.	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
6 months' do.	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Discount Treasury Bills							
2 months'	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
3 months'	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Loans—Day-to-day	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Short—Day-to-day	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Deposit advances: Bk.	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Discount houses at call	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
At notice	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1937	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Dec. 23, 1937	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
" 30, 1937	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Jan. 6, 1938	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
" 13, 1938	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
" 20, 1938	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Jan. 20, 1937	Jan. 14, 1938	Jan. 15, 1938	Jan. 17, 1938	Jan. 18, 1938	Jan. 19, 1938
Call money	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Time money (90 days' mixed coll.)	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Bank acceptances:—						
Members—eligible 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Non-mem.—eligible 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Commercial accept., 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Jan. 14, 1938	Jan. 15, 1938	Jan. 17, 1938	Jan. 18, 1938	Jan. 19, 1938	Jan. 20, 1938
New York, \$	4.86 1/2	4.98 1/2	4.99 1/4	4.99 3/4	4.99 3/4	4.99 3/4	4.99 3/4
Montreal, \$	4.86 1/2	4.99 1/2	4.99 1/4	4.99 3/4	4.99 3/4	4.99 3/4	4.99 3/4
Paris, Fr.	124.21	149.154	148 1/2	147 1/2	148 1/2	148 1/2	148 1/2
Brussels, Bel.	35.00	29.49-57.29	54.56	29.53-56.29	54.56	29.49-56.29	54.56
Milan, L.	92.46	94 1/2-51 1/2	94 1/2-51 1/2	94 1/2-51 1/2	94 1/2-51 1/2	94 1/2-51 1/2	94 1/2-51 1/2
Zurich, Fr.	25.22 1/2	21.62-65.21	62.65	21.62-64.21	62.65	21.62-64.21	62.65
Athens, Dr.	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl.	12.107	8.96 1/2	8.97-98	8.97-98	8.96 1/2	8.96 1/2	8.96 1/2
Berlin, Mk.	20.43	12.39-42	12.39-42	12.39-42	12.39-42	12.39-42	12.39-42
Registered Markers							
Br. India Rup.	18 1/2	44-49	44-49	44-49	44-49	44-49	44-49
Hong Kong, \$	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2
Shanghai, \$	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2
Rio, Mil.	15.899d	Nominal	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
B. Aires, \$	11.45	16.124	16.124	16.124	16.124	16.124	16.124
Valparaiso, \$	40	125 1/2	125 1/2	125 1/2	125 1/2	125 1/2	125 1/2
Mvideo, \$	7.51d	24 1/4-51 1/4	24 1/4-51 1/4	24 1/4-51 1/4	24 1/4-51 1/4	24 1/4-51 1/4	24 1/4-51 1/4
Lima, Sol.	17.38	20-21(1/2)	20-21(1/2)	20-21(1/2)	20-21(1/2)	20-21(1/2)	20-21(1/2)
Mexico, Pes.	9.76	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2
Manila, Pes.	124.66d	23 1/2-43 1/2	23 1/2-43 1/2	23 1/2-43 1/2	23 1/2-43 1/2	23 1/2-43 1/2	23 1/2-43 1/2
Moscow, Rbls.	...	26.45 1/2	26.47 1/2	26.47 1/2	26.47 1/2	26.47 1/2	26.47 1/2

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8 23/32, since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account: Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Jan. 14, 1938	Jan. 19, 1938	Jan. 20, 1938
Helsingfors, M.	193.23	225 1/2-61 1/2	225 1/2-61 1/2	225 1/2-61 1/2
Madrid, Pt.	25.22 1/2	60-100(1/2)	60-100(1/2)	60-100(1/2)
Lisbon, Esc.	110	110-110 1/2	110-110 1/2	110-110 1/2
Vienna, Sch.	34.58 1/2	25 1/2-71 1/2	25 1/2-71 1/2	25 1/2-71 1/2
Budapest, Pen.	24 1/2	24 1/2-51 1/2	24 1/2-51 1/2	24 1/2-51 1/2
Prague, Kr.	164 1/2	142-21 1/2	142-21 1/2	142-21 1/2
Danzig, Gul.	25.00	26 1/2-58	26 1/2-58	26 1/2-58
Warsaw, Zl.	48.38	26 1/2-58	26 1/2-58	26 1/2-58
Riga, Lat.	25.22 1/2	24 1/4-54	24 1/4-54	24 1/4-54
Bucharest, Lei	813.8	665-90	665-90	665-90
Constantinople, Pst.	110	619*	619*	619*
Belgrade, Din.	276.32	211-21	211-21	211-21
Kovno, Lit.	48.66	29-30	29-30	29-30
Sofia, Lev.	673.66	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	17 1/2-18 1/4	17 1/2-18 1/4	17 1/2-18 1/4
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97 1/2	97 1/2-58	97 1/2-58	97 1/2-58
Kobe, Yen	124.58d	13 1/2-43 1/2	13 1/2-43 1/2	13 1/2-43 1/2
Singapore, \$	12.11	8.94-97	8.94-97	8.94-97
Batavia, F.	12.11	8.94-97	8.94-97	8.94-97
Bangkok, Baht	121.82d	22 1/2-56	22 1/2-56	22 1/2-56

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197.10, since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England:—(j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on		Jan. 14, 1938	Jan. 15, 1938	Jan. 17, 1938	Jan. 18, 1938	Jan. 19, 1938	Jan. 20, 1938
New York cent.	1 Month	1 1/2-5 1/2	1 1/2-5 1/2	1 1/2-5 1/2	1 1/2-5 1/2	1 1/2-5 1/2	1 1/2-5 1/2
Paris, francs	1 Month	6 1/2-7 1/2	5 1/2-6 1/2	6 1/2-7 1/2	5 1/2-6 1/2	6 1/2-7 1/2	5 1/2-6 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 1/2-1 1/2	1 1/2-1 1/2	1 1/2-1 1/2
Brussels, cent.	1 Month	3 1/2-4 1/2	3 1/2-4 1/2	3 1/2-4 1/2	3 1/2-4 1/2	3 1/2-4 1/2	3 1/2-4 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 1/2-1 1/2	1 1/2-1 1/2	1 1/2-1 1/2

(p) Premium. (d) Discount. * Approximate.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Jan. 13, 1938	Jan. 14, 1938	Jan. 15, 1938	Jan. 17, 1938	Jan. 18, 1938	Jan. 19, 1938
London —*	Old Par	4.9831 ³²	4.9831 ³²	4.995 ³²	4.9828 ³²	4.997 ³²	4.9911 ³²
60 days ...	4.8666	4.991 ³²	4.991 ³²	4.9911 ³²	4.9971 ³²	4.995 ³²	4.997 ³²
Cables ...	New Par	4.991 ³²	4.991 ³²	4.9911 ³²	4.9971 ³²	4.995 ³²	4.997 ³²
Demand ...	8.2397	4.995 ³²	4.995 ³²	4.995 ³²	4.995 ³²	4.995 ³²	4.995 ³²
Paris, Fr.	6.63	3.28	3.34	3.35 1/2	3.37 1/2	3.34 1/2	3.36 1/2
Brussels, Bel.	23.54	16.90	16.90	16.91 1/2	16.91	16.91 1/2	16.92
Switz'd Fr.	32.67	23.091 ²	23.08 1/2	23.095 ⁴	23.10	23.10	23.11
Italy, Lira	8.91	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4
Berlin, Mk.	40.33	40.28	40.24 1/2	40.29	40.28	40.27 1/2	40.29
Vienna, Sch.	23.82	18.90	18.90	18.90	18.90	18.90	18.90
Madrid, Pt.	32.67	6.20	6.20	6.20	6.20	6.20	6.20
Amst'dm Gldr	68.06	55.66 1/2	55.64	55.68	55.67	55.71 1/2	55.73
Cop'h'gm, Kr.	22.30	22.30	22.32	22.32 1/2	22.30	22.30	22.32 1/2
Oslo, Kr. ...	45.37	25.10	25.10	25.12 1/2	25.10	25.10	25.12 1/2
St'h'm, Kr.	25.75	25.75	25.75	25.77 1/2	25.75	25.75	25.77 1/2
Athens, Dr.	1.29 1/2	0.9134	0.9158	0.918	0.918	0.918	0.918
M'rtal Can. \$	169.31	99.985	99.985	100.00	100.00	100.00	100.00
Y'o'hama, Yen	84.40	29.10	29.07	29.08	29.05	29.06	29.07
Shanghai, \$	29.65	29.62	29.62	29.62	29.62	29.65	29.67
B. Aires, Peso	30.98	30.98	31.00	30.97	31.00	31.00	31.00
Rio, Ms.	11.96	Unquod'd	Unquod'd	Unquod'd	Unquod'd	Unquod'd	Unquod'd
Usance: T.T.		* Dollars per £1.					

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Jan. 16, (£'000)				Aggregate Gross Receipts, 2 weeks (£'000)				Total Receipts
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total	
L. M. & S.—									
1937	367	476	241	1,084	731	925	558	2,214	2,214
1938	374	483	319	1,176	760	933	620	2,313	2,313
L. & N. E.—									
1937	250	323	249	822	498	612	507	1,617	1,637
1938	254	332	249	835	515	628	545	1,688	1,688
Great Western—									
1937	171	135	121	427	334	267	238	839	939
1938	163	195	129	487	329	383	252	964	964
Southern—									
1937	235	57	36	328	507	110	67	684	684
1938	260	57	38	355	523	106	70	719	699
Total—									
1937	1,043	1,041	707	2,791	2,070	2,034	1,370	5,474	5,474
1938	1,056	1,067	775	2,898	2,127	2,050	1,487	5,664	5,664

(a) Week ended January 15.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 99	+ 51	+ 25	+ 15
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 49.50	+ 25.50	+ 12.50	+ 7.50
Latest week compared with 1937	+ 57	+ 33	+ 10	+ 7
Latest week compared with average 1937-38	- 120	- 102	- 67	- 17

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended January 14, (£'000)			Aggregate Gross Receipts, 2 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.6	0.4	2.0	3.3	0.8	4.1
1938	1.7	0.4	2.1	3.5	0.8	4.3
Great Northern—						
1937	7.4	8.9	16.3	15.5	16.1	31.6
1938	8.1	8.3	16.4	16.8	14.6	31.4
Great Southern—						
1937	27.1	51.6	78.7	55.4	94.7	150.1
1938	28.9	50.0	78.9	57.7	96.0	153.7

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS					Brett's Stamping	5*	...	Jan. 31	5*	Marshall (T.) (Mbk.)	16½	24	...	24
Bank of Ireland	7½	13½	...	13½	Bush (W. J.) & Co.	5*	...	Feb. 1	...	Mid-Caledon. Invest.	7	12	...	12
Bank of Montreal	2	...	Mar. 1	2	Can. Invest. Funds	5 cts.	...	Feb. 1	...	Mt. Pleasant Trust	7	12	...	12
Isle of Man	9	18	...	18	Chambers Wharf	10*	...	Jan. 25	20*	Nat. Dominion Corp.	...	3½	...	2½
Royal Bank of Canada	2	...	Mar. 1	2	Coldstream Trust	4½	...	Jan. 25	3	Northern Corporation	10	16	...	16
TEA AND RUBBER					Commercial Gas	2½	...	Feb. 1	3 cts.	Outram (G.) and Co.	7½	12½	...	15
Bah Lias Rubber	10	15	...	9	Dividend Shrs. Inc.	2½ cts.	...	Feb. 1	3 cts.	Pawsons and Leals	5	...	...	3½
Buloh River Rubber	...	6½	Feb. 2	3½	Dixor	22½	...	...	...	Sterling Trust	7	...	...	...
Kuala Kangsar Plant.	10½	15	...	5	Dublin Artizans' Dwa.	4½	...	Jan. 31	4½	Stephen Smith & Co.	5*	...	Mar. 1	5*
Padang Lengkak Rub.	...	...	...	...	Eastwoods, Ltd.	5*	...	Jan. 31	5*	Threlfall's Brewery	8*	...	Feb. 1	8*
MINING					For. etc. Invest. Trust	3½	...	...	4½	Tilling, etc., Traction	6½	10	...	10
B.S. Africa (Chd.)	11½	Feb. 24	10	...	G.R.A. Trust	25	...	Feb. 1	30	Tratford Park Estate	3*	...	...	3*
Ferreira Estate	...	100	Feb. 1	...	Govt. S. Trust (Def.)	4	...	Jan. 28	3	Un. City Prop. Ltd.	3*	...	...	3*
OTHER COMPANIES					Hall (J. & E.)	7	...	Feb. 8	8½	Vaughan Brothers	10*	...	Feb. 10	7
Aldford House	3½	6	Feb. 18	6	Hollychrome Bricks	6*	...	Jan. 31	6*	Wandsworth Gas	3½	7	...	7
Artizans' Dwellings	4½	7	Mar. 10	7	Houndsditch Whse.	...	17½	...	...	Westminster Chmbrs.	5	10	Feb. 28	10
Ass. Prov. Picture	2*	...	...	2*	Hubbard (S.)	...	12	...	...	Wilksn. and Riddell	10	15	...	8
Assets Co.	4½	7	...	6½	Imp. Tob. (G. B. & L.)	17½	25	Mar. 1	25	Williams (Ben.)	6	8½	...	...
Barratt (W.) & Co.	4*	...	Jan. 21	4*	Law Debenture Corp.	10	14	Mar. 31	14					
Bears Industries	2½	...	Jan. 31	11	Lloyd F. H. and Co.	3*	...	...	Nil					
Bell and Nicolson	7½	...	...	...	Lond. Skldrs. Ltd.	...	...	...	...					
Benn Brothers, Ord.	5*	...	Feb. 15	5*	Lond. Necropolis	...	7½	Feb. 11	8					
Do. Deferred	100*	...	Feb. 15	100*	Do. from Land Sales	...	11½	...	11½					
Berry Hill Bkus.	5	8	...	8	Lond. Scot. Inv. (Det.)	5	4	Feb. 3	3½					

HOUNDSDITCH WAREHOUSE.—Ordinary dividend 17½ per cent. for ten months to end of 1937, equal to 21 per cent. for full year.

GREYHOUND RACING ASSOCIATION TRUST.—Final ordinary dividend, 35, against 20 per cent., making for year 40, against 30 per cent.

BEIRA RAILWAY.—Dividend of 2s. per share (against 1s. 8d.) less tax at 3s. 7d. in respect of year to September 30, 1937.

BRITISH SOUTH AFRICA COMPANY.—Dividend for 1936-37 6½ per cent., plus bonus 6½ per cent., making 13½ per cent.

IMPERIAL TOBACCO (Great Britain and Ireland).—Final ordinary dividend 17½ per cent. tax free, again making 25 per cent. tax free for year to October 31, 1937. Reserve allocation repeated at £250,000; carry forward raised from £1,183,767 to £1,441,000.

THE WEEK'S COMPANY RESULTS

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
					Prefe. Amount	Ordinary Amount	Rate				
		£	£	£	£	£	%	£	£	£	%
Total 1938, to Jan. 15	53 Cos.	4,791,355	9,573,943	14,365,298	949,642	5,968,624	...	1,476,203	5,970,829	8,026,169	...
Banks											
Bank of Ireland	Dec. 31	100,970	390,749	491,719	...	289,731	13½	75,000	126,988	378,926	13½
Belfast Banking	Dec. 31	114,989	106,718	221,707	...	66,000	11	100,000	55,707	106,056	11
British Mutual Banking	Dec. 31	9,713	22,460	32,173	...	18,000	10	5,100	9,073	21,569	10
Clydesdale Bank	Dec. 31	104,923	320,250	425,173	...	208,000	16	126,000	91,173	315,518	16
District Bank Limited	Dec. 31	269,237	519,255	788,492	...	372,881	17½	130,000	285,611	490,324	17½
Hibernian Bank	Dec. 31*	29,882	40,468	70,350	...	30,000	12	12,500	27,850	40,750	12
Isle of Man Bank	Dec. 31	10,488	30,870	41,358	...	18,000	12½ ps.	12,000	11,358	30,386	12½ ps.
Lloyds Bank	Dec. 31	539,668	1,832,500	2,372,168	...	1,293,566	12A	500,000	524,704	1,743,955	12A
Midland Bank	Dec. 31	547,084	2,508,009	3,055,093	...	53,898	5B	700,000	591,044	2,467,894	16
Munster and Leinster	Dec. 31*	43,655	70,684	114,339	...	1,764,049	16	25,000	44,339	68,727	12½
National Provincial Bank ...	Dec. 31	970,667	1,874,960	2,845,627	...	45,000	12½	850,000	573,715	1,770,173	15
Northern Bank	Dec. 31	66,665	82,251	148,916	...	1,421,912	15	26,272	68,738	99,017	15
Provincial of Ireland	Dec. 31*	36,472	38,087	74,559	...	53,906	11½A	11,000	38,247	61B	12½
Royal Bank of Ireland	Dec. 31	11,660	40,279	51,939	...	25,312	12½	20,000	11,014	36,592	12½
Ulster Bank	Dec. 31	84,470	183,873	268,343	...	20,925	9	50,000	78,343	43,189	9
Union Discount London ...	Dec. 31	173,976	250,538	424,514	...	140,000	14½	15,000	203,264	182,602	14½
Union of Australia	Aug. 31	146,864	254,384	401,248	...	206,250	10	20,000	243,576	242,576	(w)
Westminster Bank	Dec. 31	516,936	1,750,590	2,267,526	...	235,334	7b	500,000	145,914	240,848	51½
Williams Deacon's Bank ...	Dec. 31	102,046	310,921	412,967	...	1,060,649	20	496,018	1,731,955	1,731,955	12½
Canals and Docks					...	210,859	12½	30,000	148,592	293,636	12½
Smith's Dock Company ...	Sept. 30	20,048	148,852	168,900	9,375	234,375	12½	80,000	27,025	79,649	3
Financial Land, etc.											
Aldford House (Park Lane)	Dec. 24	2,145	10,736	12,881	6,000	3,675	6	1,500	1,706	10,718	6
Davenport, etc., Holdings...	Oct. 31	14,511	50,555	65,066	7,500	37,500	10	20,066	53,492	53,492	10
Law Debenture Corporation	Dec. 31	...	61,045	61,045	7,500	15,750	14	23,622	...	64,977	14
Mulliners (Holdings)	Dec. 21	9,927	21,985	31,912	...	14,173	(x)	...	10,059	22,345	11½d
Northern Corporation	Dec. 31	6,661	16,697	23,358	10,000	8,438	15	2,500	6,858	17,406	16
Transvaal & D. Bay Inv. ...	Aug. 31	158,971	120,141	279,112	...	90,188	32½e	15,000	173,924	119,041	32½e
Motor Cycle & Aviation											
Leyland Motors	Sept. 30	49,234	631,598	680,832	51,188	168,750	25	374,075	86,819	463,011	20
Rubber											
Buloh River	Sept. 30	927	6,507	7,434	...	3,063	6½	3,000	1,371	2,774	3½
Bila (Sumatra)	Aug. 31	14,048	17,596	31,644	...	13,708	8	3,000	14,936	7,425	4
Escot	Sept. 30	2,038	17,977	20,015	...	10,631	7½	7,363	2,021	5,777	4
Sedenak	Oct. 31	11,393	43,048	54,441	...	37,887	12	5,000	11,554	23,894	6
Shops and Stores											
Stead and Simpson	Dec. 31	96,611	38,958	135,569	9,794	14,000	10	2,000	109,775	38,254	10
Victors Stores	Oct. 2	1,034	5,161	6,195	3,019	2,162	8	...	1,014	5,382	10½
Textiles											
Crossley (John) and Sons ...	Dec. 4	11,221	59,586	70,807	29,700	26,729	7½	...	14,378	85,351	7½
Tramways and Omnibus											
National Omnibus, etc. ...	Dec. 31	28,377	109,566	137,943	17,500	80,000	8½	10,000	30,443	88,964	8g
Trusts											
General Consolidated	Dec. 31	37,000	49,133	86,133	14,650	21,000	7	25,238	25,245	39,254	6
Govt. Stk. etc. Securities ...	Dec. 31	...	41,892	41,892	18,413	17,824	4	5,655	...	34,410	3
Lancashire and London	Dec. 31	872	883	1,755	...	737	3	...	1,018	962	3
Lon. Skldrs. Investment...	Dec. 31	10,058	23,923	33,981	9,900	9,450	3½	4,714	9,917	17,291	Nil
Metropolitan Trust	Jan. 1	36,565	99,479	136,044	28,125	56,888	12	...	51,031	94,531	12
New York and General	Jan. 3	19,328	18,699	38,027	31,481	...	...	...	6,546	24,853	Nil
River Plate and General	Dec. 31	48,815	49,840	98,655	12,375	30,250	11	5,000	51,030	43,930	10
Second Scottish United	Dec. 15	11,058	28,582	39,640	17,062	5,688	2½	4,500	12,390	25,333	Nil
Traction and General	Dec. 31	55,956	66,987	122,943	24,274	36,455	12½	30,000	32,214	65,958	12
Other Companies											
Bell and Nicolson	Dec. 31	22,857	40,457	63,314	2,100	33,000	11½	5,500	22,714	40,175	11½
Berry Hill Brickworks	Dec. 31	2,042	17,056	19,098	4,875	4,800	8	5,900	3,523	15,960	8
British Cavity Brick, etc. ...	Sept. 30	13,137	7,637	20,774	3,017	...	...	4,308	13,449	8,714	Nil
British Tobacco (Australia)	Oct. 31	38,741	91,386	950,127	96,507	813,446	10	...	40,174	667,761	7
Houndsditch Warehouse ...	Dec. 31	...	223,245	223,245	32,165	140,000	17½	28,430	22,650	(a)	(a)
Lockhart (Alfred)	Oct. 31	1,216	10,921	12,137	...	6,500	6½	3,750	1,887	12,878	8
Lunt (Richard) and Company	Dec. 31	20,667	26,318	46,985	800	18,425	13½	6,000	21,760	27,117	13½
Millar (A.) & Co.	Oct. 31	6,764	5,447	12,211	2,325	3,100	4	...	6,786	4,598	3
Pratt (S. Alfred) & Co.	Oct. 31	15,652	27,956	43,608	7,500	10,200	8½	10,000	15,908	31,802	8½
Rogers (R. H. & S.)	Oct. 31	9,051	15,013	24,064	3,750	11,250	12½	2,500	6,564	16,697	12½
Trinidad Sugar Estates	Sept. 30	1,623	20,448	22,071	...	19,500	10	...	2,571	21,279	7½
Weber (L. & J.) & Phillips	Dec. 31	10,241	10,786	21,027	...	11,160	6	...	9,867	16,837	8½
Westinghouse Brake, etc. ...	Sept. 30	60,060	275,632	335,692	...	148,130	17½	116,993	70,569	260,765	15
Whitaker (B.) & Sons	Sept. 30	14,054	8,626	22,680	3,750	...	...	...	18,930	8,920	Nil
Williams (Ben) and Co. ...	Dec. 31	...	10,533	10,533	2,435	4,684	8½	2,924	490	(a)	(a)
Total 1938 to Jan. 22	91 Cos.	5,654,258	12,691,052	18,345,310	138,212	7,822,996	...	2,233,321	6,906,871	10,594,854	...

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended December 31		Twelve Months ended December 31	
	1936	1937	1936	1937
I.—Food, Drink and Tobacco—				
A. Grain and Flour	7,804,431	8,592,523	69,536,113	91,411,142
B. Feeding-stuffs for Animals	1,019,001	1,192,835	8,458,376	11,364,446
C. Animals, Living, for Food	594,612	571,529	7,232,528	7,122,327
D. Meat	7,727,629	8,506,978	78,770,957	87,140,445
E. Dairy Produce	6,493,943	7,637,057	67,303,102	72,987,681
F. Fresh Fruit and Vegetables	3,060,835	3,333,179	36,319,358	37,326,193
G. Beverages and Cocoa Preparations	4,191,187	4,848,996	44,671,680	48,510,258
H. Other Food	4,401,383	5,425,333	50,785,698	58,415,176
I. Tobacco	2,319,315	2,715,652	18,484,265	18,095,508
Total, Class I	37,614,336	42,824,082	381,567,077	432,373,176
II.—Raw Materials and Articles				
A. Coal	1,394	1,340	32,119	23,790
B. Other Non-Metalliferous				
Mining and Quarry Products and the like	400,600	502,686	4,304,259	5,317,108
C. Iron Ore and Scrap	574,075	1,311,966	8,358,074	12,612,078
D. Non-Ferrous Metalliferous				
Ores and Scrap	1,339,410	1,506,610	12,276,146	19,002,309
F. Wood and Timber	3,521,349	5,075,873	43,516,879	61,923,873
F. Raw Cotton and Cotton Waste	5,344,713	5,016,846	45,761,473	48,746,243
G. Wool, Raw and Waste, and Woollen Rags	5,476,908	3,746,872	45,655,949	52,188,984
H. Silk, Raw, Knubs and Noils	127,918	207,270	1,824,644	2,263,802
I. Other Textile Materials	1,521,450	1,226,444	11,237,326	12,527,364
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,603,088	2,348,671	28,682,562	35,253,296
K. Hides and Skins, Undressed	2,678,842	2,414,122	19,507,765	25,188,055
L. Paper-making Materials	1,114,905	1,873,862	11,889,531	15,971,311
M. Rubber	285,692	954,892	4,392,188	12,271,385
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	1,103,452	1,067,843	10,501,760	12,154,957
Total, Class II	26,093,796	27,255,297	247,940,675	315,344,555
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	26,006	1,057	130,144	82,237
B. Pottery, Glass, Abrasives, etc.	690,188	651,854	7,488,716	8,174,559
C. Iron and Steel and Manufactures thereof	901,694	2,842,048	11,740,594	19,835,096
D. Non-Ferrous Metals and Manufactures thereof	3,441,348	4,348,662	33,153,245	55,731,368
E. Cutlery, Hardware, Implements and Instruments	619,693	648,478	6,858,662	7,749,756
F. Electrical Goods and Apparatus	313,210	296,522	3,662,140	4,083,247
G. Machinery	1,625,753	1,993,921	17,973,634	24,223,737
H. Manufactures of Wood and Timber	638,745	671,577	7,457,178	8,390,230
I. Cotton Yarns and Manufactures thereof	251,442	277,084	2,833,705	3,428,324
J. Woollen and Worsted Yarns and Manufactures	308,927	287,859	3,135,706	4,234,243
K. Silk Yarns and Manufactures	197,791	185,697	2,562,396	2,604,208
L. Manufactures of other Textile Materials	584,185	576,096	7,445,713	8,093,690
M. Apparel	672,653	718,262	9,555,668	10,880,714
N. Chemicals, Drugs, Dyes and Colours	1,166,984	1,196,709	12,579,464	13,837,325
O. Oils, Fats and Resins, Manufactured	3,280,766	3,878,772	36,124,899	46,614,053
P. Leather and Manufactures thereof	815,594	578,817	9,721,529	9,797,621
Q. Paper, Cardboard, etc.	1,276,186	1,737,710	14,488,491	17,202,039
R. Vehicles (including Locomotives, Ships and Aircraft)	571,933	546,068	5,107,844	6,461,726
S. Rubber Manufactures	46,086	56,430	574,297	719,834
T. Miscellaneous Articles wholly or mainly Manufactured	1,694,004	1,773,390	20,086,130	22,818,247
Total, Class III	19,163,188	23,267,013	212,678,155	274,985,254
IV.—Animals, not for Food	105,176	243,893	1,913,626	3,031,047
V.—Parcel Post	566,319	737,354	3,652,333	3,330,594
Total	83,542,835	94,327,639	847,751,866	1,029,064,262

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

	Month ended December 31		Twelve Months ended December 31	
	1936	1937	1936	1937
I.—Food, Drink and Tobacco—				
A. Grain and Flour	156,652	138,838	1,810,213	1,733,126
B. Feeding-stuffs for Animals	54,376	39,421	577,922	637,053
C. Animals, Living, for Food	339	71	3,269	95,862
D. Meat	97,019	116,176	1,060,158	1,151,383
E. Dairy Produce	103,803	66,185	1,303,532	1,158,794
F. Fresh Fruit and Vegetables	113,252	131,271	388,694	531,697
G. Beverages and Cocoa Preparations	1,413,078	1,340,935	13,528,470	15,524,103
H. Other Food	1,102,409	1,219,283	12,408,508	12,909,668
I. Tobacco	362,690	398,966	4,504,696	5,035,385
Total, Class I	3,403,668	3,451,146	35,585,462	38,780,071
II.—Raw Materials and Articles				
A. Coal	2,535,684	3,030,929	29,299,239	37,666,794
B. Other Non-Metalliferous				
Mining and Quarry Products and the like	91,529	112,135	1,127,877	1,353,155
C. Iron Ore and Scrap	43,017	30,847	391,193	884,333
D. Non-Ferrous Metalliferous	214,133	208,907	2,115,027	3,224,371
E. Wood and Timber	6,798	12,108	86,325	98,035
F. Raw Cotton and Cotton Waste	81,321	41,025	853,029	963,124
G. Wool, Raw and Waste, and Woollen Rags	1,119,846	519,316	7,868,410	9,069,976
H. Silk, Raw, Knubs and Noils	731	685	13,883	9,834
I. Other Textile Materials	35,410	41,427	504,352	580,880
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	225,761	230,363	3,195,188	3,759,063
K. Hides and Skins, Undressed	196,438	146,445	1,750,501	1,797,482
L. Paper-making Materials	127,004	144,740	1,248,864	1,870,631
M. Rubber	24,335	27,349	194,537	391,300
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	237,525	326,252	2,656,282	2,983,154
Total, Class II	4,939,532	4,872,528	51,306,707	64,652,132
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	288,214	306,946	2,992,322	4,235,717
B. Pottery, Glass, Abrasives, etc.	720,883	784,278	8,663,917	9,980,541
C. Iron and Steel and Manufactures thereof	3,309,929	4,235,183	35,966,688	48,404,198
D. Non-Ferrous Metals and Manufactures thereof	1,145,435	1,092,529	12,142,134	15,740,593
E. Cutlery, Hardware, Implements and Instruments	715,244	825,066	8,169,137	9,714,109
F. Electrical Goods and Apparatus	1,000,222	1,155,410	10,020,515	12,546,926
G. Machinery	3,635,637	4,952,485	41,179,280	49,776,062
H. Manufactures of Wood and Timber	106,849	103,489	1,218,285	1,322,118
I. Cotton Yarns and Manufactures thereof	5,459,813	5,018,026	61,502,036	68,532,271
J. Woollen and Worsted Yarns and Manufactures	2,770,359	2,565,504	32,213,547	35,486,432
K. Silk Yarns and Manufactures	113,410	113,147	1,264,368	1,490,818
L. Manufactures of other Textile Materials	1,521,363	1,476,752	17,295,396	20,326,538
M. Apparel	872,846	849,085	11,872,233	12,399,067
N. Chemicals, Drugs, Dyes and Colours	1,922,499	1,843,089	21,091,994	24,660,151
O. Oils, Fats and Resins, Manufactured	344,735	384,551	4,911,624	5,882,045
P. Leather and Manufactures thereof	412,894	347,275	4,268,523	5,345,294
Q. Paper, Cardboard, etc.	614,639	690,381	6,746,629	8,106,362
R. Vehicles (including Locomotives, Ships and Aircraft)	2,938,400	3,835,950	32,250,889	39,934,214
S. Rubber Manufactures	135,513	127,260	1,569,136	1,654,021
T. Miscellaneous Articles wholly or mainly Manufactured	2,294,150	2,580,110	25,439,338	29,307,152
Total, Class III	30,323,234	33,336,516	340,777,991	404,838,629
IV.—Animals, not for Food	112,660	91,805	1,050,792	850,052
V.—Parcel Post	1,736,538	2,129,523	11,883,927	12,473,502
Total	40,515,632	43,881,518	440,604,879	521,594,386

BANK PROFITS AND DIVIDENDS

Brown Brothers Harriman and Company.—For 1937, deposits increased to \$58,799,155 from \$57,589,991 a year ago. Capital and surplus, \$13,025,283 (\$12,503,651); total assets, \$89,431,555 (\$90,354,215); loans and advances, \$19,521,678 (\$18,168,966).

Bank of Ireland.—Net profit for 1937, £390,748, an advance of £11,821. Ordinary dividend for year again 13½ per cent. To contingencies, £75,000, as before. Carry forward increased from £100,971 to £126,988.

Standard Bank of South Africa.—Total assets September 30, 1937,

£87,019,549, compared with £77,691,058 a year before. Deposits £68,455,679 (£61,636,933). Cash and money at call £12,781,471, an increase of £1,356,611. Investments £760,618 higher at £15,357,802. Bills discounted and advances have risen by £4,342,952 to £38,644,050.

THE ECONOMIST

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The Van Zeeland Report

ONE bank chairman after another has been telling us this week that we must get rid of restrictions upon trade, do away with exchange regulations and restore the free movement of international capital if we are to make a fresh move forward and prevent the present halt in economic activity from developing into disaster. In his Report to the British and French Governments, which was published on Thursday, M. VAN ZEELAND expresses the same view. Indeed, in the course of his journeyings he found that everybody agrees in principle; but when it comes to taking practical action—they all with one consent begin to make excuse.

The Belgian ex-Premier's report, a full summary of which will be found on pages 218 to 221, has the unusual merit among international documents of frankly stating the difficulties, and as his enquiries have left him with few illusions, he has sought to adapt his proposals to the present complicated—not to say disorderly—state of affairs. The idea that any countries may be prepared to do anything for international collaboration may, in the prevailing atmosphere of pessimism, seem to be a vain hope. But, at the least, M. VAN ZEELAND's programme will compel those governments who profess a willingness to act in concert to implement their words or confess their insincerity.

Tariffs, in M. VAN ZEELAND's view, are not to-day such an insuperable obstruction as quotas and exchange control, and at the moment he does not hope to persuade

any country seriously to reduce the level of its import duties. But he does ask those countries who are prepared for collaboration to undertake to refrain from further increases against one another's trade, to reduce exceptional rates that are out of scale with their general tariff or have been imposed for crisis reasons, and to remove duties on the export of raw materials. He hopes that countries will continue to make bilateral tariff agreements, and in particular wishes success to the negotiations for an Anglo-American Trade Agreement. He is of the opinion that these agreements should be based upon a general application of the most-favoured-nation clause. But he frankly admits that the most-favoured-nation principle, rigidly applied, has been a hindrance rather than a help, and he therefore proposes that the nations who adopt his new international code should be free to exclude from M.F.N. treatment countries who adopt improper discriminations or refuse to participate in this new effort. The clause, moreover, should not be drawn up in such a way as to exclude regional agreements, provided they are open to all comers who will accept the obligations as well as the privileges of each agreement. These suggestions are by no means new, but M. VAN ZEELAND does well to put them forward at this moment; for the necessity of qualifying the pure nineteenth-century gospel has latterly been widely admitted, and there is to-day a much greater prospect of success on these terms than ten years ago.

M. VAN ZEELAND makes various suggestions regard-

ing indirect forms of protection such as dumping, and the restrictive use of sanitary regulations; but his most sweeping recommendations in this field relate to the use of quotas. He proposes that, in principle, all industrial quotas should be suppressed, though this would naturally have to take place over a period of time. The only exception made is of quotas which are used as an expedient for carrying out an international cartel whose rules and procedure are internationally approved and accepted as being in the general interest. He is less hopeful of the removal of agricultural quotas. Even here, however, he proposes that no new agricultural quotas should be imposed and that there should be no tightening of existing ones. On the contrary, bilateral negotiations should seek to modify or remove them.

On the financial side of his task, M. VAN ZEELAND accepts the position that the stabilisation of currencies on a fixed gold parity is not at present possible, and that even when it can be done, it will have to be on a new basis. But he desires to see the extension of the Tripartite Agreement of 1936 to other countries, who would be invited to indicate the limits within which they would seek to restrict the fluctuations of their currency for periods of, say, six or twelve months. This would lay the foundations of greater currency stability.

M. VAN ZEELAND proposes to revive international credit (the parlous condition of which he attributes to creditor nations which have closed their markets to foreign loans, as well as to the defaults of debtor countries) by removing exchange control from payments for the actual movement of goods. But even this cannot be done without liquidating the past—which means that debts must be adjusted to the debtor's ability to pay and existing arrears under clearing agreements consolidated. Any new securities to be created as part of these funding plans should be in the currency of the creditor and accompanied, if possible, by a plan for cashing them through some international institution. All new credit should be under the new free regime. In the initial stages, credit assistance would be required and, as had been forecast, M. VAN ZEELAND makes some tentative suggestions for the opening of credits between central banks at the B.I.S. He hopes to minimise the lack of balance that might emerge as a result of lifting control from payments arising out of current business by a system of multi-lateral clearing at Basle, and in the last resort proposes to set up a "common fund" from which credits may be granted. But his suggestions under this head are not worked out in detail, and until this is done, it is not possible to judge whether the scale of advances, if any, would be large.

No financial arrangement, however—as the report fully recognises—could be entered into without political guaran-

tees; for the lenders must be assured that any credits granted, even to finance current commodity movements, will not be used to assist re-armament. Clearly, such political suspicions overshadow the whole field of international activity. But there are also more definitely economic difficulties. Among the more purely economic conditions, M. VAN ZEELAND notes that some nations harbour resentment because they have no control over raw materials and believe they can only secure them by obtaining colonies; many are resentful of preference systems which have been set up between other nations; others complain of the closure of the former world capital markets; others again feel most keenly restrictions on the movement of population and the stopping of migration. The failure to settle debts is yet another cause of suspicion, while nearly everyone wonders what will be the effect upon employment when re-armament orders begin to fall off. It has even been suggested that a moment when the slow recovery of trade has been checked is not a suitable one for any new effort. In M. VAN ZEELAND'S view, however, this is one of the strongest reasons for acting now, for like the bank chairmen, he holds that if nothing is done, the present setback may easily develop into a major crisis.

He therefore concludes with the simple request that the Five Powers, Britain, the United States, France, Germany and Italy, should meet to consider whether they are prepared to make a new attempt at international economic collaboration, and to decide whether the recommendations of the present report, with such modifications as may be considered necessary, form a suitable starting point.

The Governments of France and Britain can hardly give an immediate answer to this question; for they must wait and see whether or not such suggestions awaken any response in Germany and Italy, and whether there is any desire on the part of authoritarian countries to depart from their present isolationist trend. At the same time a very early exchange of views is to be desired; for if England, France and America were prepared, in principle, to act on the lines suggested, Germany, Italy and other doubting countries would at least know the sort of economic conditions they could secure in return for political peace. It is for them to decide whether they find the prospect attractive.

But even if these countries are not yet ready for a programme of limited reconstruction such as this, M. VAN ZEELAND'S report remains a constructive plan on which other countries who are prepared for international collaboration may build up their mutual economic relations. The Five Power project may or may not materialise. But the general scheme should in any case be taken up by other countries as a serious attempt to restore the trade of the world, which is still suffering from the collapse of 1931.

Australia's Birthday

THIS week, in the corporeal presence of the LORD PRIVY SEAL, the former LORD MAYOR OF LONDON and many another notability, and in the mental presence of almost everyone within reach of Press or radio in the English-speaking world, Australia has been celebrating the 150th anniversary of the first British settlement on her shores. It was a humble beginning for a great nation. They were no Puritan fathers, no *conquistadores*, who landed at Sydney Cove from the brig "Supply" on January 26, 1788, but a squad of convicts whom a stern authority had transported from their country for their country's good. How truly it was for their country's good that it should hold and people that great continent in the South Pacific only the indomitable CAPTAIN ARTHUR PHILLIP realised,

and even he must often have lost heart when the first harvest failed, or the supplies from England did not arrive, or his motley colonists fought and rebelled. "We shall want some good characters whom these people might look up to," wrote home the first "Governor-in-Chief in and over Our Territory of New South Wales and its Dependencies"—which were to include in the early days the present Dominion of New Zealand. It is rightly CAPTAIN PHILLIP whom Australians and British people everywhere have been chiefly honouring this week; for without his humanity, his courage and his vision, that inauspicious experiment a century and a half ago might easily have come to naught.

Australia's first steps to nationhood were slow. The transportation of convicts to New South Wales was not

given up until 1840, and it lingered in Western Australia for another twenty-eight years. Though many of the convicts were stout men of the Tolpuddle Martyrs' breed, and though free colonists soon began to arrive, this far-away colony could not at first tempt mass migration from a mother country in the throes of the Industrial Revolution. In 1797, CAPTAIN JOHN MACARTHUR set Australia's feet on the path to her present prosperity by introducing the merino sheep, which thrives on the thin but extensive pasturage that is typical of the Australian hinterland. To-day, Australian merino wool ranks with Indian jute or Canadian hard wheat as a product, indispensable to the world, which comes predominantly from one land. But it was not the pastoral industry that brought the great rush of people to the empty spaces of Australia. In 1851 came the discovery of gold. Between 1850 and 1860 the population rose from 405,000 to 1,145,000. While the gold fever was at its height an annual average of over 40,000 immigrants entered Victoria alone. The present chief source of Australian gold, the Kalgoorlie area of Western Australia, was discovered in 1886, and brought a fresh "gold rush" to the country.

The gold boom was only a transitory phase; whereas in 1903 Australia produced nearly a quarter of the world's output of gold, in 1923 her share had fallen to a bare 4 per cent., and gold-mining is to-day but one among scores of Australian industries of comparable economic importance. But the gold phase left a legacy of a proletariat detached from the land, which has created many both of Australia's characteristic social problems and of her equally characteristic ways of meeting them. As PROFESSOR HANCOCK put it this week, "within ten years of the discovery of gold almost the whole Chartist programme had become law in the Australian colonies." The rise of the Labour Party to dominant power was a twentieth-century phenomenon, but by the time the six colonies were federated into the Commonwealth of Australia in 1901, they and New Zealand had pioneered for the world the path of social and economic democracy. The defence of labour standards behind erected barriers against undercutting imports and undercutting immigrants was indeed one of the most powerful reasons for federation.

Meanwhile, the character of the Australian economy had been radically altered since the days of the convict settlements, not only by exploration and immigration, but also by scientific discovery and invention. Dry-farming, irrigation, artificial manuring and the evolution of drought-resisting strains of wheat gave Australia the capacity to produce grain and other primary products that the Old World needed; the railway and the steamship brought them within the Old World's reach. More recently, developments in cold storage have deflected once more the path of Australian economic history. But the free exchange of Australia's raw products for Europe's manufactures was a partnership that irked the nationalism of both sides. Europe

sought to safeguard its peasants; Australia set its heart on a more balanced economy. Behind the fence of protection, secondary industries grew up, until to-day the net output of factories in the Commonwealth exceeds in value the total net output of the pastoral, agricultural and dairying industries, and approaches that of all primary industries.

To-day, the internal prosperity of Australia, which began to revive even before the start of recovery was visible in Great Britain, continues without pause. It has been helped by a building boom which has affected all the principal cities of the Commonwealth. The price of wool has been disappointing this season, and the general fall of prices since last April has been necessarily a bear point for Australia. But it has yet done little or nothing to abate the turnover of business within the country. A short while ago the proportion of unemployment touched a level lower than had ever been recorded before in Australia, though public works designed partly to relieve unemployment remain an active part of governmental policy. If times grow more difficult within the next few years, Australia faces them with many more advantages than in 1929. She has greatly increased both the volume and the variety of her exports; public finances are on a sound footing; a substantial sterling reserve has been accumulated from the trade balances of previous years; conversions and a rigid abstention from new borrowing have reduced the burden of interest on the external debt by upwards of four million pounds a year. Above all, Australia has behind her a record of achievements in active warfare against depression which will give her good heart and valuable experience, and in which Governments both of the Left and of the Right have co-operated.

Vital problems loom in the more distant future. Even in a country politically so homogeneous as Australia, the principle of federation has to run the gauntlet between the centralists and separatists, in these days of closer and closer state control of economic life. Problems of defence and foreign policy must bulk large for a period; for Australia, with her new status as a nation independent externally as well as internally, looks out upon a world whose dangers lie too close for comfort to her shores and her economic lifelines. And problems of population will come more and more to the front as the truth sinks into the public mind that Australia is certain to see a decline in the numbers of her people unless the reproduction rate rises or immigration is resumed, and that Great Britain has now few potential emigrants to spare. What will the next hundred and fifty years bring for that great Commonwealth, as large as the United States but with one-twentieth of its population? That they will see the consolidation of Australia's nationhood and the great furtherance of her economic progress we may be sure. But we may also feel certain that they will bring problems and developments very different from those Australia has experienced since that fateful day when the "First Fleet" landed.

A Transport Experiment in Ulster

THE Victorian era, that age of certainty, was never more sure of anything than that railways had a natural monopoly of inland transport. It was well that it was so, for without such an assured monopoly there might never have been the great development of railway construction whose fruits we now enjoy, and it is very doubtful whether the system of "charging what the traffic will bear," which alone made possible a large volume of heavy traffic, would have been adopted. For low rates can be charged on minerals only if relatively high rates can be charged on more valuable merchandise, and that is impossible if there is a competing form of transport ready to carry this

remunerative traffic at cut rates.

The railways' monopoly has, however, been brought to a decisive end by the invention of the internal-combustion engine, and in almost every country, as a consequence, there is the difficult problem of accommodating two competing transport systems, of which one is legally and technically organised as a monopoly, and bears the legal obligations of a common carrier, while the other has grown up in an atmosphere of fierce and largely unregulated competition not only with the railways but among its own members. Road transport naturally competes most strongly for the more remunerative traffic, with the result that the problem

usually emerges in the shape of complaints by the railways that they are unable to earn the full return on their capital to which they consider they are entitled. In Northern Ireland, however, where both roads and railways are numerous in relation to the population or the traffic to be carried, the problem was exceptionally severe. In the five years 1928-32 the working expenses of the three main line railways absorbed 91 per cent. of their total receipts. For the "Big Four" of Great Britain in the same period expenditure was 81 per cent. of receipts, and even the margin of 19 per cent. was insufficient to yield the "standard revenue" and make an adequate return on all the capital invested. In 1933 there was a railway strike in Ireland, and the expenditure of the three railways exceeded their receipts by 10 per cent. Moreover, it became obvious when work was resumed that some of the traffic was lost for good. The railways were thus in a parlous state. Various devices had been adopted in the 1920's to reduce the severity of competition. Northern Ireland was the first to develop the system of limiting road passenger services by licence that was later adopted in Great Britain. Minimum fares were prescribed; heavy taxation was imposed on road transport vehicles. But there are obvious limits to a policy of "co-ordination" that goes no further than the negative step of equalising the burden of public regulation on the two competing forms of transport. Road vehicles cannot be restricted to such an extent that the service does not meet the demand, without evoking an outcry both from the operators and the public. And if even with this amount of restriction there is still not a remunerative volume of traffic for the railways, the country is still faced with the possibility of the breakdown of its railway system. The position was reached in Ulster in 1934 that two of the three large railways in the province were threatening to close down completely.

In this emergency SIR FELIX POLE was invited by the Government of Northern Ireland to submit a Report on the whole problem. In his Report SIR FELIX gave it as his opinion that the most effective solution would be the complete amalgamation under a single body of all forms of public transport in the country—road and railway, goods and passenger alike. Several of the railways, however, are not confined to Northern Ireland. Six of them operate also across the border in what we must now learn to call Eire, and the lines of the Great Northern Railway cross the boundary between the two States no fewer than fifteen times. SIR FELIX POLE was reluctantly compelled to the conclusion that it would be impossible for this reason to amalgamate the railways with the rest of transport. Moreover, when the Northern Ireland Government came to draft a Bill to implement SIR FELIX'S Report, they found it necessary (contrary to his recommendation) to exclude also the passenger transport undertaking of the Belfast Corporation. This exclusion was presumably based on political rather than economic considerations, since the Act provides that the Belfast undertaking can be taken over subsequently if terms can be mutually agreed. The Northern Ireland Road Transport Board, as set up by the Act of 1935, consequently embodies only a part of the complete amalgamation which SIR FELIX POLE thought ideally desirable. By the terms of the Act, all road transport undertakings except that of the Belfast Corporation were to be purchased by the Board. Up to £5,000 of the compensation could be paid in cash, the remainder in capital stock of the Board. The railways sold their road undertakings (including collection and delivery work) to the Board, but they continue to work their railway lines. The Act provides that the net receipts of the railways and the Board are to be pooled and divided between them in proportion to the respective revenues of rail and road transport in a "standard year," which is defined as 1932 for road transport and the average of 1924 and 1932 for the railways. But the passenger traffic

of Belfast, which includes a third of the population of the province, is excluded both from the Board's administration and from the financial pool.

The Board, which came into formal existence on September 1, 1935, thus has a monopoly—save, of course, for traders' own vehicles and private cars—of the transport of goods and passengers by road outside the County Borough of Belfast, and it is also enjoined to work in close financial and technical co-operation with the railways. Limited though it is, the Board is probably the most radical experiment yet made in the co-ordination of transport. Northern Ireland's neighbour, Eire, runs it close, for the bulk of road passenger traffic there is in the hands of the Irish Omnibus Company, which is owned by the Great Southern Railway, itself an amalgamation of almost all the railways in the country. But the Northern Ireland Road Transport Board is unique in having a monopoly of the public transport of goods, as well as of passengers, by road. This fact also gives it a wider scope than the London Passenger Transport Board, upon whose structure it is obviously based. And naturally, the career of the Board is being very closely followed not only in Northern Ireland but in every country where a solution is being sought for the problem of transport co-ordination.

The circumstances in which the Board was born were not such as to guarantee it an entirely favourable reception. Many road transport operators, noticing that the emergency which gave birth to the Board was created by the difficulties of the railways, and also that the plan was based on the recommendations of a railway expert, were inclined to regard the whole experiment in the light of a mere rescue plan for the railways. Complaints were increased by the fact that it proved impossible to adhere to the timetable for the transition period laid down in the Act. An unexplained period elapsed before the appointment of the two tribunals envisaged in the Act, one to arbitrate on the terms of purchase of undertakings by the Board, the other to decide on fares and charges; and though it would be difficult to establish that harm was done by the delay, since there was no accumulation of cases waiting to be decided, criticism has naturally been stimulated. The scheme for pooling the receipts between the Board and the railways was not approved until December 24, 1937, the delay being due to the difficulty of ascertaining the net revenue, in the "standard year," 1932, of the many hundreds of road undertakings then existing; even now there are more than 200 undertakings acquired by the Board for which no accounts have been furnished.

The difficulties of the initial period have, indeed, proved to be very much greater than was foreseen. The road passenger services were taken over in a comparatively short time, but the tasks of purchasing large numbers of goods transport undertakings and of evolving the amalgamated service to take their place, have taken a long time to solve. It would consequently be unreasonable to place upon the Board the whole responsibility for the long delay in putting the full scheme into operation. The first year's accounts had to await the approval of the pooling scheme, and they have not yet appeared, although it is understood that they are in the hands of the Ministry of Home Affairs. The absence of established facts about the Board's undertaking has not been calculated to assist its critics in understanding the full immensity of the difficulties with which it is faced.

Delay is not the only complaint of the undertakers who were bought out by the Board. There has been a considerable volume of criticism of the amount and nature of the compensation paid. The Board at its inception inherited agreements that had been made by the Government with the three largest railway companies and the two largest road passenger undertakings, and it has been said (though the charge is denied by the Board) that these agreements were unduly favourable to the companies, leaving an insuffi-

cient margin of resources out of which the Board could compensate other undertakings. Compensation was paid partly in cash and partly in the Board's stock, of which the "A" stock is, broadly speaking, given in compensation for tangible assets and the "B" stock for goodwill or prospective future profits. It is one of the complaints of the former operators that though the "B" stock is reckoned at par for the purpose of compensation, it actually stands in the market at a discount of about 25 per cent. The complaint is natural enough, but is hardly well founded, seeing that the market value of the "B" stock is inevitably closely related to the surplus earning power of the Board after paying the moderate interest of 4 per cent. on the "A" stock. Given reasonable efficiency by the Board, the only

method of raising the market valuation of the "B" stock would have been to reduce the issue of "A" stock in payment for the fixed assets taken over from the operators. Those operators who were making substantial profits before the Act have some ground of complaint that they have been treated relatively worse than those who were not making profits; but there is no reason to believe that the compensation paid for fixed assets was not fair.

Complaints from the former operators alone might be overlooked if the public of Northern Ireland were pleased with the Board's operations. Unfortunately, the public has also had criticisms to make. These criticisms will be outlined, and an attempt will be made to assess their justification, in a second article.

"Stop Me and Buy One"

ON April 23, 1937, a man named TAYLOR was riding a tricycle. Attached to the tricycle was a receptacle containing ice-creams, which TAYLOR was offering for sale to the public. As his custom was, he arrived at a school in Clancarty Road, Fulham, at a moment when the children were leaving the premises, "in order that they might stop him if they wished to buy ice cream." It turned out that they did wish to buy ice cream, and he remained there for about 15 minutes, serving eight children from "a receptacle occupying a stationary position at a place in the carriage-way."

It will be obvious at once that TAYLOR, by selling from a stationary tricycle, put himself in jeopardy of being held to contravene Section 30 of the L.C.C. (General Powers) Act, 1927. A constable, approaching him and finding that he had no hawk's licence, charged him with the offence. TAYLOR cleverly came back on the constable by pointing out that Section 30 contains a proviso (which the constable, he claimed, had overlooked) authorising him to sell from a stationary receptacle if he ordinarily moved it from place to place in pursuance of his trade. The constable denied that TAYLOR'S action was covered by the proviso, and haled him before the Justices. The latter sided with the constable; held that the law had been outraged by the sale of ice-creams from a temporarily stationary receptacle; convicted the salesman; but, despite the gravity of the offence, tempered justice with mercy under the Probation of Offenders Act, 1907.

The finding of the Justices was broadly this: that it is in order to sell ice-creams to children from a tricycle so long as the man in charge of the tricycle is pedalling it along the road and his customers are keeping pace with him at a jog-trot along the pavement. If it is a running contract of sale and both parties are proceeding *pari passu* during the negotiations, the delivery of the goods and the payment therefor, then the *vendor* commits no crime. If the *vendor*, however, for one moment stays his progress, delays the venture and comes to a full stop, then, in the view of the Justices, the law is breached and the salesman is liable to whatever penalties are ordained by Section 30 of the L.C.C. (General Powers) Act, 1927.

If the matter had remained there, we Londoners would in future have had to buy our ice-creams on the run. Happily for all of us, however, TAYLOR was a man of spirit, who appealed to the High Court on the ground that the proviso which the constable had rejected was sufficient authority for his conduct. Happily, too, the Court before which the appeal came was strong, well-balanced and admirably suited to try a criminal action with a commercial background. THE LORD CHIEF JUSTICE presided and, with him on the bench were BRANSON, J. and HUMPHREYS, J. Of these two judges the former, who has spent almost the whole of his working life in the Commercial Courts, is supremely quali-

fied to hear a charge arising out of the purchase and delivery of a choc-bar or a fourpenny tub. The latter judge, who had a distinguished record at the Criminal Bar, has seen at close quarters most of the famous wrongdoers of the past thirty years, and well understands those dark instincts of the human soul which may tempt a desperate man to contravene Section 30 of the L.C.C. (General Powers) Act, 1927.

Counsel engaged in the appeal were also of excellent quality—two eminent silks and two busy and experienced juniors. TAYLOR won his appeal and the world has been made fit for school-children to buy ice-creams in. But the victory was not by any means a walk-over. THE LORD CHIEF JUSTICE, it is true, thought that the effect of the proviso to Section 30 was to protect certain vehicles notwithstanding that at certain times they did occupy stationary positions. But MR JUSTICE HUMPHREYS found considerable difficulty in holding that the section was intended to authorise in the proviso what it prohibited earlier.

Nevertheless, the appeal succeeded, and, as laymen, who look at these difficult points of law from a practical standpoint, we are glad of it. A contrary judgment might, in our view, have led to grave abuses. Even if we neglect the relevant passages in the Sale of Goods Act and the later judgments of LORD MANSFIELD, it is clear from the text books and from LORD HALSBURY'S *obiter dictum* in *Blackburn v. Vigors*, that a contract for the sale of ice-cream is not *uberrimæ fidei*. A vendor who insisted on payment before delivery might subsequently accelerate his tricycle, and, without making delivery of the goods paid for, cry *caveat emptor* derisively to his breathless and sobbing customer. If an infant were bound in law to buy his ice-creams, *currens*, so would the adult; and there are many of us who are ill-qualified physically to keep pace with a tricycle as we buy from a better placed and more athletic seller. And we have our adult dignity to consider, too. It would not do for THE CHANCELLOR OF THE EXCHEQUER or THE CHAIRMAN OF LLOYD'S to be seen running through the streets of London by the side of a tricycle, scattering pedestrians to right and left, as with one hand he fumbled in his pocket for the necessary fourpence and with the other received the familiar tub and cardboard spoon. No. The judgment of the Court of Appeal is undoubtedly sound.

And so the battle of Clancarty Road is settled—not without dust and heat. It has taken the time and services of the L.C.C. bureaucrats who framed the Act, of the M.P.s who passed it, of the police who tried to enforce it, of the solicitors who prepared the briefs, of the justices who convicted, of the four counsel who argued the case on appeal, and of the three eminent High Court judges who heard it. Is there in all this, do you think, something slightly out of proportion? Can it perhaps be that the world is just a little bit mad?

Topics of the Week

Bank Chairmen on the Trade Outlook.—Three of the Big Five banks have held their annual meetings this week, and particular interest has naturally been taken in what Mr Reginald McKenna, Mr Rupert Beckett, and Mr Colin Campbell had to say about the outlook for trade. As Mr Beckett remarked, on every hand the question is heard: "Are we heading for a slump?" And his sense of public psychology was entirely right when he declared that it was important that the question should receive an answer based on an examination of the available facts. Unfortunately, the question is peculiarly difficult to answer at the present juncture of affairs, and while all three chairmen were naturally and rightly at pains to emphasise the numerous and strong favourable factors in Great Britain's present position, it was also clear from their speeches that they are watching the development of events with a very careful watchfulness. Both Mr Beckett and Mr McKenna found the main explanation of the check to British recovery during the last quarter of 1937 in the sharp reversal of the upward trend in America, which they attributed in part to a loss of confidence owing to the political antagonism between the Government and business leaders in that country, and in part to the decline in the capital goods industries. This emphasis upon the responsibility of America for the current recession led logically to the conclusion that the course of events in 1938 must largely depend on whether it proves possible for recovery to be resumed in the United States. On this Mr McKenna was non-committal, but Mr Beckett thought that the recent news from the other side of the Atlantic had been more encouraging, and that the next few months would see a resumption of the recovery movement.

Another point on which Mr McKenna and Mr Beckett were in substantial agreement was the importance to be attached to the rising adverse balance of payments. Mr McKenna, it is true, once more repeated his doubts of the accuracy of the official estimate, and went so far as to question whether the final balance is against the United Kingdom. He warned his audience, however, that an adverse balance of payments, if it existed, would be a serious matter, since it would call for a restrictive monetary policy. Mr McKenna's speech, as is his custom, contained an interesting passage on matters rather wider than are usually the concern of bank chairmen. He has long been an advocate of a managed currency, and he took the occasion this year to compare the results of the six years 1925-31 under the gold standard, and the six years 1931-37 under a managed currency. The comparison is of course highly favourable to the latter period. Mr McKenna did not ignore the dangers of *post hoc ergo propter hoc*, but he proved his conclusion that "whatever other forces may have been in operation, a managed currency is at least consistent with flourishing trade." Of the three chairmen, Mr Campbell mixed most optimism with his caution. He was critical of the fears of a pronounced economic recession that have been repressed "in quarters where economics is an academic study" and expressed his own confidence in the "fundamental strength and soundness" of the position.

Parliamentary Prospects.—When Parliament re-assembles on February 1st, its main preoccupation is likely to be with arms and defence. Its first attention will be engaged by delivery and co-ordination in the equipment of the fighting services, the progress of air-raid precautions, and the task of footing the cost of re-armament in the Budget next April. The Chamberlain Ministry has also reached a crucial stage in the statutory definition of the proper and necessary relations between the State and industry. Vested interests are already lined up to oppose the Government's bills to regulate and control the coal, electricity and film industries. The Mining Association of

Great Britain is conducting a campaign of fierce hostility against the compulsory amalgamation proposals of the Coal Bill, which is on its way to the Statute Book; and organised labour, as in 1921, will not be content until the whole mining industry is owned by the State. Nor have any of the Government's alternative proposals for the guidance and protection of the film industry received general approval from the parties most closely concerned. It remains to be seen, finally, when the text of the Electricity Bill is made public, whether the interested opposition which attacked last year's proposals of the Government to rationalise electricity supply has been allowed to triumph.

Meanwhile, vitally important commercial negotiations are in hand with the United States and with Eire; and here, no less than in the field of industry, the Government may pray to be saved from its political friends. The official Opposition may be weak, but on the other side of the House there is an unofficial Opposition, and the real test of Mr Chamberlain's administration may be its success in restraining this Opposition in the interests of the community. Meanwhile, in the formulation of Sir Samuel Hoare's Bill to reform the prisons, in the compilation of family budgets to improve the measurement of the cost of living, and in the preparation of reports on safety in mines and the location of industry, the normal business of modern government will steadily proceed.

Church Unity.—By a striking coincidence in time, two important documents have recently been issued which illustrate the efforts being made to heal the schisms that for three centuries have divided the Protestant churches of England. The first of these documents was the report of a Commission appointed by the Archbishops of Canterbury and York as long ago as December, 1922, "to consider the nature and grounds of Christian Doctrine, with a view to demonstrating the extent of existing agreement within the Church of England, and with a view to investigating how far it is possible to remove or diminish existing differences." The report has been signed by all the members of the Commission without any minority report, but this does not mean that it has been found possible to reach agreement on all the disputed points, and in particular on those which chiefly arouse the controversies of Fundamentalists and Modernists. On one point after another the report is content to state that two opposing views are held, and can properly be held, within the single Church of England. The Church has always had a wide range of doctrine, as is inevitable in the State church of a people addicted to tolerance and compromise, but this new freedom of conscience applies to a number of matters which until very recent generations would have been considered fundamental in the doctrines of the Church. It clearly reflects the realisation within the Church that the temper of the modern age, though it may be religious, is certainly not theological. The second and more striking document expresses the same conviction. This consists of a series of heads of discussion for possible reunion between the Church of England and the Free Churches. It has been drawn up by a body consisting on the one hand of a number of bishops of the Established Church, and on the other hand of several of the leading representatives of the Methodist, Congregational, Baptist, Presbyterian and Moravian churches. Both sides in the discussions that have led up to this report have made concessions. The Anglican bishops have declared themselves willing to accept inter-communion, to admit the nonconformist clergy to an equality of status, and to recognise the right of congregations to have at least some say in the appointment of their religious ministers, while the Free Church

representatives, on their side, have accepted the principle of episcopacy, and of the ordination of "presbyters" (which is to be the new form of "parson" or "pastor" writ large) by the laying on of hands. The report is not a cut-and-dried and accepted scheme, but merely one for discussion by the various bodies concerned. It will take long and anxious consideration before all sections of Protestant opinion accept the scheme, which, as has been said in one comment, must appear to many of them to be "either betrayal or revolution."

A Newspaper Jubilee.—*The Economist* is so closely approaching its own centenary that it can take an almost paternal interest in the milestones passed by its younger contemporaries. A dinner held last Friday was notable not only as marking the jubilee of our close and lively neighbour *The Star*, but also for two speeches in particular that reflected a pair of traditions of which all Englishmen can well be proud. The Lord Mayor of London did not fail to recall the fact that his great predecessor, Brass Crosby, went to the Tower to defend (against the House of Commons, be it remembered) the freedom of the journalists of the City to edit their newspapers without control from above or any hindrance save the ordinary responsibility of every citizen to answer in the courts for any transgression of the law. There are those who hold that the full freedom of the Press is slowly being encroached upon by statutes, by administrative practices and by judicial interpretations of the law. But when the freedom of the British Press is compared with the dismal state of journalism in other lands, these complaints sink into insignificance. The interferences could be multiplied tenfold and the written word in Britain would still be free. Another graceful speech at the dinner was made by the chairman of the *Evening News*, a paper that is not only *The Star's* keenest commercial competitor, but is also about as diametrically opposed to it in political faith as two newspapers can well be. There are not many countries left where political bitterness and commercial jealousy can be so bounded by tolerance. Uncensored knowledge and tolerant judgment are an unbeatable combination.

Chautemps, Daladier, Gamelin.—Alice in Wonderland's "curiouser and curiouser" is the only comment that the astonished English observer can make upon the course of French politics during the past week. After having gone out of his way at the end of his last administration to break up the Popular Front, M. Chautemps has been inaugurating his new administration with an elaborately studied attempt to recreate it. He has been at pains to explain that the whole purpose of his Ministerial alarums and excursions has been to make sure of being able to carry out the Front Populaire policy. And a statesman has seldom been taken more ironically at his word. On Friday of last week the new French Government was greeted by the Chamber with a vote of confidence on the record scale of 501 to 1. And while there were 100 abstentions on the extreme Right, and M. Bergery, who cast the solitary adverse vote, did his best to play the *enfant terrible*, it is credibly reported that M. Chautemps would have welcomed a dozen Bergerys instead of one, and two hundred abstentions instead of a mere century. In politics, confidence rings hollow when it professes a virtual unanimity; and in well-informed French opinion M. Chautemps' plethoric 501 to 1 is worth not so very much more than a bare majority.

At the same time, there are other things besides mirages and drifting sands in the present French political landscape. If M. Chautemps' position looks rather more nebulous, on the other hand M. Daladier's looks decidedly more solid. Whatever may or may not be the political meaning of M. Daladier's victory over M. Cot, there can be no doubt about the reinforcement of France's means of defence through the concentration of administrative control of all defence forces in one hand. And the new Carnot has now been given a Napoleon and a Colbert to

minister to him. On the day on which M. Chautemps received his embarrassingly excessive vote of confidence, the President of the Republic signed a decree creating a Chief of General Staff of National Defence in the person of General Gamelin and a Secretary-General of National Defence in the person of M. Jacomet, who already holds the corresponding post in the Ministry of War. Co-ordination of defence is relatively easy to achieve in France, where the Army already possesses an uncontested preponderance over the other two fighting services. But it is interesting to observe how promptly this French portent has been noted in Germany. This is a good sign, considering that one of the chief dangers to European peace has been a German will to believe that France is not half so strong or so solid or so resolute as France has in fact never ceased to be—notwithstanding some curious antics in the political circus at Paris, which are, after all, no odder than things that happen in Berlin.

Mr Hirota's Apologia.—Most of the political pronouncements that are made by Japanese statesmen nowadays would be superbly witty if they were not meant to be taken seriously; and Mr Hirota's speech in the Imperial Diet last Saturday was no exception to the rule. When he said that "Japan has no territorial ambitions in China nor has she any intention of separating North China from the rest of the country," what he meant, without seeing his own joke, was that Japan intends to swallow China whole like a boa-constrictor instead of shearing off a leg or an arm like a shark. But we must forbear to exploit a vein of humour that can be so easily mined. It is more interesting to study the references in Mr Hirota's speech to Japan's relations with foreign countries other than the neighbouring one for whose sweet sake the Japanese are making their present titanic exertions. Here, too, there is a certain *naïveté* in the obviousness with which the doses of Japanese good-will talk doled out to different Powers are graduated. The medicine-glass tendered to Italy and Germany is all sugar and water. In the glasses proffered to Great Britain and the United States there is a double dose of honey to take out the nasty taste of the Japanese bombs that sunk an American warship and the Japanese machine-gun bullets that all but killed a British Ambassador. But here the fulsomeness is nicely differentiated. The Americans, Mr Hirota opines, have perfectly understood that "in conducting military operations in China Japan has been exercising special care lest the nationals and the rights and interests of third Powers should suffer." About our British perspicaciousness, Mr Hirota is not quite so sure, so he has shaken in a dash of bitterness. He hopes that the British "will endeavour to comprehend correctly Japan's position in East Asia and to co-operate with Japan" when they have fully grasped "the importance of Anglo-Japanese relations"—which is Mr Hirota's jolly way of saying that on the Far Eastern chess-board a larger number of British than American pawns are commanded



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by Japanese pieces. But the most significant reference is that to Russia; for, while Mr Hirota deprecates the Sino-Russian non-aggression pact of last August, he underlines "the urgent need" of placing the relations between Japan and Russia "on a normal footing" for the sake of peace. It is obvious from this analysis of Mr Hirota's speech that the speaker is in a state of some discomfort—and so he may well be. The two indices of Japan's prospects in her present adventure are the misgivings about it in Germany and the will to resist it in China; and neither one is as encouraging to Japan as it might be.

The League Council's Hundredth Session.—This week's session of the Council of the League of Nations is at least numerically historic, and it is dealing with matters of great import. The Council's deliberations will reflect the Nemesis that is overtaking both the two groups of Great Powers. On the one hand, France and Great Britain are now reaping the whirlwind from the storm which they sowed when they let the Covenant go by default in face of flagrant acts of aggression by Japan in Manchuria and by Italy in Abyssinia. The surviving smaller States-members have evidently arrived at the conclusion that, if and when their turn comes to be selected as victims of fresh acts of aggression, Great Britain and France will abandon them as cold-bloodedly as they have abandoned Abyssinia and China. And with this prospect thrust under their noses by two gloomy precedents, the smaller States are to-day in a mood of not seeing why they should go out of their way to invite an attack against which they would perhaps not be defended. Hence a move among them to get it put on record that Articles 10 and 16 of the Covenant are now in abeyance *de facto*, and another move to re-regularise their diplomatic relations with Italy by recognising the style and title of Emperor of Ethiopia with which a dictator's self-glorification has saddled the reigning representative of the ancient House of Savoy. The second, as well as the first, of these two moves was only to be expected in present circumstances; and it would ill become British or French lips to utter a word of blame for Dutch and Swedish reactions to their own impolicy. Yet what is natural is not necessarily expedient. No doubt if, ten years hence, the Fascist regime in Italy is flourishing like a green bay tree, the Italian conquest of Abyssinia will by then have received, perforce, a diplomatic recognition from most other States in the world. But why anticipate to-day a possibility that is so far from being a certainty? The one thing that is certain to-day about both the Italian and the Japanese acts of aggression is that we have not seen the end of the story. Abyssinia under the Fasces is neither peaceful nor profitable. While Italy and Japan are both thus floundering into deeper difficulty and disgrace, Germany, for her part, is showing a more and more marked disinclination to follow them in their unremunerative adventures. The present international drama may end in once again discrediting all power politics, both positive and negative.

In the meanwhile, it seems best to wait and see. When we have already paid the bill for the waiting game, we might as well wait a little longer in order not to forfeit the possible profits.

Business and the New Deal.—Impressive efforts have been made during the past week to sweeten the atmosphere between President Roosevelt and the leaders of American business. Some part in the effort was played by the members of the Business Advisory Council, which has been in existence for some time for the purpose of representing the views of industry. The Council, at a meeting last week, found itself able to approve the Administration's Wages and Hours Bill, though the approval was tempered with a recommendation that it should be studied further. In return for this concession to his views the President radically modified the sweeping condemnation of holding companies which he had expressed the week previously, and he has now made it clear that his criticism applied only to those varieties of holding companies which are already under suspicion in the Public Utility Act. These mutual concessions of view-point, together with a proposal to appoint a new advisory group more fully representative than the existing Advisory Council of the President's political and economic opponents, have gone a long way towards convincing the timid businessman that the President does not intend to deprive him of his entire ability to earn profits.

The course of reconciliation, however, is a zig-zag rather than a steady progress, and three events of the week must be set on the other side as increasing the alarm of business interests. The first of these was the decision by a Federal Court that the Tennessee Valley Authority (and by implication, all similar authorities) was acting fully within its constitutional powers in selling electricity generated at flood-control dams, and in extending its business by "the allurements of customers by lawful but substantially lower prices." This decision clearly opens the way for a considerable intensification of the competition between public and private power projects. On the next day a Federal Court in Wisconsin convicted sixteen of the largest oil companies in the country and thirty of their officials, of criminal conspiracy to raise and fix prices of petrol. Thus two large industries have been faced with serious threats to their profit-earning capacity, and the fact that the blow was delivered in each case from the judicial bench will not prevent its being blamed upon the President. Finally, Mr Roosevelt on Tuesday went out of his way to make it clear that the *rapprochement* with Business did not include approval of any reductions in wages. The cumulative effect of these statements was to convince the financial community that the livelihood of the *entrepreneur* was no more assured after the President's conference with business men than it was before, and a sharp fall on the New York Stock Exchange marked the failure of another phase of the attempt to establish mutual confidence and esteem between the two parties whose co-operation is essential if prosperity is to be restored.

Air Reprisals in Spain.—The battle for Teruel seems to have lapsed into stalemate, with each side attacking alternately, but neither apparently succeeding in achieving any decisive gains. The struggle has now been transferred to the air. The insurgents started at the end of last week a series of intensive daylight raids on Barcelona and Valencia, which exacted a heavy toll of lives. The Government air force, acting confessedly as a reprisal, carried out a return raid on Salamanca which resulted in an almost equally large number of civilian deaths. Thus, to the other horrors of the Spanish Civil War, is added that of the unrestrained bombing of open towns, without even a pretence that the raids are confined to military objectives. The primary blame for this dreadful development, which has hitherto been largely avoided, must be laid upon the insurgents, who practised it first

and most intensively. But the episode shows once more only too clearly the fate that awaits attempts to humanise war when passions are aroused and policies are in jeopardy. The Spanish war has now arrived at a point when it would be reasonable to expect the first beginnings of negotiations for a truce between the two parties, since the Great Powers are, for the moment, to all appearances holding off, while the battle of Teruel has at least shown that neither side in Spain can aspire to a speedy victory through its own efforts. But so ferocious is the bitterness aroused by this conflict that an increase of bloodshed seems to be more likely than the inception of negotiations.

Defence in South Africa.—Mr Pirow, the Union Defence Minister, made important announcements last week about the future of South Africa's defence. The new small-ammunition factory in Pretoria, which is to have a peace-time capacity of 10 million cartridges a year and a war-time capacity of 30 millions, would, he said, be in full production in three months' time. Artillery equipment would in future be manufactured in the Union, instead of bought from Great Britain, and the mechanisation of the army would be pressed forward. The Burgher Forces would be increased. These developments fit logically into two complementary movements in Imperial defence during recent years, namely, the Union's increasing concern with the defence of the territories to the north of her, and the efforts of all the Dominions to render themselves less dependent on Great Britain or foreign countries for supplies of arms, aeroplanes and ammunition.

Canadian Federation in the Dock.—The Royal Commission on Dominion-Provincial relations in Canada is the focal point of political interest in the Dominion. The problems raised by Mr Hepburn in Ontario, Mr Duplessis in Quebec, and Mr Aberhart in Alberta—not to mention such Canadian perennials as the railway problem or the problem of unemployment relief—all turn more or less directly on the constitutional issue. Trouble was brought to a head by the decision of the Privy Council last year rejecting the Dominion's claim to legislative rights in the economic field, either under its treaty-making or under its emergency powers. Witnesses before the Commission have keenly criticised past Privy Council rulings, on the ground that they had frustrated the intention of the founders of confederation to create a strong central authority with all residuary power in its hands. Professor Norman Mackenzie pointed out that the Privy Council's interpretation of the treaty-making clause meant that Canada, by acquiring the right to make treaties on her own and to advise His Majesty separately, had lost legislative powers that she previously possessed. The apathy of Dominion Governments has also come in for vigorous and not wholly undeserved attack. The spokesman of the Trades and Labour Congress of Canada has urged before the Commission that the Federal Parliament should be given complete legislative and administrative authority over the whole social and labour field, and that the cost should be met by giving the Federal Parliament the monopoly of income and inheritance taxes. Mr Mackenzie King's Government has proposed to advance one step on this road by putting forward an amendment to the British North America Act, which would add unemployment insurance to the field of Federal power. This is to be incorporated in a joint Address to His Majesty from both Canadian Houses. If the Address is passed, the decision will lie with Parliament at Westminster. This is the most urgent of many necessary reforms.

Buoyant Revenue.—The latest weekly return of the revenue and expenditure of the Exchequer is more than usually interesting. For one thing, it contains the first item of defence expenditure to be met from borrowing. An amount of £3,250,000 is entered "below the line" as "Issues under Section 1 (1) of the Defence Loans Act, 1937," where it keeps company with issues under such Acts as the Tithe Act and the Exchange Equalisation

Act. Thus we pass, with hardly a glance of attention, another development in British public finance calculated to disturb the repose of Mr Gladstone. It would be interesting to know precisely what consideration determined the decision to make a start with deficit financing last week. It does not seem to have been a sudden rush of defence expenditure. The weekly returns do not separate defence issues from the rest of the Supply Services, but the total expenditure on all these services since the New Year has been £7.8 millions less than last year, even including the amount borrowed, although in the first three quarters of the year it was nearly £55 millions greater. Nor was the decision due to any shortage of revenue, which is coming in most encouragingly. The deficit on December 31st was £33.7 millions larger than in the previous year. But in the first three weeks of January—with one day less than last year—the margin has been reduced to £18.0 millions. Income tax, which already showed an increase of £13 millions at the turn of the year, has produced £6.3 millions more in the first three weeks of January. This rate of improvement is probably too good to last—it is due to a coincidence of real buoyancy of the revenue with somewhat greater promptness in paying. But the figures nevertheless encourage a hope that, if only the defence borrowings are banished from sight "below the line," the year may end with a surplus.

Trading Estates.—Improvement in the Special Areas has by no means removed their distress, and not even the overdue amelioration in the earnings and employment of coalminers has diminished their need for new industries. The attraction of manufacturers, even with the financial inducements offered by the Commissioners since the spring of last year, must necessarily be a long-term policy, making little prompt contribution to the alleviation of the Areas' immediate distresses. In the long run, however, the trading estates' harvest of new light undertakings will be of great importance to Tyneside, South Wales and South-West Scotland. The rapid advance of the Hillington Estate, near Glasgow, is as notable as the continued progress in the Team Valley, on Tyneside. On 700 acres at Gateshead, 29 factories have now been completed, 24 are being built, and 23 more have been let. Work for 9,000 persons is projected in these undertakings. The Scottish Estate covers 320 acres. Now that a number of initial difficulties have been overcome, tenants have been found for 40 factories, of whom over a quarter will come from over the Border. Hillington has jumped into the limelight, and the rumoured formation of a Scottish Finance Association to provide assistance on lines similar to the Special Areas Reconstruction Association and the Nuffield Trust will, if realised, make the latest of these Government-assisted estates potentially as useful as its older counterparts at Gateshead and Treforest.

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Summary of the Van Zeeland Report

In April, 1937 Mr Paul van Zeeland was invited by the Governments of the United Kingdom and France to report on "the possibility of obtaining a general reduction in the obstacles to international trade." Mr van Zeeland, with the assistance of Mr Frère of the Belgian Foreign Office, has made investigation in several countries, including a visit to President Roosevelt. His Report, which is fully summarised below, was issued on Friday in French and English as a White Paper.

I.—COLLABORATION OR AUTARKY?

At the outset the Report poses the question whether international trade is really essential for prosperity. In my opinion, says Mr van Zeeland, there can be no doubt whatever as to the reply. It is the reply which follows from our experience of the crisis as well as from our experience of the period subsequent to the crisis.

The isolated, divergent and contradictory measures by which the nations, in the first period of the late crisis, attempted to protect themselves against it, and push off the burden on to their neighbours, have only served to precipitate it and to render it yet more grievous for all.

In certain large markets international trade only constitutes a small proportion—sometimes less than 10 per cent.—of their total economic activity. Yet these countries were just as sensitive as any other to the international movements, both of crisis and of recovery. This does not mean that a State has only to allow itself to drift with the general current in order to find prosperity. But it does mean that no country can avoid being influenced by general movements of the international economy, whether for good or for evil.

Must we conclude, then, that autarky is unattainable? Theoretically, no. It is evident that autarky is out of the question except in a large national market, dominated by an exceptionally powerful central authority. If a country, which fulfils these conditions, wished, at any price, to isolate itself from the rest of the world—economically, financially, monetarily—the existing technique would probably enable it to do so.

But that is not the question. It is rather a matter of knowing whether such a regime—theoretically possible—would, in fact, be better than the other; or, in other terms, what is the price which would have to be paid for its realisation?

Such a regime involves—as its definition almost implies—an increase in the real cost of living, that is to say, a lowering of the standard of life of the population. In several old countries with dense populations, it is even doubtful whether under autarky the present population could continue to live, to whatever level of existence it might resign itself; the regime, if it were pushed to extremes, would, in the long run, be liable to result automatically in a reduction in the number of the people.

What has been demonstrated by a whole series of attempts in the direction of greater economic independence, is the elasticity of the home market; but whatever may be the rôle of the home market, the fostering of international trade must remain an element of capital importance for economic prosperity within national frontiers.

Results of the First Tentative Enquiries

We must assume that these views are, in the long run, shared practically unanimously by all statesmen of the present day. In fact, the preliminary consultations which I undertook enabled me to take note that everywhere the mission with which I had been entrusted met with a most sympathetic reception.

But if this first reception was encouraging, the positive reactions, which I was able to record, were less so, and when once the first and eminently favourable stage had been passed, the attitude, almost everywhere, became qualified by a very marked reserve as soon as it became a question of actually embarking upon the stage of practical solutions.

However, initiatives have been taken by the Economic Committee of the League of Nations during its session of June-September, 1937; by the International Chamber of Commerce, in its congress at Berlin in June-July, 1937; by the committee appointed by the League of Nations to study the problem of raw materials in its report dated September, 1937; etc., etc. A whole series also of suggestions or of interesting and helpful ideas have been submitted to us in the course of our many conversations, both semi-official and private.

If one takes account of all these numerous elements, then

it seems possible, with some chance of success, to attempt to take action in the direction of international collaboration.

I have done my best, therefore, to collect a series of proposals or suggestions which, if applied as a whole, would, in my opinion, provide indubitable benefits to those who would accept the programme.

II.—OBSTACLES TO INTERNATIONAL TRADE AND THE MEANS OF REDUCING THEM

The factors which most seriously prejudice international trade are to be found, some in the economic sphere properly so-called, and some in the financial sphere.

Among the former, I shall concentrate on three, viz., tariffs, methods of indirect protection and quotas.

Among the latter, I shall refer to sudden and excessive exchange variations, hindrances to capital movements, and restrictions on payment.

Economic Sphere

Tariffs

(a) The existence of a customs tariff is not in itself to be included in a list of the most serious obstacles to international trade. The average incidence of a tariff, taken as a whole, has its repercussion on internal prices, and especially on the cost of production. At the end of a certain time, a sufficient degree of equality of competition is established between home and foreign producers.

But there are certain characteristics which produce in the case of customs duties such harmful effects that they constitute a serious, and in some cases an insurmountable, obstacle to international transactions.

We must observe, first of all, that the argument set out above applies only in cases where a tariff has existed long enough for its incidence to have become absorbed in internal prices. During the whole intermediate period, the duties undoubtedly act as a kind of brake which is liable to interrupt or disturb normal or regular commercial currents.

On the other hand, the diminution of the harmful effects of a tariff taken in its entirety does not extend to the damage caused by duties the amount of which is considerably more than the average incidence of the tariff.

For example, let us take the instance of a tariff the average incidence of which is 10 per cent.: products, in the case of which there is an import duty of 100 per cent., will be effectively and permanently protected to the extent of 90 per cent. It is clear that duties of this kind must be regarded as real obstacles to trade.

Finally, there are tariffs which are applied to such numerous categories of goods, or which have so heavy an effective incidence, or which are so complicated that they constitute, by their very nature, a real hindrance to international transactions.

(b) What means are there of improving this state of things?

There is no doubt that a general movement for the reduction of tariff duties would acquire a symbolic significance, and would thus have a powerful moral effect. Unfortunately, we are bound to recognise that a gesture of this kind, however desirable it might be, does not at present come within the range of possibility. But other measures could be applied which would suffice to achieve the object at which we are aiming within the limits of a more modest but more flexible plan.

(1) There are three general proposals that may be made in this connection: Governments might undertake (a) not to raise or widen the range of their tariffs; (b) to carry out a gradual reduction of such duties as are of an exceptional character, and the amount of which is notably greater than the average incidence of the tariff; (c) to suppress duties, taxes, prohibitions or restrictions affecting the export of raw materials.

Such undertakings are not of such a kind as to revolutionise

existing conditions. They could be spread over a certain number of years, while the suppression of restrictive measures with regard to exports need not imply the complete suppression of duties, so long as their effect did not in any way injure the general economic interest of importers.

(2) These proposals should be supplemented by bilateral agreements based on the most-favoured-nation clause. This method has already produced useful results; no one would under-estimate the effects which would be produced—either directly, in its reaction on the two national economies concerned, or indirectly in its repercussion on the whole world—by the conclusion of a commercial agreement between the two great Anglo-Saxon communities.

On the other hand, the most-favoured-nation clause, in the form in which it has been applied in the years following the War, has often acted, not as a factor in reducing tariff barriers, but as one which has prevented their modification. Hence, while the clause should remain, in principle, general and unconditional, there should be provided an exception, allowing its application to be suspended in the case of countries which employ inadmissible discrimination or which refuse to participate in a general effort aiming at the reduction of obstacles to international trade.

Finally, it ought to be drawn in such a way as not to obstruct the conclusion of group agreements or regional pacts, so long as these do not tend to constitute a discriminatory regime, but to lower tariff barriers, and so long as they are open to the accession of all those who are willing to accept the combined obligations and advantages.

Indirect Protection

Reference is then made to various practices, such as sanitary regulations, anti-dumping regulations and the undue complexity of Customs regulations, as ways of obstructing trade. It is suggested that they should be overcome mainly by bilateral agreements based on the various Conventions of the Economic Committee of the League of Nations and the International Chamber of Commerce.

Quotas

These have become one of the most formidable obstacles to the development of international trade. As the years go by, their arbitrary and artificial character becomes more and more evident.

(a) In the first place, I recommend the suppression of industrial quotas. This proposal does not exclude the possibility of spreading out the measures of suppression over a fairly long period, so that nobody should be taken by surprise. Neither does it exclude the possibility of replacing the quotas either by tariff duties, or even, if absolutely necessary and on a temporary basis, by "tariff quotas." This latter method consists of applying to one and the same product a reduced duty for a certain quantity first imported, and thereafter a higher rate of duty for quantities imported after the first quota is exhausted.

Further, the suppression of the quotas would not prevent the State concerned from maintaining or from re-establishing whatever measures it might consider effective in order to resist "dumping" methods.

On the other hand, the State which suppresses its quotas appears entitled to demand the reduction or suppression of any duties imposed by other States as a reprisal against such quotas.

Finally, the suppression of quotas by no means implies the suppression of international cartels. Cartel agreements proceed from entirely different conceptions and ought to be treated according to quite different rules. One might if necessary contemplate the maintenance of the quotas necessary to assure the working of such international cartels as conform to the general interest.

(b) Agricultural quotas often have a special character of their own. In times of crisis, agricultural production cannot adapt itself to the contraction of demand with the same elasticity as is possible with industrial production. Often, indeed, in order to meet the fall in prices, the agricultural community shows a tendency to increase the volume of its production. A considerable surplus has to find outlets abroad. The number of free markets diminishes. Those which remain then find that they are being swamped because upon them are concentrated all the efforts made to dispose of these products. The problem is therefore one of reciprocal and simultaneous action. But in the agricultural as in the industrial sphere, the tendency should be in the direction of the suppression or reduction of quotas. At any rate, agreement ought to be reached that no new quotas should be imposed, and that no existing quotas should be tightened up. At the same time certain reservations are required in the case of quotas affecting seasonal or perishable products.

Financial Sphere

Of all obstacles to international trade there are none more harmful and more formidable than those which arise either from monetary disturbances or from restrictions regarding the transfer of capital or of commercial payments.

Sudden or violent variations in the mutual relation of currencies are liable to interrupt the normal currents of trade and to cause financial movements along abnormal channels ("hot money"), while internal prices are adapting themselves to the new monetary parity. Uncertainty in this sphere is a very grave impediment to the conclusion of business or credit operations.

Restrictions also regarding the transfer of funds, even when they are limited to movements of a financial character, deprive international trade of the essential assistance of credit facilities whether on short, middle or long term.

But these difficulties, real and serious as they are, appear slight in comparison with those which arise from prohibitions and restrictions of commercial payments. These introduce into international economic relations an element of absolute rigidity and deprive commercial relations of their triangular or multilateral character.

Stabilisation

Let us consider first of all what can be done to reduce or to suppress the element of insecurity in monetary matters.

Admittedly the best policy would be to reach a definite solution of the problem of the international monetary standard. Such a solution would have to be sought in the re-establishment of the gold standard, though on a considerably altered basis. But as yet it is probably too early to make any such attempt. It would only succeed if we could find that a whole series of conditions had first been realised such as would permit the return of a sufficient degree of international equilibrium both in the economic and financial spheres. The final solution of this problem must therefore be placed not at the beginning but at the end of our effort of international co-operation.

There is, however, one interim solution which does not appear to raise insurmountable difficulty. This would consist in the revision and extension of the agreement reached in the form of a tripartite declaration by the United States of America, United Kingdom and France with the adherence of Belgium, the Netherlands and Switzerland. This agreement should be adapted to the new conditions and extended in such a way as to embrace all the countries participating in the effort of collaboration.

The parties interested would agree to define the reciprocal parities of their currencies, in relation to each other, and would pledge themselves to keep any eventual variations within certain limits. The undertaking should extend over a period long enough to free current commercial operations from any monetary risk; it should be for one year or at least for six months—proviso being made for quite exceptional circumstances of a character practically equivalent to that of *force majeure*.

The problem has, in fact, lost much of its difficulty. Most currencies, after the devaluation operations resulting from the crisis, have recovered a relative equilibrium as regards internal as well as external factors. On the other hand, there remain at present certain countries which have not yet reached this stage; but general agreement could be reached as to certain criteria which would enable us to determine the level of monetary equilibrium, internal and external factors being alike taken into account. All that is required is the existence of the will or the desire to arrive at a solution.

This will, however, is of capital importance. Each country must, above all, rely on itself; it is for each country to take the necessary action and pass the necessary measures which will make possible its participation in international action.

The Transfer of Funds

We now come to the disadvantages presented by the various types of restriction on the transfer of funds from one market to another.

As regards movements of a financial nature, it is not only the debtor markets which have adopted such measures but also the creditor markets. The latter by forbidding or restricting foreign lending—and particularly loans by means of public issues—have deprived international trade of a valuable support. It is exceedingly desirable that this policy should be altered in conformity with the other measures of international collaboration.

But the principal difficulty obviously arises from the imposition of exchange controls and from "clearing" systems. In this matter the only attitude which would enable a country to resume its normal place in the framework of the

international economy is the abolition of exchange controls and clearings. Such a measure must of course be introduced by stages.

The recourse to clearings is a consequence, direct or indirect, of the establishment of exchange controls. The latter are themselves the result of a state of disequilibrium between the national economy concerned and the international markets. To attempt to get rid of exchange controls while allowing this disequilibrium to persist would be a waste of labour. But the measures suggested to us, both in the economic and in the monetary sphere, are designed precisely to facilitate a return to equilibrium.

The first and most urgent step is to bring about the suppression of all restrictions on payments for merchandise.

Whether, however, it is to be carried out in one or in several stages, the suppression of exchange controls requires that the past should first be liquidated. This implies an agreed adjustment of external debts carried out in conditions, with regard to interest and amortisation, which should take into account modifications which may have arisen in the respective situations of creditor and debtor.

But the liquidation of the past, above all, implies the settlement of the clearing arrears. In this connection we must distinguish between the arrears which arise out of old credits completely immobilised and regarded as only payable little by little in the manner of a sinking fund on a long-term debt, and the balances on current trade and the current financial debts arising out of recent transactions.

For arrears of the first category I propose to recognise realities and to have recourse as far as possible to consolidation. Any other course must weigh unduly on the present by reducing the resources which the debtor country could use for imports of goods. Such consolidation should, however, be carried out in a form which would make it possible to guard, to some extent, against the difficulties which it might otherwise entail for the creditor firms. To this end, it would be desirable in particular that the bonds issued to the creditors by the debtor State should be expressed in the currency of the creditor at the parity fixed in the exchange agreement, and that some kind of extra facilities for mobilising the bonds for commercial purposes with the help, if necessary, of international institutions, should be envisaged.

As regards the other arrears of a current nature, these should be treated in the same way as the new debts, which will be incurred under the restored regime of freedom.

Credit Facilities

The past having been liquidated in this way, it would be desirable to ease the transition. For this purpose it would be necessary to provide those countries which have been freed from restrictions with credit facilities which would remain at their disposal during the period of adjustment.

It would seem possible to secure this object to a certain extent by an agreed extension of the method of reciprocal credits recently instituted by the Bank for International Settlements. The Banks of Issue would open through the Bank for International Settlements credits in favour of one another in the national currency of each of them. These credits would be used to finance the exchange of merchandise between the countries concerned. The exchange risks entailed by these credits can be set off against one another in so far as the trading operations balance. As regards the remainder, the risk might be in part covered by a multilateral clearing carried out by the Bank of International Settlements acting as clearing agent.

For the balances, that is to say, the amounts which the Bank for International Settlements could not cover by clearing, it would be advisable to have recourse to the forward exchange markets where these are active and broad. Elsewhere, it would seem advisable to attempt to set up forward exchange markets whose terms would not unduly burden commercial transactions.

For the final balances which could not be covered otherwise, it would be necessary to require a special obligation the payment of which would in the last analysis have to be made by the debtor State. This risk would, in any case, be slight and of a temporary nature. In practice it would be quite a negligible burden.

But apart from this system, in consideration of the general advantages which the freeing of commercial settlements would bring, and in consideration further of the fact that this freedom would be based on the measures adopted by the interested parties to re-establish the external equilibrium of their economy, it would be appropriate that a united effort should be made by all the States prepared to join in a programme of international co-operation.

Among the suggestions brought forward to give effect to this idea, there is one which appears to me to merit special consideration: this is, the possibility of establishing, through

co-operation of all these States, a common fund the resources of which might be applied, under appropriate conditions, to facilitate the financing of legitimate trade operations during the period of readjustment.

It seems to me that the international organisation designed to assume the direction of such a fund would be the Bank for International Settlements.

The activities of the fund should not in any case overlap or compete with those of existing institutions and organisations whose business in normal times covers the financing of commercial operations. It would come into play only in special cases, to fill permanent or temporary gaps, where normal methods prove insufficient.

III.—GENERAL CONDITIONS NECESSARY FOR SUCCESS

I am convinced that the loyal and general application of a plan composed of suggestions such as have just been outlined might result in giving a new and considerable impetus to international trade.

But if I were to conclude my Report at this point, I would not have fulfilled the essential part of my mission.

Indeed, the important matter is not to provide a theoretical definition of the difficulties, nor even to indicate the means by the application of which they could be solved. The main point is to suggest methods which have some chance of leading to concrete results. We must therefore seek to discover the conditions in which such measures will have a chance of being effectively applied by the great majority if not by the totality of the interested countries.

We must, at this point, admit the considerable difficulties which cumber the ground. If we consider the political plane, reasons to hope for a rapid and cordial *rapprochement* appear slighter than at any moment since 1918.

If we place ourselves on the economic plane, it seems at first sight as if the most favourable moment for strictly economic collaboration were past. The general check in the recovery movement, and the special economic difficulties of certain great countries, are once again bringing back on to the programme schemes of national protection, which bear a remarkable likeness to the efforts of the crisis period.

In the course of the last few months I have several times had to modify the provisional conclusions which I had reached. I have even asked myself whether it would not be preferable to await a serener atmosphere before publishing this Report.

But, taking all in all, it seemed to me that such an attitude would have been sterile, and even dangerous. The persistence of a general situation, which is very confused and bristles with contradictions, would incur the risk of very serious consequences, both in the political and in the economic order. More and more numerous are they who take account of this fact and draw the conclusion that a rapid and profound reaction is necessary. In such conditions, the moment is perhaps favourable, in spite of appearances, for a new attempt, based on reason and common interest.

Let us try, therefore, to find the way for a practical solution, without going beyond the limits of this mission, which is of an economic character, but without pretending that it can be artificially isolated from the political factors which surround it and which impose upon it their conditions.

Analysis of the Problem

The first reflection which occurs in this connection is that the difficulties which we have just been examining all interlock. One cannot hope really to solve them except by means of a comprehensive solution.

On the other hand, the attitude of a number of countries is dominated by the policy of certain Great Powers whose economic influence is a determining factor either for the world as a whole, or for certain parts of it. It is necessary then, in order that any solution should achieve its maximum efficacy, not only that it should cover the whole network of interlocking difficulties, but also that it should unite a very large majority, if not practically all of the nations concerned.

But international trade is not an end in itself, it is only a means directed towards an end. This end cannot be other than the improvement of the standard of life of the masses, the increase of the well-being of the population. Under our present organisation this end is pursued by national entities.

Here we reach the heart of the problem. In order to diminish the obstacles to international trade and to restore to it a degree of flexibility which will allow of its development, it is necessary to induce many countries to mitigate or to abandon the measures of protective self-sufficiency which they have adopted in different degrees and at different times, and to return to a more complete system based on the inter-

national division of labour. But these measures of national protection were not resorted to lightly or frivolously, and if the countries protected by them still retain to-day the armour which they felt bound to put on, it is not without serious reasons.

Review of the difficulties

There are those who see the origin of their difficulties in the unequal distribution of raw materials, or, more exactly, in the fact that certain great countries do not possess in the territory under their control the raw materials which they consider themselves to require.

At this point we cannot but record that certain States see no solution to the problem except in the redistribution of colonies.

There are others who attribute their difficulties to the exaggerated protectionism of countries or groups of countries which ought in their view to absorb a larger share of their production. Particularly numerous are those who protest loudly against systems of preference which distort the normal channels of trade.

Others again blame the unequal distribution of capital and the lack of adequate understanding on the part of the great markets which dispose of accumulated funds.

Certain States insist on the important influence on their economy of demographic problems, particularly those connected with emigration and immigration.

Intelligent judges do not fail to emphasise the depressing influence on financial markets—both in the moral and practical sphere—of the absence of a definite settlement of international political debts.

Many circles put the blame above all on the effects of the widespread policy of intensive re-armament. They express anxiety at the probable reaction which will take place when the orders due to re-armament will have reached saturation point; they emphasise the disastrous effects which the budgetary burden of re-armament imposes, or is liable to impose, on national economies, either directly or through its indirect repercussions.

Finally, there are many who maintain that political anxieties are a determining factor in the present retarding of trade, and that these anxieties are more of an obstacle to the development of international commercial relations than all other hindrances put together.

Some of the Suggestions elicited

Suggestions have been made in widely varying directions with a view to solving some of these different points.

With a view to assisting the solution of the colonial problem, it has been suggested that the regime of mandates should be revised, that the national element should be removed, and that the system should be made completely international, both from the economic and the political point of view.

In the case of colonies properly so called, it would perhaps be opportune to seek for the means of generalising the system of the Open Door which obtains in the Conventional Basin of the Congo, a system the general result of which it is impossible to criticise.

In those colonies where such a regime cannot be organised, certain circles have recommended that the possibility be examined of creating privileged companies, whose activities would be strictly limited to the economic sphere and whose capital would be divided internationally in such a way as to offer real guarantees of impartiality.

With regard to raw materials a most interesting proposal has been formulated tending to the supply of colonial goods in exchange for industrial products. An agreement would be concluded between a colony and an industrial State, and colonial goods supplied would be carried to an account and paid for by the execution in return of important public works—bridges, railways, ports, etc. The intermediate finance would be provided by the metropolitan State.

Lastly, the rules of international law might, in the opinion of many, be specified and re-enforced in such a way as to secure from seizure or confiscation in every case, even in time of war, private property held in colonial territories, whatever the nationality of the owner.

Guarantees of a Political Nature

The conclusion which emerges from these numerous complaints, demands and suggestions is that it is time to face them and submit them to serious discussion.

In this report I have deliberately debarred myself from touching on the strictly political aspects presented by a

number of questions with which we are faced. It is, however, impossible to ignore the fact that we are working in their shadow.

Thus one can understand the preoccupation of those who fear to see the financial assistance, the credit facilities, or the facilities for obtaining supplies which would be granted in the execution of the present programme of action diverted from their object to serve warlike ends. Guarantees would have to be provided in this respect, and such guarantees are necessarily political in their nature.

Again, is it possible to provide an economic solution for the difficulties with which certain national economies will be faced, when the point of saturation has been reached in their re-armament policy, without evoking the problem of the limitation of armaments?

Conversely, it also appears to be true that any concerted policy for the limitation of armaments would require, if its application were not to be obstructed, to be accompanied by economic measures which would also have to be internationally concerted.

A Pact of International Economic Collaboration

The moment has thus perhaps arrived to propose the conclusion of a "pact of economic collaboration" embracing the largest possible number of States, and in any case open to all.

This pact would contain two parts; one negative, by which the participating countries would bind themselves to abstain from a certain number of practices contrary to the interests of the community of participants; the other positive, but general in its nature, by which the participating countries would bind themselves one towards the other to take up and to examine in a spirit of understanding and mutual assistance the problems and difficulties arising in their economic relations.

Under the aegis of this general pact, and in accordance with its spirit, might be concluded separately other more detailed arrangements incorporating, in so far as they could be satisfactorily worked out, the numerous suggestions which I have made or referred to in this Report. On most of these points prolonged studies have already been undertaken; plans for putting them into effect could be quickly drawn up with the assistance of specialised organs such as the Economic and Financial Committees of the League of Nations, the Bank for International Settlements, the International Chamber of Commerce, the International Institute of Agriculture, etc.

An effort of this kind could only succeed with the support of the great countries which are leaders in economic activities and in the different political tendencies.

(1) It is desirable, then, to bring together as soon as possible representatives of the principal economic Powers; at least of France, the United Kingdom, the United States of America, Germany and Italy. The object of this meeting would be to take soundings and to prepare the ground. The agenda would contain four or five questions drawn up in some such terms as the following:—

1. Are you agreed to take part in an attempt at international economic collaboration?
2. Do you, with this object in view, accept as a basis for discussion the main lines of the present Report?
3. What are the points in this Report, if any, which you would wish to see either omitted or emphasised?
4. What points not mentioned in this Report do you think it desirable to include within the scope of the attempt to be undertaken?

The answers given in the course of this preliminary and informatory stage would clearly determine the future course of the whole undertaking.

(2) If the answers were constructive and helpful, we could then pass to a second stage. This stage would be entrusted to a bureau which would proceed as rapidly as possible to classify these answers. It would analyse their contents, extract from them such suggestions as seemed reasonable, and draw up a programme of constructive action based on the present Report.

(3) We should then pass to the third and final stage of the undertaking. It would be necessary to ensure through diplomatic channels that there was an agreement of principle among the interested parties on the main lines of the programme drawn up. If a sufficient number of States, including the great economic Powers, took up a favourable attitude, the bureau referred to above would be instructed to draw up texts for signature.

Overseas Correspondence

From Our Special Correspondents

United States

Improving Tax Incidence

NEW YORK, January 18.—The long-awaited Report of the Congressional Committee on tax revision disappointed the hopes but hardly the expectations of financial circles. Since last autumn there has been a tendency to hope for radical changes in the undistributed profits tax on corporations and in the capital gains tax on individual incomes. In view of the Treasury's need for maintained (or increased) revenues, the most that could be expected was some shifting of incidence.

Corporations are divided by the Committee into two main categories: those whose net incomes are under \$25,000, and those whose incomes are over \$50,000. In the case of the lower group a small reduction of tax is recommended, and they are entirely relieved of the tax on undistributed earnings. In the other group a rather varied change in the tax schedule is suggested, with the obvious intention of producing enough revenue to make up for the reduction in tax on the smaller concerns.

Non-Distributed Earnings Tolerated

The punishment of the non-distribution of earnings is considerably mitigated, as the highest rate applicable to large corporations making no distribution whatever is to be 20 per cent., whereas it was previously over 30 per cent. It was evidently assumed, and probably correctly, that a corporation would make no distribution, only if it was in rather serious need of cash.

A third category of corporations, those with net incomes between \$25,000 and \$50,000, is to be subject to a special equalising scale. So far as the bulk of corporations listed on the Stock Exchange is concerned, their tax rates will be, on an average, a little higher than under the present act, but the penalty on non-distribution is almost entirely removed. The tax position of the majority of large corporations will not be materially altered; but any alterations are in the direction of removing specific hardships.

The capital gains tax is to be slightly modified. Capital gains accruing to persons in the higher income grades on property held over a period of time will be subjected to a rate substantially lower than at present. This does not affect the speculator, but it does represent an improvement in the position of the genuine investor.

The Report does not provide for any increase in revenue. The Budget looks rather to reduced expenditure than to increased taxation. But supplementary proposals for expenditure on relief and armaments are expected.

Federal Competition in Utilities

Another chapter was added this week to the long utility controversy. The president of one of the largest utility companies (operating largely in the south-eastern States) offered his property to the Federal Government, at a price to be agreed on by three arbiters, two of whom would

represent the Government. The reason given was unwillingness to subject his security holders to further loss by Federal competition. This focussed attention upon the gravity of one phase of the utility problem.

A municipality desiring to enter the electricity business in competition with a privately-owned enterprise may obtain 45 per cent. of the cost as a free grant from the Federal Government, and the remainder as a long-term loan at low interest. While up to now the localities which have taken advantage of this opportunity have largely been in the area of the Tennessee Valley Authority, the pending legislation to divide the entire country up into Federal power regions promises to widen the range of such competition.

The President and Holding Companies

At the Press conference this week, the President advocated the abolition not merely of utility holding companies, but of holding companies of all kinds, and specifically in banking. The remark created no little confusion in Wall Street, since one or two utility holding companies have just recently been registered in conformity with the legislation of 1935, and have secured the approval of the Securities and Exchange Commission. The definition of a utility holding company is provided in the 1935 Act. But what is called the "holding company" is an extremely common form of American corporation structure. Indeed, in the colloquial use of the term, perhaps half of the corporations listed on the New York Stock Exchange are "holding companies."

The President's somewhat cryptic remark was amplified by a description of the holding company as a device by which a comparatively small amount of capital can secure control of a very large amount of capital, and introduce on a grand scale the features of absentee ownership. The holding company has provided such a mechanism, although that has not been its sole, or even its principal function.

Ownership and Management Divorced

The President did touch indirectly upon one important point. One of the outstanding developments of recent months has been the divorce of ownership and management. For some time the S.E.C. has published reports of purchases and sales by officers and directors of the shares of their own companies. Since the publication of these data, sales have far exceeded purchases.

This tendency has been known to exist for some years in the railways, whose ownership is now very widely diffused. A generation ago, almost every American railway was identified with the personality of an individual who, although not "the" owner, nevertheless exercised in person the functions and responsibilities of ownership. Now there is scarcely a railway in the United States that can be identified with any individual or group of individuals as owners. By and large, the equity in the American railroads has become what Justinian calls *res nullius*.

From the reports of the S.E.C., it is evident that American industrials are following the same road as the railways. There is now scarcely a corporation listed on the New York Stock Exchange of whose shares 10 per cent. are owned by one individual; and as the reports of the S.E.C. show, officers and directors are rapidly divesting themselves of ownership in any substantial sense of the word.

France

A Misleading Majority

PARIS, January 27.—The Ministry's pronouncement in favour of a liberal monetary policy and the need to increase industrial production were applauded by the Moderates. Their promises of further social progress were welcomed by the Left. Added together, these supporting votes made up a majority in the Chamber of 501 against 1.

The sole dissident, apart from a hundred who abstained, was M. Bergery, the enemy of the trusts. The majority was the largest in the history of the Third Republic.

The success of the Government's declaration of policy was less marked on the Stock Exchange, where a more definite line had been expected. Doubts were expressed about the ability of the Cabinet to obtain a further majority, less comfortable perhaps but more significant, on a constructive financial and social programme of action. The notable test of the validity of these doubts will be the Bill in preparation for the enactment of a labour charter.

At the last minute, however, the outline of the Labour Bill seems to have met with the approval of both the employers and trade unions. The measure will cover the recruitment and dismissal of employees, the status of trade union representatives, the legal definition of strike action, and procedure for conciliation and arbitration.

Opinion generally in both political and business circles is that the idea of a National and Popular Front Cabinet, which was recently conceived by M. Blum, is making headway. The main reason for the acceptance of this notion is the combined influence of external dangers and the country's lassitude after some twenty months of economic and social troubles.

Improved Fiscal Receipts

Fiscal receipts in December, 1937, were 4,160 million francs, of which 3,930 million francs were ordinary receipts, made up as follows:—

	(Millions of Francs)
Direct taxes	977
Indirect taxes	2,921
Estates	32

Indirect taxes show a surplus of 425 million francs on the estimates.

The turnover tax in December yielded 823 million francs, which was a surplus of 414 million francs on the estimates and an increase of 274 million francs on the yield realised in December, 1936. In the whole year indirect taxes realised 31,000 million francs, a surplus of 1,469 million francs on the estimates and an increase of 3,961 million francs on the actual yield in 1936. Direct taxes in 1937 yielded 6,814 million francs, which was an increase of 1,108 million francs on the receipts in 1936.

Coal Output Declines

Coal consumption increased with rising industrial activity from 69,629,000 tons in 1936 to 76,168,000 tons in 1937, an improvement of 6,539,000 tons, or 9.4 per cent., compared with an increase in consumption of only 1,817,000 tons in 1935-36. Only 31 per cent. of consumption was covered by French coal in the first six months of 1937 and 42 per cent. in the succeeding months.

Coal output in 1937 was again lower than in the previous year. It amounted to 45,326,000 tons, compared with 46,147,000 in 1936, a decline of 821,000 tons, or 1.8 per cent. In 1930, output was 55 million tons. Since the total number of working days was practically the same in 1937 as in 1936, this decrease in annual output is explained chiefly by the diminution of the daily yield, which was, however, progressively improved during the later part of the year from 170,000 tons to 183,000 tons a day, as the result of supplementary working days and additional staff.

It is significant that in the same period foreign countries markedly increased their coal production. In Germany the increase was 164 per cent.; in Poland, 22 per cent.; in Great Britain, 6 per cent.; in Belgium, 7 per cent.; and in Holland, 12 per cent. The average increase of 10 per cent. affords a notable contrast to the deterioration in France's output of coal.

Vast Imports of Coal

Since consumption of coal rose while domestic output fell, stocks have fallen and huge imports have been necessary. Imports of foreign coal have risen from 22 million tons in 1935 and 22.9 million tons in 1936 to 30.9 million tons in 1937, an increase of over 34 per cent. since 1936.

The value of imported coal rose 120 per cent. between 1936 and 1937; in 1935 it was 1,947 million francs, in 1936 it was 2,198 million francs, and last year 4,850 million francs. The average monthly value of coal imports was 162 million francs in 1935, 160 millions during the first six months of 1936, 476 million francs in October, 1937, 504 million francs in November and 519 million francs in December. The increase in the import surplus in 1937 was 8,458 million

francs, which means that the increase in the imports of coal alone represents 31 per cent. of the whole.

The average price of imported coal was 127 francs per ton in January, 1937, against 99 francs in 1936 and 93 francs in 1935; it was 205 francs in October and 211 in December, as a consequence of the increase in foreign gold prices and freights and the decline of the franc. Since June, 1936, average costs have risen between 75 and 80 per cent., due mainly to increased wages, shorter hours and diminished output. With the same daily yield as in 1935 France could increase annual production by between 3 and 4 million tons.

The number of persons employed at coal mines was 245,000 on December 31, 1937, compared with 231,900 on December 31, 1936, and 223,900 on the same date in 1935. Since June, 1936, some 23,100 persons have been taken on, which represents an increase in staff of more than 10 per cent.

Germany

Foreign Trade and Government Control

BERLIN, January 25.—The last month of 1937 witnessed a large increase in import trade and a slighter increase of exports, with the result that the export surplus was reduced to Rm. 21 millions, against Rm. 90 millions in December, 1936. Both imports, valued at Rm. 531 millions, and exports, valued at Rm. 552 millions, were the largest since the depression.

The whole year's trade closed with an export surplus of Rm. 443 millions, compared with Rm. 550 millions in 1936 and Rm. 111 millions in 1935. The trade balances of 1937 and the two preceding years were virtually determined by the Government. Under the Schacht New Plan the value of exports, which is itself influenced by Government measures, is taken as the basis for fixing the quantity of permitted imports, on the principle that no new debt shall be incurred. As exports increase, the quantity of permitted imports will also necessarily increase, at least so long as the Reich is short of foodstuffs and materials.

In other words, no attempt is made to replenish the Reichsbank's reserves. In fact, imported gold no longer goes to these reserves, but is kept on separate account. In 1937, Rm. 150 millions of gold was imported, mainly in the early months. But all of this, with some Rm. 8 millions in addition, was later exported.

Favourable "Price Scissors"

The values of foreign trade in 1937 and the two preceding years were as follows:—

	1935	1936	1937
	(Millions of Marks)		
Imports	4,159	4,218	5,468
Exports	4,270	4,768	5,911

The highest import figure before the depression was Rm. 14,228 millions in 1927. The highest export figure was Rm. 13,483 millions in 1929. Both these figures were, however, recorded at much higher prices than at present. In 1937 German import prices (despite the world decline after March) and export prices were higher than in 1936, and the volume of trade increased less than the value.

The value of imports increased by some 30 per cent., and perhaps one third of this increase was due to the rise in prices. The value of food imports rose 36 per cent. and the quantity 27 per cent.; the value of raw material imports 27 per cent. and the quantity 15 per cent. The value of exports

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Branches and Agencies throughout the East

rose by Rm. 1,143 millions, or about a quarter, but the volume of exports increased only 19 per cent.

Export prices were 4.4 per cent. higher in 1937 than in 1936. The "price-scissors"—the relation between the prices of Germany's main imports and the prices of her chief exports—have been in the Reich's favour since March, 1937, and have also moved in her favour compared with the pre-depression period.

The Influence of Armaments

The increase in imports in 1937 was wholly in raw and semi-finished materials and foodstuffs. Among foodstuffs the chief increase was in wheat. Imports of wool, cotton, and raw materials required for the manufacture of consumers' goods increased only moderately, while imports of iron ore, non-ferrous metals, rubber, mineral oils and, in general, of commodities required for State enterprises, including re-armament, increased considerably.

Owing to re-armament and industrial expansion abroad, raw materials required for the manufacture of consumers' goods, such as textiles, furs, paper, glass, pottery, clocks, and manufactured chemicals (but not leather goods) increased substantially. But the increases in exports of coal, coke, iron, machinery, electrical plant, and some other non-consumption goods were very much greater.

It is officially estimated that between 2 and 2½ million persons were engaged in industrial production for export at the end of the year, against 1.4 millions in 1934. But the proportion of total industrial production that is exported has fallen since 1934. In several authoritative annual reports it is implied that domestic demand, and in particular the demand for Four-Year Plan and other State undertakings, has hampered the export trade. It is definitely stated that Germany was unable to deliver certain kinds of goods to Russia, although this involved an unwelcome decline in the import of raw materials from Russia.

In 1937 the distribution of trade underwent a reversal. In the preceding years import surpluses in trade with overseas countries declined sharply. This was a consequence of New Plan's policy. In 1937, on the contrary, the import surpluses increased considerably. The export surplus in trade with European countries also increased. The decline in deliveries from Russia, and the inability of European raw-material and food-producing countries to meet the suddenly increased German demand, were factors in this change.

From Russia, in the first eleven months of 1937, Germany took goods to the value of only Rm. 61 millions, of which half consisted of wood, oil and flax. Germany now desires an increase in her supplies from Russia, and is negotiating about trade relations in 1938. But Russia will only sell on condition that the proceeds are used to pay for German goods; and Germany's inability to deliver what Russia wants is therefore an obstacle.

Steel Price Policy Criticised

The industrial position is little changed. Retail trade turnover in 1937 is estimated to have increased 10 per cent. to Rm. 31,000 millions. Coal output in 1937 was 184.5 million tons, against 158.4 million tons in 1936; lignite production was 184.7 million tons, against 161.4 million tons; and coke output 40.9 million tons, against 35.8 million tons.

The *Deutsche Kohlenzeitung* holds that a setback in world industrial activity will not materially affect the international coal trade. The iron and steel boom, having been in the main confined to coal-producing countries, was not the cause of the increase in international coal deliveries; consequently a cessation of the boom would have relatively little effect on these deliveries.

The reduction of International Steel Cartel prices is being

unfavourably criticised. It is denied that cheaper steel will materially increase investment activity; and it is declared that the world demand for steel was already about to increase owing to depletion of stocks.

It is predicted that German iron and steel consumption will increase in coming years; so that there can be no question of harmful competition from the new Reich Ironworks Company. The Krupp A.G. of Essen has increased its dividend from 4 to 5 per cent. Net profits in 1937 were Rm. 16,277,000, against Rm. 14,354,000 in 1936, the year in which dividend payment was resumed. Of this net profit Rm. 9 millions has been booked to a special reserve for the execution of Four-Year Plan contracts, chief of which is the smelting of home low-grade iron ore. Iron ore production in the company's own fields has risen in two years from 721,000 to 1,113,000 tons.

Hungary

Foreign Relations

BUDAPEST, January 9.—The New Year began with unusual political activity. The Government's Bill to extend the secret ballot to all constituencies was introduced in Parliament, and its discussion will no doubt remain in the forefront of domestic politics for several months. In foreign affairs, interest is focussed on the development of Hungary's relations with Czechoslovakia and Roumania.

The treatment of nearly three million Hungarians in these two countries still leaves much to be desired, and the improvement of their lot must precede any *rapprochement* in the political and economic sphere between Hungary and her neighbours. Roumanian internal affairs are being closely watched, because the majority of the Hungarians transferred by the Trianon Treaty to foreign sovereignty live in Transylvania.

Political relations with Austria are excellent, and it is hoped that friendship with Italy and Germany will not interfere with good relations with the great democratic powers, Great Britain, United States and France.

The budgetary situation continues to be satisfactory. In the first five months of the financial year 1937-38, total expenditure, including extra budgetary items, such as the deficit of State undertakings and advances for public works, etc., amounted to 362.8 million pengő, and actual receipts aggregated 385.5 millions, leaving a surplus of 22.7 million pengő. Though the State railways still disclose a heavy deficit, their finances are improving.

Estimated Debt and Disbursements

There is little doubt that the budgetary equilibrium established last year will be fully maintained in the current financial year. It is true that in the Budget estimates a deficit of 67.9 million pengő was forecast, but these estimates provide for the full service of the State's foreign debt at the contractual rates. In practice, the State has in recent years either deposited Treasury bills or made other arrangements where the greater part of its debt service was concerned, with the result that actual disbursements were considerably less than the corresponding estimates.

Debt service accounted for 83.4 million pengő in the 1936-37 estimates and 80 million pengő in 1937-38. Actual disbursements, internal debt included, totalled 37.9 million pengő. There was thus no actual disbursement of some 45 million pengő, included in the Budget for service of debt.

On the assumption that the proposals made to the State's foreign creditors last summer are completely put into effect in the current fiscal year, actual disbursements in respect of State foreign debt will increase, compared with 1936-37, by an amount which cannot be exactly stated at present, but is unlikely to be less than 15 million pengő annually. Even so, the amounts to be disbursed for foreign debt service will be less than those entered in the Budget by some 32 million pengő. The recent report of the Financial Committee of the League of Nations dealing with Hungary's foreign debt settlements emphasises that it is highly satisfactory that the foreign creditors are among the first to benefit from the improvement of Hungary's financial position.

The total capital amount of Hungary's foreign debt, so far included in the debt settlement, is 1,288 million gold pengő, or approximately £75 millions. There remains a further amount of about 550 million gold pengő still under discussion, including the pre-war Caisse Commune debts, bringing the total amount of foreign debt included in the settlement or under negotiation to 1,838 million gold pengő, or £110 millions.

The total service, interest and sinking fund, on the portion of the debt already settled, amounts to 44 million gold pengő, that is approximately £2,500,000. The service on the amount under discussion might amount to between 2 and 4 million gold pengő, bringing the total service in convertible exchange up to a figure of about 45 million gold pengő. As from August 2, 1940, a further sum of 1.5 million gold pengő in convertible exchange will be added to this amount, in respect of the amortisation of 1 per cent. on the outstanding capital of the Reconstruction Loan.

Greece

Improved Exchange Position

ATHENS, January 20.—Reviewing the results of the past year, the Governor of the Bank of Greece stated that the Bank's reserve in gold and foreign exchange, through which, under the present foreign exchange regulations, the balance of this country's international receipts and payments is finally settled, had increased in 1937 by a net sum of 9,136,635 pre-war gold francs (about £595,000). In 1935, on the other hand, it decreased by 34,466,206 gold francs, and in 1936 by 21,400,639 gold francs.

Last year's increase was rendered possible, despite larger payments abroad for imports and other needs, because of important purchases of foreign exchange, derived especially from emigrants' remittances and shipping earnings. This favourable picture should not cause any undue optimism, for the state of international markets remains precarious. The disposal abroad of Greek exports is not assured.

The maximum amount of the note circulation in 1937 was Drs. 6,893 millions, or some Drs. 690 millions higher than the maximum in 1936. At the end of the year the note circulation was Drs. 6,776 millions, against Drs. 6,202 millions a year ago. Notwithstanding this increase the ratio of the cover to the note circulation rose from 51.15 to 51.49 per cent. The expansion of the circulation was, as the bank's Governor stated, a necessary consequence of the rise in the price level. The gross profits of the bank amounted to Drs. 302 millions, compared with Drs. 247 millions in 1936, and net profits to 81 millions against 63 millions.

Debt Settlement Fails

M. Tsouderos, Governor of the Bank of Greece, expressed regret that the negotiations with the Foreign Bondholders' Committee conducted last July in London had failed. The Bondholders' Committee were not satisfied by Greece's terms for a permanent settlement of the service of the foreign debt, which amounted to an offer of 50 per cent. of the original contractual interest on each loan. They argued that the improvement in economic conditions had made it possible for a higher percentage to be paid. When the Greek delegation disagreed with the bondholders' opinion of the financial and economic state of Greece, the latter asked for a two-year provisional arrangement on the same basis as that offered by Greece for a definitive arrangement.

The Government and the bank realised the advantages for this country of some final settlement of the debt question. They believed, on the other hand, that for such a settlement to prove permanent, it should not exceed Greece's capacity to pay. Any prolongation of the policy of provisional agreements, with possibly a progressive increase every year in the rate of interest payable, could not, they argued, be accepted.

The Budget for 1935-36 left a small surplus, while the Budget for 1936-37 will be closed with a deficit of some Drs. 80 millions.

Increasing Foreign Trade

Provisional foreign trade returns for the first eleven months of 1937 show an increase in the quantity and value of imports as well as exports. The import surplus has also increased compared with the corresponding period of 1936.

(In millions of drachmas)

	January- November, 1936	January- November, 1937
Imports	10,783	13,850
Exports	5,852	7,767
Excess of imports	4,931	6,083

Compared with November, 1936, imports last November showed an increase in value of Drs. 403 millions, while the value of exports rose by Drs. 129 millions. With the exception of wheat and Indian corn, imports of which were

smaller because of the good harvest, all the principal articles of import showed an increase.

Revised figures of production now put the quantity of wheat produced in 1937 at 800,000 tons, against an estimated annual consumption of about 1,200,000 tons. The balance of some 400,000 tons will have to be imported. Wheat imports in the first eleven months of 1937 totalled 481,000 tons, valued at Drs. 2,644 millions. Since September, however, when the new crop started to come on to the market, imports have been smaller compared with the corresponding months of 1936. Wheat is by far the most important article of import.

Higher Shipping Earnings

According to private statistics, the number and tonnage of merchant ships owned by Greeks, including those under foreign flags, increased in 1937.

	Number of Ships	Gross Tonnage
End of 1936	654	2,016,982
End of 1937	680	2,127,391
Increase in 1937	26	110,409

The number of persons engaged in shipping was higher, and the tonnage transported larger, than in 1936. Foreign exchange imported from shipping profits is estimated to have been between £2,000,000 and £2,500,000, against £1,750,000 in 1936. Allowing for receipts from the sale of ships, a net sum of £800,000 has been invested by Greek shipowners during 1937 in the construction or the purchase of new ships. The Greek merchant fleet comes ninth, as regards total tonnage, among the world's mercantile fleets; but in proportion to population it ranks fourth.

Palestine

Large Import Surplus

JERUSALEM, January 8.—Despite the unsettled state of Palestine throughout 1937, and the increasing economic depression from which the country was suffering, the figures of foreign trade for the year show a considerable improvement on those of 1936, the year of the general strike and rebellion. Indeed, they do not fall far short of those for 1935, when the boom was at its height in Palestine. Comparative figures of the value of foreign trade for the first eleven months of the three years are as follows:—

Year	Imports	Exports	Re- exports	Transit Trade
1935	16,382,774	3,709,916	...	...
1936	12,494,912	2,762,447	545,626	456,959
1937	14,625,418	4,972,475	613,277	764,286

Oil from Iraq, exported through Haifa, is not taken into consideration in these figures. Its value in 1937 was estimated arbitrarily at £1,421,164. The increase in exports consisted mainly of citrus fruit.

Despite the continuous increase in exports, and the decrease in imports compared with 1935, a great gap between the two, large enough to cause some misgiving, remains. Part of this gap of over £9 millions is filled by the importation of capital goods, estimated in 1935 at a value of about £2 millions.

Palestine has no invisible exports from shipping, insurance, etc. Some of the more recently arrived immigrants have investments abroad, but their income from these is covered, if not exceeded, by the dividends payable abroad by the few larger Palestinian companies, and the interest on mortgages recently taken up to an appreciable extent by foreigners.

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Tourist Traffic

Nor does the tourist traffic, as was once thought, help to fill the gap. During the past year the Government Statistical Office has undertaken an inquiry into the amount of money spent in Palestine by foreign tourists and that spent abroad by Palestinians. The figures are necessarily incomplete, and some of the money spent abroad by Palestinians is derived from foreign sources; but the difference between the two figures is so considerable that the most that can be said is that Palestine does not lose on balance.

The most constant, and hitherto reliable, item of the invisible exports has been the money sent to Palestine for charitable, religious, educational and similar purposes. This comprises not only Zionist and missionary funds, but also the revenue of the Latin Church (the other churches now draw little from outside), and of Jewish charitable and religious and educational institutions. The total income in 1935 under this head has been estimated at £1,400,000.

To this figure could formerly be added the considerable amounts remitted by more prosperous Jews abroad to their relatives in Palestine, and also the not inappreciable sums sent by Arabs living in North and South America to their families. But the financial and economic difficulties that have beset the world during the past few years have dried up these sources. The Jews claim that in recent years they have sent more money to impoverished relatives in Europe and America than has been received from those sources. As for the Arabs, their golden period in North and South America ended nine years ago, and with Arab immigration to America closed there seems no prospect of its resumption.

Proceeds of Military Occupation

A new source of revenue has, however, arisen in the past two years: that is the enlarged British army. The cost of this army, so far as it exceeds the cost of maintenance at its home stations, is defrayed out of Palestine revenues, but there remains a considerable sum of British money which is spent in the country by or on behalf of the troops. A sum of £1 million under this head would be a generous estimate.

If all these figures are added together, there remains a considerable gap, which is partly filled by means of capital brought to Palestine by immigrants, or sent to the country by others for investment. This gap must have been somewhere in the neighbourhood of £8 millions in 1935, too large for the immigrants and investors to fill. The inevitable conclusion seems to be that it is also to some extent filled by credit, especially by long-term credit given by Continental firms. When a country is in this way living to some extent on the capital of its people, its economic state cannot be said to be entirely satisfactory.

Argentina

Crisis Duty Prolonged

BUENOS AIRES, January 15.—On December 20, 1937, the Budget and Finance Committee of the Chamber of Deputies recommended that last year's Budget be extended to cover the current year with minor modifications; and extraordinary sessions of Congress to pass the Budget have been called. The Government have decreed the continuance of the 10 per cent. additional import duty, which among other measures was started in 1931 as a means of meeting the economic crisis.

Despite the downward tendency of exports in the second half of the year, 1937 stands out as one of the most prosperous years in Argentine history. The volume of shipments amounted to 18,225,337 tons, the highest recorded in the last ten years with the exception of 1931, while the



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value was 2,308,294,661 pesos—only once exceeded, in 1928. It must, however, be remembered that the external value of the peso was reduced by 20 per cent. in November, 1933, but in spite of this the recovery is remarkable.

Recession Possible

The newspaper *La Prensa*, after commenting on these satisfactory results, warns the country against undue optimism. It observes that the prospects for the current year without being positively bad, are less favourable than those of 1937, and urges public and private undertakings to avoid unnecessary expenditure. The wheat crop for this season is estimated at only 5,225,000 tons, against 6,782,000 tons last year, while owing to the drought of the last few weeks the production of maize is likely to be some 3,000,000 tons lower than in 1937. Similarly, a reduction of 150,000 tons is expected in linseed, 120,000 tons in barley, and 100,000 tons in oats. The newspaper calculates that the value of cereal exports in 1938 will be 500 million pesos lower than in 1937, though the difference may be partially compensated by increased prices.

Exports in December showed a further fall in volume, but owing to higher prices the value was higher than in the preceding month. Compared with last year's, the figures make a poor showing. The volume this December was 901,885 tons, against 1,719,015 tons in December, 1936, while the value fell from 207,615,533 pesos to 142,551,382 pesos.

The increase in the value of exports in 1937 compared with 1936 was due in part to better prices. Wheat, maize and linseed average prices rose by 15.9, 27 and 7.6 per cent., respectively. Washed wool rose 40.3 per cent., dry cowhides 42.1 per cent., frozen beef 31.8 per cent., and chilled beef 2.9 per cent.

Surplus of Imports

The following table shows the visible trade balance month by month in 1936 and 1937, and illustrates graphically the fluctuations to which the fortunes of an agricultural country are subject:—

	Value of Export Surplus	
	1936	1937
January	40,602,103	176,154,414
February	44,236,025	184,946,019
March	36,115,526	169,173,649
April	19,351,893	106,412,782
May	22,747,614	71,776,304
June	21,309,270	31,689,326
July	27,739,317	6,396,885
August	34,720,033	3,665,289
September	62,495,969	923,274
October	57,993,224	11,438,457
November	68,401,334	-11,067,681*
December	103,289,094	Not yet available

* Import surplus.

The chief cause of the recent shrinkage was the fact that, owing to heavy shipments early in the year, very few cereals were left for export, and when exports began to slow down imports were only starting to respond to the earlier export boom. Had this season's crops been normal, a renewed expansion of exports might have been expected, and there would have been no reason for anxiety. If the estimate of *La Prensa* (given above) is correct, exports in the present year will be about the same as in 1936, but as the rate of imports is now much higher than in 1936, there is a possibility of serious disequilibrium.

Drought Conditions

The present summer has been abnormally cold and dry, and nearly all crops have been adversely affected. Rains have fallen lately over a large part of the cereal zone, but have been much less than is usual at this season. The country as a whole is still suffering from semi-drought.

A report of the Administrator General of Internal Taxes shows that Inland Tax Revenue in 1937 was 303,946,429 pesos against 269,239,373 pesos in 1936. The value of cheques cleared in 1937 was 41,596,052,153 pesos, compared with 35,169,322,479 pesos in 1936. It is significant, however, that clearings for December last were lower than in the same month of the previous year at 3,542 million pesos against 4,077 millions.

An agreement was recently announced between the Province of Buenos Aires Water Works Company and the Municipalities of Avellaneda, Almirante Brown, and Lomas de Zamora, by which the three municipalities will take over the assets of the company for the sum of 20 million pesos.

The agreement will be effective when it has been ratified by the Federal Congress and the value has been paid to the concessionaire company.

The National Cotton Board reports that the area sown with cotton is 419,030 hectares (estimated), or 12 per cent. less than the area calculated at the beginning of December. It is, nevertheless, 45 per cent. higher than the area sown last year when the cotton zone was seriously affected by drought.

Hongkong

Reassuring Banking News

HONGKONG, January 15.—The Hongkong and Shanghai Bank's announcement of a final dividend of £3, the same as for some years past, has had a reassuring effect here. While there was no lack of confidence in the bank, the persistent marking down of the shares in London led some people to think that a lower dividend was inevitable.

The detailed results of the bank's working in 1937 are not yet available but, allowing for the payment of interim and final dividends and the usual transfer of \$1 million to the bank premises account, the net profits will be slightly higher than in the previous year, when they were \$15,430,000. The annual speech from the chair will be awaited with particular interest, and shareholders will no doubt learn that, despite the troubles of the past five months, the bank has been able to function on as profitable a basis as ever.

At the current price of £86 10s. the bank's shares now yield the remarkably high return of over 6½ per cent., a figure which hardly seems commensurate with the strength or the potentialities of the bank. Whatever the outcome of Japan's attempt to conquer China, the Hongkong and Shanghai Bank is likely to remain the predominant factor in financing the trade of the Far East. With the bank's huge reserves, its wide field of operations, and its record of prudent management there seems little reason to suspect its future profit-earning capabilities.

Canton Trade Continues

In response to a letter from the Hongkong General Chamber of Commerce, the Governor has expressed the opinion that many reports about the perilous state of Hongkong are entirely baseless.

The present hostilities between China and Japan impart no risk to persons or property in this Colony.

This reassurance is welcomed as a corrective to the pessimistic views prevailing abroad.

The daily bomb attacks in the neighbourhood of Canton and the persistent attempts to cut the railway lines out of Canton have had a considerable nuisance value, but have done little serious damage. Trade is still going on. Outside Hongkong waters Japanese naval craft have been in evidence; and from time to time landing parties have been sent ashore on various islands in the delta of the Canton River. So far, however, there has been no interference with shipping and if, as seems likely, Japan refrains from making an official declaration of war, trade between Hongkong and the hinterland should experience comparatively little interference.

Exporters Shun Japanese Ships

The Berlin-Rome-Tokyo axis has been slightly strained in Hongkong—judged by the attitude of German exporters. For the past few years freight space to Great Britain and European ports has been booked through a central office, and allotments spread over the shipping lines in the Homeward Conference. The Japanese line is insisting upon its full allotment, but exporters (including Germans) are disinclined to accept space on Japanese steamers, because of the inevitable reactions on the part of local Chinese and the possibility of labour objections at the port of destination.

A meeting of exporters called together by the Chamber of Commerce revealed that the German members were most vociferous and determined in their demand for the exclusion of the Japanese line, and they carried the other exporters with them. The matter has now been referred to London, but the feeling of exporters is so strong that, if the Conference is unable to give way, the present system of pooling space is bound to collapse.

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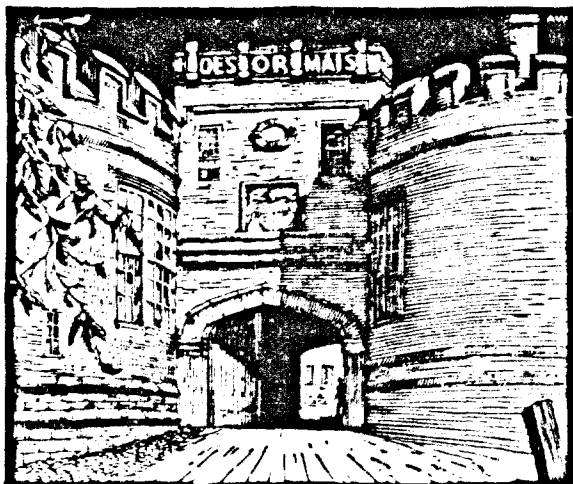
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Letters to the Editor

The Consumer's Choice

TO THE EDITOR OF THE ECONOMIST

SIR,—Sir David Milne-Watson in his letter in your issue of January 15th rightly drew attention to the necessity of allowing for coke in making a true balance between the value of electricity and gas to the community at large. I venture to suggest that there are more important factors still to be considered before any true balance can be struck.

In your articles on "The Consumer's Choice" brief reference only is made to "... processing costs and capital charges ..." and this reference is swept aside in the following sentence as being of only minor relevance. The problem you indicate is one solely of conservation of coal, but in the supply of electricity to the consumer, coal itself represents, on average, only 10 per cent. of the total cost.

Stated fully, the problem, as I see it, is to find the manner in which the total requirements of the community for lighting, heating, power, water heating, ventilation and other kindred services can be provided at a minimum cost to the consumer having due regard to his convenience. Conservation of capital in the electricity industry particularly is of far greater importance, in so far as ultimate cost to the consumer is concerned, than conservation of coal.

Charges on the capital invested in generation plant, transmission and distribution lines and cables, and the other equipment required for electricity supply, absorbs over 50 per cent. of the cost to the consumer. Much of this capital is to-day invested in electricity distribution systems planned to enable as many consumers as wish to use electricity fully for cooking, water heating and space heating as well as for lighting. These are services which it may be a gas industry can supply at a lower cost, and if that is so, part at least of the capital invested in the electricity supply industry at the present time is redundant and wasteful.

The urgency of tackling the problem is evident from the fact that the electricity supply industry alone is spending upwards of £25 millions per year on such capital development. The Electricity Distribution Bill promised for this session of Parliament is intended, in part, to speed up the rate of development of electricity undertakings, and will almost certainly increase the rate of capital expenditure in this partly wasteful competition with gas.

It is not reasonable to expect a solution to the problem from voluntary co-operation between electricity and gas interests. We must look, therefore, to some outside body, which might take the form of a Committee of Experts to formulate a programme of action to lead, as rapidly as possible, to the most suitable allocation of the various services between the two interests.

Major points which will require elucidation will include the following. To what extent should industry subscribe to the provision and maintenance of supplies of electricity and gas respectively, and, in consequence, what proportion of the standing charges should the domestic user of each commodity meet? To what extent is it essential to the future development of industry to have supplies of electricity available for power throughout the countryside, having in mind the possible ultimate necessity to provide some considerable decentralisation of industry?

Neither the whole problem nor its constituent parts are capable of exact solution. The conditions of life of millions, their spending power and their demands for these various services vary from year to year. New services such as wire-

less, air conditioning, etc., are put at the disposal of the community.

The programme of action, therefore, cannot be too rigid, and must make allowance for the variations which will take place in the future. What is important is, however, that this programme should be formulated immediately so as not only to conserve the country's fuel resources, but also to avoid waste in capital investment.

Yours faithfully,

PHILIP B. MAIR.

Edgbaston,
Birmingham.

Hungarian Bond Position

TO THE EDITOR OF THE ECONOMIST

SIR,—May I be allowed to comment on the paragraph headed "Hungarian Bond Position," which appeared on page 176 of the issue of *The Economist* dated January 22nd?

It would seem desirable to make clear that no new situation has been created in connection with the return to the Hungarian Government, under certain conditions, of the Treasury Bills and cash pengos held by the Trustee against untransferred arrears of service of the Hungarian League Loan accumulated from 1932 to 1937. This was proposed as an integral part of the compromise recommended to the bondholders last summer.

After describing in paragraph 2 (i) and (ii) of the League Loans Committee's announcement of June 29, 1937, their proposals for the future service of interest and sinking fund, the Hungarian Government continued, in paragraph 2 (iii)—

In return for the above conditions of future service the Hungarian Government ask that they may be released from further liability in respect of outstanding partly-paid coupons, which may thus be regarded as fully discharged by the payments already made upon them. As a consequence of this release the Hungarian Government ask that the pengos Treasury bills and cash pengos at present deposited in respect of untransferred service and accumulated interest thereon may be returned to them.

Paragraph 3 of the League Loans Committee's announcement of September 28, 1937, read as follows:—

Apart from the Treasury bills to be cancelled and the interest which has accumulated on them to be returned to the Hungarian Government under Para. 2 (iii) of the Committee's announcement of June 29, 1937, approximately 37 million pengos of service moneys accumulated in 1932 and 1933 remain untransferred. The Hungarian Government propose that part of this sum should be used to reconstitute a Reserve Fund, as provided in Para. 12 of the Memorandum of September 17, 1937; that a further part of this sum (i.e. 7½ million pengos) should be made available in foreign currencies within five years for the purpose of making purchases of bonds of the loan in excess of the ordinary amortisation requirements, and that the balance should be at the free disposal of the Hungarian Government. The League Loans Committee recommend the bondholders to accept these proposals as part of the settlement now proposed.

As stated above, these proposals are an essential part of the arrangements proposed by the Hungarian Government for the future service of the loan, and the League Loans Committee have recommended the bondholders to accept them as part of those arrangements. In fact the overwhelming majority of bondholders (practically 90 per cent. of the sterling holders) have already signified their acceptance.

With regard to the Trustees' position, it must be remembered that their responsibility is to see that the Hungarian Government's obligations to the bondholders under the General Bond are integrally fulfilled. They are not therefore legally in a position to condone any infraction of the original Bond or to take any part in negotiations for its modification. Thus, since 1932 they have been unable to recognise any of the League Loans Committee's temporary arrangements with the Hungarian Government for the partial service of the loan, and have regularly made formal protests against the infractions of the General Bond which the temporary measures involved. The protest of September 30, 1937, was of a similar legal nature and was fully anticipated when the League Loans Committee made their recommendations.

Yours faithfully,

A. S. G. HOAR.

Secretary,
League Loans Committee.

Books and Publications

Economics in Use

Mrs Barbara Wootton would claim no novelty for her trenchant onslaught upon economists.* She rather sets down the clear impressions derived from the attempt to teach contemporary economic theory to people for whom common sense, not an examination syllabus or academic conformity, is the acid test of knowledge.

The indictment which Mrs Wootton, in her own superbly incisive way, draws up is in consequence broadly familiar. The economic theory of to-day is unintelligible and useless. The professors use their wits to examine states of affairs that never were on sea or land. When they do come to earth, neither their diagnoses nor the remedies they prescribe for actual disorders are compatible with one another or practical policy.

The disinclination of economists to check their thinking against the observed facts tends to conceal the unreality of their hypotheses. Mrs Wootton's criticisms of the market conditions which most economists take for granted are obviously cogent. While their analysis

"is necessarily dependent on the movements analysed being objectively determined, and not subject to interference by the caprice of arbitrary wills, the encroachment of monopoly, on the one hand, and of Government interference, on the other, is steadily restricting the scope of such markets in the contemporary world."

The Soviet Union, the Third Reich, the New Deal, and even the National Government have to that extent upset their apple-cart. In making their assumptions about conditions and behaviour, economists tend, despite their denial of any intention to pronounce judgment upon social and political issues, to lend their support to that form of society in which their hypotheses are most nearly realised. They are commonly accused, therefore, of making economics into an apologetic for capitalism.

Mrs Wootton justly admits that this concern of economists for the conditions and institutions under which they live and work is explicable. They study what they know, or think they know. Nor, although most of them refuse to concern themselves with the validity or justice of the ends of economic conduct, are they uniformly made by their methods into Tories of the deepest dye. Very many, indeed, have noted the distorting effect upon market processes of inequalities of income. And not a few, ranging from the dispassionate Professor Pigou (in a recent book) to the avowed Socialists, have deduced from their quite orthodox studies programmes of social change.

In fact, if Mrs Wootton's dextrous appraisal of the worth, or worthlessness, of current economics has any conspicuous failing, it is that, in an endeavour to state a case which, broadly, cannot possibly be contested, she seeks to prove too much. The outraged dons may justifiably ask her how she can fairly reproach them for not producing practicable programmes of action when she herself explicitly admits that

"practically every concrete economic problem is so complex as only to be covered by an almost infinite chain of hypotheses." Certainly her victims will politely point out that no better advertisement for the practical value of pure economic theory could be found than in Mrs Wootton's own logical style and brilliant manner.

When Mrs Wootton propounds a constructive policy for economists she is on rather safer ground. The professors must refer their assumptions to the observed facts. They must give concrete examples of their "ghostly theoretical terms." They must study existing social situations and trends as they exist. Here surely is a challenge and encouragement for Nuffield College and the new Institute of Economic Research, and a merited tribute to those individuals and groups of researchers at Manchester, Oxford, Birmingham, Cardiff, Southampton and elsewhere who have consistently sought their economics in the field.

* *Lament for Economics*. By Barbara Wootton. Allen and Unwin. 322 pages. 6s.

As if in answer to Mrs Wootton's plea for the study of real problems comes Mr Meade's programme to prevent the growth of unemployment by paying monthly credits to consumers in times of depression.† Mr Meade is assuredly himself a signal proof that the mastery of abstruse argument can, and should, enhance rather than diminish the economist's ability to formulate plans of social betterment.

It is heartening that an economist of Mr Meade's ability in abstract controversy, should feel it incumbent upon him to make practical proposals for the mitigation of unemployment. He even dares to depart from the general fastidiousness of his kind, and to tread in the path blazed by the fallacious heresies of Major Douglas. Mr Meade knows that Douglas is wrong, but he realises that Mrs Wootton is right. The economist must earn his keep.

Mr Meade's problem is to supplement banking policy and public works policy in the prevention of depression by stimulating consumers' expenditure on consumption goods without increasing producers' costs. He would solve it by creating new money during periods of general depression and giving it to consumers to spend on consumption goods.

This scheme is obviously open to quite considerable debate. Nevertheless, Mr Meade has worked out his plan realistically and shown in actual figures how it might have operated between 1929 and 1936. Mrs Wootton need not be unduly despairing. Even in academic cloisters, there is growing up a generation of economics students "who believe both in themselves and the practical possibilities of their work."

† *Consumers' Credits and Unemployment*. By J. E. Meade. Oxford. 112 pages. 5s.

Shorter Notices

"Our Street." By J. Petersen. Gollancz. 287 pages. 10s. 6d.

There have been many books describing the cruelties attendant upon the extermination of Socialist opposition to the Nazi regime in Germany. Few have been so arresting and disturbing as this one, which relates in fictional form the true story of the struggles and death of a knot of young Marxists in Berlin.

"Balances of Payments, 1936." League of Nations Publications. Allen and Unwin. 236 pages. 6s.

The number of countries whose international accounts are analysed in this invaluable annual statement has been increased in this issue from 29 to 36. For all important commercial countries, with the exception of Italy, merchandise items, interest and dividend payments, other services, gold and capital movements (sorted into long and short term) are given. The effects of world recovery and rising prices are clearly revealed; and it is interesting to notice that the aggregate balance on current account of the United States, France and the United Kingdom, the main creditors, was in 1936 passive by 259 million gold dollars. The strain on the debtor countries has been correspondingly relaxed.

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Lancashire's Problem

WHEN we reviewed Lancashire's position fourteen months ago, we stressed the point that, in the ten years after the issue of the Balfour Committee's report, the depressed American spinning section of the cotton textile industry had progressed far with its adjustment to changed conditions, and was capable of considerable revival. We showed also that Lancashire's share of the world cotton trade, though far below its pre-depression figure, had for some years been tending to expand rather than contract. We suggested that the shrinkage of Lancashire's exports was due rather to a reduced total trade than to losses to Japan; for while that country had undermined the old price structure and so deprived Lancashire of profits, her gains had been largely at the expense of other countries. Our survey thus led us to the reassuring—and, at that time, apparently, surprising—conclusion that Lancashire could count on her full share of any revival in the world's cotton trade.

During the past fourteen months much has happened to support that view. The spinners have been able materially to enlarge the "margin" which remunerates their activities in converting raw cotton into yarn. The dividends announced by spinning mills in 1937 amounted to £1,606,698, against £317,539 in 1936. The recently published profits of the Lancashire Cotton Corporation (not included in the above figures) have dwarfed even our forecast of November, 1936, which at the time was criticised as fantastically optimistic. Finally, British exports of cotton yarn and piece-goods have risen from £61,502,036 in 1936 to £68,532,271 in 1937. After a year of such progress, where does Lancashire now stand?

It would be unwise to read too much into the record of the past year, which included a brief but vigorous commodity boom, followed by a sharp recession in prices. The perspective is still too close to allow us to say confidently where the effects of the one or the other begin and end. Yet it is not too early to discern the direction of certain movements, and in particular the movement of Lancashire's own ideas on future policy. "Lancashire's Remedy," published last October by the Joint Committee of Cotton Trade Organisations in response to the suggestion by Mr Oliver Stanley, President of the Board of Trade, was inevitably drawn in broad outline, with no attempt to make detailed recommendations for reorganisation. Viewed, however, against the background of the year's movements in the

cotton trade, it was a valuable clue to the direction of Lancashire's thinking.

Briefly summarised, the scheme proposed the establishment of two bodies to supervise and co-ordinate the process of reorganisation. One was to be a Board representative of all sections of the industry, but appointed by the Board of Trade, and the other an Advisory Committee of three members not connected with the cotton trade at all. Reorganisation schemes were themselves to be devised by individual sections of the trade and submitted to the Board and the Advisory Committee. The latter's duty was to co-ordinate the sectional proposals of the individual section with the interests of the trade as a whole, and to ensure that national interest was duly observed. Schemes approved by both bodies were to be passed to the Board of Trade to be embodied in Draft Orders in due course. The new bodies were to have no power to initiate schemes, but the objects of various schemes, which were enumerated for their guidance, afford particularly valuable evidence of the drift of Lancashire's ideas. Out of eight suggested headings, seven were concerned with the elimination of internal price-cutting—reduction of surplus capacity, control of output, minimum prices, pools and quotas, and the like—and the eighth with legislation of wage agreements. Provisos were added that the Board and Advisory Committee should be satisfied that the schemes were in the general interest, and (a point repeatedly insisted on) would help the export trade. These conditions go far to suggest that Lancashire's first concern was, and still is, to exorcise the spectre of price-cutting by one mill against another.

The instinct to put profitable working first may well be sound, but its implications should be clearly understood. When the redundancy proposals were introduced the chief recommendation advanced for them was that, by permitting full-time working in the more efficient mills, they would re-establish profits by *reducing costs*. As events turned out, the first year's operation of the Cotton Spinning Industry Act has seen profits increased rather by a widening of the spinning margin than by a reduction in costs. In fact, the internal price-cutting which had narrowed margins so disastrously before the passing of the Act was ultimately a symptom of a diminishing total trade, rather than a prime cause of Lancashire's depression. For many years after the War, Lancashire implicitly accepted the belief that if only she could control her own internal competition her troubles would be at an end. History has shown the dangerous fallacy of that reasoning. To-day, when times have changed, it is just conceivable that she may be right in her instinct to restore profits before all else. Recent experience of reorganisation in other industries, particularly the heavy industries, has shown that real progress with re-equipment and re-planning is seldom made until industrialists feel the solid ground of profits beneath their feet. Lancashire indisputably stands in need of re-equipment, and if a widening of margins is required to lay the indispensable foundation of trading profits, the opportunity to secure it may perhaps be more favourable now than later.

That view obtains some support from an examination of Lancashire's markets. About half of her total output is now sold at home. Except in very specialised products, outside competition is negligible in the home market. At a time when many other trades have increased their prices, Lancashire will, possibly, be less criticised for increasing hers. Her demands are more moderate than those of some other trades, and her products are still cheap, even if they are not quite so cheap as before. Slightly higher prices, again, need not necessarily be fatal in the export market—for

the time being. Lancashire no longer competes significantly in the cheapest markets. The clothing of peoples with low standards of living has been largely taken over by Japan. Though Lancashire still does a substantial trade with India and certain Far Eastern markets (such as the Dutch East Indies), the bulk is in goods other than those of the cheapest quality. Our largest markets are in Europe, South America, Australia, South Africa, and New Zealand, and in those countries mere cheapness is not the paramount consideration. By force of events Lancashire has in some degree fallen back on her traditional quality appeal. Meanwhile the competition of Japan is temporarily held in check by Japan's own affairs, and, opportunely, raw cotton prices have receded sufficiently to offset higher manufacturing charges on simple products.

If, therefore, profitable working is an indispensable preliminary to true reconstruction and re-equipment—we are stating, not endorsing, Lancashire's case—the present may be as opportune a time as any to bring about an inevitable increase in charges. But Lancashire's leaders must be fully aware of the possible long-term consequences of their actions, and of the transient nature of their "opportunity." Ultimately, their most dangerous competitor is neither Japan nor the weak seller at home, but the newly established mill in a former market. The shrinkage of total international trade in cotton goods has hurt Lancashire most; and the recent check to the decline has been due mainly to the fact that the cheapness of cotton goods from Lancashire (and from other countries) has left importing countries

with a reduced incentive to make their own cotton goods. If the process be now reversed, higher prices may well encourage importing countries to instal modern machinery—more modern than most of Lancashire's own plant—to cater for their home markets. The tide of self-sufficiency has been checked in the cotton trade by the shallows of cut prices, but it is undoubtedly still flowing.

Lancashire has thus reached a transitional period of the utmost significance to her future development. A year ago she had, through the stress of events and by painful price-cutting, achieved a greater measure of readjustment than was generally appreciated. Cut prices were slowly being overhauled by falling costs; considerable progress had been made in eliminating redundancy; and markets were no longer being lost. Consequently, as soon as recovery began to open the "primary producer" markets, Lancashire was in a position to reap advantage and to reverse the long process of price reduction. So far she does not seem to have felt any ill-effects from higher prices—though recent increases have not yet spread widely outside the spinning section. Those who advocate still higher prices—which apparently are to be the foundation of Lancashire's plans for future recovery—may defend them as a temporary expedient, but only in so far as they open the way to re-equipment and reduced prices. The authors of "Lancashire's Remedy" declare, truthfully, that "Lancashire cannot afford to export at a loss indefinitely." But in the long run, unless she can eliminate her loss by lower costs, she will not export at all.

Balances of Payments

THE Balance of Payments is a comparatively recent invention of the statistician, but most countries in the world now make annual estimates of their national balance of payments, and the various international estimates are conveniently collected in the annual report on "Balances of Payments" issued by the Economic Intelligence Service of the League of Nations, of which the 1936 volume has recently been published.*

Not the least valuable item in this interesting and informative volume is the table in which all the available estimates are brought together in a single comparable form, and expressed in a single currency. These figures make it possible to classify countries according to their stage of development in the international financial community—an exercise of considerably more than mere academic interest since it sheds a very clear light on the present disorganised state of the international capital market. This has been attempted in the two tables that appear on the following page, one of them classifying twenty-two countries in the years immediately before the onset of the world depression, the other re-classifying the same twenty-two countries according to their position in the three latest available years.

The tables distinguish six different types of balances of payments. A word should, however, be said about the terminology that has been used to describe them; in particular, distinction must be made between debtors and borrowers, between creditors and lenders. A debtor country is one that has borrowed in the past and consequently has to make payment of interest; a creditor, conversely, is one that receives interest. A borrower is a country that is currently importing capital; a lender one that is exporting capital. Debtors are usually borrowers and creditors lenders, but not invariably so. A debtor-lender is a country that is still paying interest on its past borrowings, but has built up a sufficient net excess of exports to be able, in addition, to lend on its own account or—more probably—repay some of the principal of its debts. (Repayment, so far as the current balance of payments is concerned, has, of course, the same effect as lending.) Similarly, a creditor-borrower is a country which receives interest on its past lendings, but has so large a net excess of imports that it is compelled either

to borrow from abroad or to consume some of its capital previously invested abroad.

These distinctions provide four categories—Debtor-Borrowers, Debtor-Lenders, Creditor-Lenders and Creditor-Borrowers—which roughly correspond to the gradual progress of nations from undeveloped virginity through opulence to senile improvidence. But the Debtor-Borrowers and Creditor-Lenders can be further sub-divided

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* "Balances of Payments, 1936." 236 pages. (London) Allen & Unwin. 6s. net.

into immature and mature stages. An Immature Debtor-Borrower is a country that is just beginning to borrow for its development. It is buying capital goods for the exploitation of its resources, and has, consequently, a net import of goods. Its borrowings need to be sufficient each year to cover not only a fresh instalment of railway material, mining machinery, etc., but also the interest on past borrowings. In the mature stage, the seeds thus sown have flowered; the country has begun to sell more than it buys, and thus to earn part of its interest payments. But borrowings are still needed to cover the remainder of the interest. When the export balance grows large enough to cover it all, the country becomes a Borrower-Lender or Borrower-Repayer. Similarly with Creditor-Lenders, the immature stage is that of a country which is beginning to draw interest on its investments, but still sells more than it buys. Maturity is reached when the country begins to consume part of its interest receipts—that is, to have an import balance.

Examples of the six classes are given in the tables. A glance at the names will be sufficient to show both the instability of the position existing in 1929 and the very considerable changes that have since occurred. In 1929 among the eight countries appearing as Immature Debtor-Borrowers there were some whose economic position in the world could not by any stretch of imagination be said to be that of undeveloped countries, which alone can afford to occupy that status. Germany, for example, was borrowing capital at a rate which could only be justified if she were a young country with enormous potentialities waiting to be exploited. The same remark applies in a lesser degree to some of the smaller European countries appearing in this category. Australia fits the description more exactly, though the amounts she was borrowing were almost certainly greater than could be economically employed.

In post-depression years these Immature Debtor-Borrowers have entirely disappeared. The two largest of them, Germany and Australia, still appear as Debtor-Borrowers, though they have passed to what we have defined as the mature stage, since their new borrowings are less than their current payments of interest. ("Borrowing" in the case of Germany in recent years would be more

accurately expressed as the forcible import of capital.) Of the fourteen countries which appeared as borrowers before the depression, ten are now in the third class, that of the Debtor-Repayers, while the three countries which were in that category before the depression have maintained their position. This is some measure of the adjustments that have had to be made in the international financial system. These nine countries, and many others for which estimates are not compiled, have been compelled to reconstruct their national economies in such a way that they can pay interest on their debts, not only without the assistance of fresh loans, but also with the additional burden of steady repayments of past borrowings.

The changes that have occurred among the Mature Creditor-Lenders are less clear-cut. In each of the three countries under that heading capital transactions have swamped the current account of the balance of payments. Thus, although Great Britain shows on the average of the three years 1934-35-36 a small export of capital on income account, there has been, in fact, a very large inflow of funds on capital account, mostly in the shape of gold. France's experience has been the reverse; she has had to draw on capital to balance her income account, but there has been a much larger outflow on capital account. The United States is the only one of the three countries in which the income account and the capital account have pulled in the same direction; but here again the latter has swamped the former.

The practical utility of an analysis such as this is not difficult to grasp. The category into which a country should be placed is determined by the state of its economic development. Only countries which can use foreign loans in ways that will eventually enable them both to pay interest and to retire the loans without continually incurring fresh indebtedness can afford to be Immature Debtor-Borrowers. Not even the richest land can afford to remain a Creditor-Borrower for long, as the slow consumption of capital will leave it without resources to which its economic structure has grown accustomed. No country in the world can be said to be in a healthy financial state until it finds itself in the appropriate category. The figures show how many countries, even after the searching readjustments of depression, are still far from financial health.

BALANCES OF PAYMENTS BEFORE AND AFTER THE DEPRESSION

THE following figures have been derived from the Synoptical Table in "Balances of Payments, 1936," published by the League of Nations. They are annual averages for the years stated, expressed in millions of gold dollars of the pre-1934 parity. In the customary notation, a plus sign denotes a net payment to the country concerned; a minus sign shows a net payment by the country. The column headed "Lending or Borrowing" is derived from the two preceding columns; independent estimates of lending or borrowing are ignored. The table excludes gold movements and all movements of capital except new lending and borrowing.

A. PRE-DEPRESSION (average of 1927, 1928 and 1929)				B. POST-DEPRESSION (average of 1934, 1935 and 1936)			
	Balance of Trade, Visible and Invisible (exc. Interest)	Interest Receipts or Payments	Lending (-) or Borrowing (+)		Balance of Trade, Visible and Invisible (exc. Interest)	Interest Receipts or Payments	Lending (-) or Borrowing (+)
I. Immature Debtor-Borrowers—				I. Immature Debtor-Borrowers—			
Germany	- 658	- 136	+ 794	None			
Australia (a)	- 31	- 170	+ 201				
Poland	- 41	- 33	+ 74				
Hungary	- 47	- 25	+ 72				
Japan	- 39	- 7	+ 46				
Norway	- 3	- 16	+ 21				
Finland	- 9	- 17	+ 26				
Bulgaria	- 3	- 7	+ 10				
II. Mature Debtor-Borrowers—				II. Mature Debtor-Borrowers—			
China	+ 24	- 117	+ 93	Germany	+ 57	- 140	+ 83
Argentina (b)	+ 106	- 185	+ 79	Australia (h)	+ 36	- 84	+ 48
South Africa (c)	+ 32	- 78	+ 46	India (j)	+ 29	- 71	+ 42
New Zealand (d)	+ 21	- 44	+ 23	S. Africa (e)	+ 34	- 52	+ 18
India (d)	+ 107	- 116	+ 9	III. Debtor-Lenders (or Repayers)—			
Denmark	+ 13	- 15	+ 2	New Zealand (k)	+ 22.9	- 22.8	- 0.1
III. Debtor-Lenders (or Repayers)—				Denmark	+ 12.5	- 12.3	- 0.2
Netherlands Indies	+ 142	- 140	- 2	Argentina	+ 96	- 94	- 2
Canada	+ 211	- 169	- 42	Bulgaria	+ 5	- 2	- 3
Czechoslovakia	+ 66	- 16	- 50	Czechoslovakia	+ 15	- 11	- 4
IV. Immature Creditor-Lenders—				Hungary	+ 10	- 5	- 5
Sweden	+ 47	+ 7	- 54	Norway	+ 18	- 11	- 7
Belgium (e)	+ 53	+ 53	- 106	Poland	+ 30	- 18	- 12
V. Mature Creditor-Lenders—				Finland	+ 22	- 4	- 18
France (f)	- (g)	+ (g)	- 430	China	+ 50	- 27	- 23
United Kingdom	- 719	+ 1,217	- 498	Netherlands Indies	+ 68	- 42	- 26
United States	- 133	+ 686	- 553	Japan	+ 36	- 4	- 32
VI. Creditor-Borrowers—				Canada	+ 177	- 132	- 45
None				IV. Immature Creditor-Lenders—			
				Sweden	+ 8	+ 12	- 20
				Belgium (e)	+ 38	+ 22	- 60
				V. Mature Creditor-Lenders—			
				United Kingdom	- 530	+ 536	- 6
				VI. Creditor-Borrowers—			
				United States	- 228	+ 207	+ 21
				France (f)	- 191	+ 130	+ 61

(a) Year 1928-29 only. (b) Two years, October, 1927, to September, 1929, only. (c) Gold is exported from S. Africa as a commodity and not for monetary reasons. It is therefore included in the Balance of Trade. (d) Three years, April, 1927, to March, 1930. (e) Including Luxembourg and Belgian Congo. (f) Including French Colonies. (g) The French figures for these years do not separately distinguish the constituent items of the current account. (h) Two years, July, 1934, to June, 1936, only. (i) Three years, April, 1934, to March, 1937. (j) Two years, April, 1934, to March, 1936.

Canadian Gold Companies

ALTHOUGH Canada is the third largest of the world's gold-producing countries, with an output representing more than one-third of that of the Rand, and three times that of Australia, the British investor has only a modest stake in the Canadian gold-mining industry. From the outset, the industry has been developed largely by Canadian money, with some assistance from the United States. None of the leading gold shares has an active market in London, and in the past both mining and financial conditions have required closer and more specialised attention than the average British investor could devote to them.

Difficulties of this kind are common to all new industries, and it is not invidious to say that the Canadian gold-mining industry, in its present size and scope, falls almost wholly within that category. In 1911, a representative pre-war year, total production was no more than 473,159 fine ounces, valued at \$9,781,000. In the following decade, output almost doubled, the total production in 1921 being 926,329 fine ounces, valued at \$19,149,000. A decisive stimulus was given, however, in 1931, when the Canadian price of gold was raised, and in 1933-34, when a still steeper rise occurred. It then became profitable to develop low-grade ore-bodies, which had hitherto been unremunerative. The following record of output and values (together with an estimate for 1937) illustrates the rapid progress of the industry since 1930:—

CANADIAN GOLD PRODUCTION

	Quantity (fine ozs.)	Value \$
1930	2,102,068	43,453,601
1931	2,693,892	58,093,396
1932	3,044,387	71,479,373
1933	2,949,309	84,350,237
1934	2,972,074	102,536,553
1935	3,283,121	115,533,027
1936	3,748,028	129,293,421
1937 (estimated)	4,055,000	142,000,000

Three provinces accounted in 1936 for over 93 per cent. of Canada's total production, Ontario being responsible for 63.5 per cent., Quebec for 17.8 per cent., and British Columbia for 12.1 per cent. Quebec has shown the most rapid advance in recent years, her output of 666,905 ounces in 1936 contrasting with a mere 8,331 ounces in

1927. The Yukon Territory—the scene of the famous Klondike gold rush of the 'nineties—is now the only producing area where output is declining.

Ontario's leadership is based upon the Kirkland Lake and Porcupine deposits. On these fields a group of well-established mines with apparently ample ore reserves have paid satisfactory dividends for many years, and their shares form the chief media in the industry for the more staid type of investor. In our next table, we set out the dividend record of the more important members of the group, with estimates of their probable dividend payments for 1937:—

	Dividends paid, 1936 \$	1937 Dividends (Estimated) \$	Total Dividends paid to date Millions \$
Dome	3,893,336	3,893,336	34
Hollinger	5,412,000	4,228,000	87
Lake Shore	10,000,000	12,000,000	65
McIntyre-Porcupine	1,596,000	1,596,000	20
Teck-Hughes	2,403,572	2,163,216	28
Wright-Hargreaves	3,300,000	3,300,000	22

Various smaller undertakings, in these and other auriferous areas in Ontario, have now reached the dividend paying stage. From a long list, we may select Sylvanite, Buffalo Ankerite, Pickle Crow and Little Long Lac as representative. Most of these mines have increased their output recently. In addition, several new mines reached the production stage last year, when ten mills were started up, with an aggregate crushing capacity of 1,185 tons of ore each day. Seven other mines have mills under construction with a capacity of 1,425 tons per day, and should be in operation shortly. Much is expected from recent development work in Ontario—particularly around the mining camps of Little Long Lac and Patricia—but the most noteworthy developments of recent months have been at the Larder Lake camp, on the Porcupine field, which was the scene of a lively boom some thirty years ago. Last year's work appears to have revealed rich ore bodies, and high hopes are placed on the prospects of such new mines as Kerr-Addison, Raven River and Omega.

Until recently, the largest gold producer in Quebec was the Noranda mine—primarily a copper producer,

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CASH IN HAND AND AT BANK OF ENGLAND	...	...	...	...	...	...	...	3,994,031
MONEY AT CALL AND SHORT NOTICE	...	...	...	...	...	...	...	6,036,683
INVESTMENTS	...	...	...	...	...	...	...	11,504,635
BILLS DISCOUNTED	...	...	...	...	...	...	...	2,085,549
ADVANCES	...	...	...	...	...	...	...	14,356,873

31st December, 1937

whose ores furnished gold as a by-product. The output of gold from quartz mines in the north-western district of Quebec is now, however, increasing year by year. In this area, Siscoe and Canadian Malartic have reached the dividend-paying stage. The same region provided the gold-mining sensation of 1936—the O'Brien mine. In June, 1936, O'Brien stock stood no higher than 70 cents. A few months later, the shares broke through \$15. Last summer saw a relapse to \$3, but the price has slightly recovered on new discoveries. The behaviour of this stock provides an object lesson in the inevitable risks of speculation in developing Canadian mines. In the same area to-day there are at least a dozen new mines in early stages of development.

The position in the remaining areas may be briefly reviewed. In Manitoba, gold has been principally obtained from the copper-zinc-gold ore deposits in the Flin Flon area, near by the Saskatchewan boundary, though some promising mines are now in operation in the God's Lake and Rice Lake areas. British Columbia's gold-mining history goes back to the late 'fifties, and the Cariboo gold rush of 1860. Placer mining has been stimulated by the higher price of gold, but has given place, for the most part, to large-scale lode mining. Discoveries in the Bridge River district (north-east of Vancouver) in 1931, and the growing production of companies such as Pioneer and Bralorne have considerably increased the output of British Columbia in recent years.

So much for the topographical location of Canada's main gold deposits. Before the investor can translate discoveries into terms of dividends, actual or potential, he must study three main factors: the Canadian gold market, mining taxation, and the trend of working costs. A figure of \$35 per ounce is conventionally accepted as the new datum level for the price of gold, under existing conditions. The Federal Government, acting through the Bank of Canada, accepts all gold produced at the ruling price, and disposes of any surplus which is not needed for backing the domestic currency. The United States has for some years provided the most convenient outlet for this gold, but the Canadian Government has taken the opportunity, recently, to sell gold in London when the price offered a premium over exchange parities.

The Canadian gold-mining industry is a fruitful source of revenue, both for the Federal and Provincial Governments, but it carries a far lighter burden than the South African industry. The Dominion budget of 1934 set up a special tax upon gold-mining profits, on the argument that the Treasury was entitled to a share of the additional profits derived from the gold premium, which was itself

a function of monetary policy. The impost, however, was bitterly opposed, and was withdrawn before it had been in operation for a full fiscal year. To-day, the mining industry pays only the ordinary Federal and Provincial corporation taxes. Moreover, by a concession granted in 1936, not even the 13 per cent. Federal tax is applied to the first three years' profits recorded by metalliferous mines coming into production between May, 1936, and January, 1940. This concession was definitely designed to stimulate new mining enterprise, and it seems to have succeeded handsomely in its purpose.

The question of mining costs must finally be considered. During the first half of 1937, the considerable increase in wages and the cost of stores threatened to reduce mining profits, but this problem has receded with the subsequent reduction of prices. Details of share prices, dividends and production in 1936 are given in our final table:—

	Pro- duction in 1936	Share Prices		Current	Earned per sh.	Paid per sh.	Current yield
		1937-38					
		High	Low				
	Fine ozs.	\$	\$	\$	\$	\$	%
Bralorne	63,829	9	6 1/4	8.85	0.60	0.60	6.8
Dome	208,528	5 7/16	3 3/8	5 5/8	4.26	4.00	7.2
Hollinger	420,331	15 1/2	10 1/4	13 1/8	1.18	1.05	7.7
Lake Shore	451,847	55 1/2	45 1/2	53 1/2	4.19	6.00	11.2
McIntyre-Porcu- pine	230,822	4 1/2	3 1/4	4 1/2	4.29	4.00	9.5
Teck-Hughes	135,262	6.05	4.30	5.30	0.46	0.45	8.5
Wright-Hargreaves	216,210	8.10	4.45	7.30	0.72	0.60	7.7

Current quotations are appreciably below the high prices recorded early last year. The Canadian gold share boom of 1937, indeed, carried share values to levels which exceeded even the optimistic valuation of developing Rand mines in the London market. The inevitable sequel was heavy loss to shareholders, both in reputable enterprises and wildcat flotations. Competent Canadian observers, however, have lately been buying seasoned gold stocks with the same discriminating optimism as recent purchasers of established Kaffir shares on this side of the water. There is, indeed, a certain justification for such buying, on considerations of yield. But to a British investor who desires to adventure his resources in developing Canadian mines, remoteness from the market and from sources of technical information is a grave disadvantage. The possibility of establishing a regular market in London, at all events for shares of the newer Canadian propositions, seems remote.

Finance and Banking

The Exchange Account and Gold.—The course of events in the gold market during the past week has provided an instructive commentary on the policy of the authorities operating for the Exchange Equalisation Account, so far as the sterling price of the metal is concerned. The open market in gold has been comparatively small, but the preponderance of buyers or sellers has fluctuated abruptly. Last Monday, for example, was a day on which sellers predominated at the fixing, mainly as a result of dishoarding, following the striking vote of confidence obtained by the new French Government. Consequently,

the Exchange Account had to absorb virtually the whole of the gold on offer. On subsequent days the tide had turned, and the Exchange Account was called upon to satisfy part or the whole of demand in the market. The significant aspect of this two-sided operation of the Exchange Account in the gold market is that it appears to be effected in the interests of stability in the sterling price of gold and not in the more immediate pecuniary interests of the Account itself. On Monday the Account was buying gold at a price which included a premium of 6 1/2 d. over the dollar parity. On Tuesday it was selling on the basis of a premium of 5 d. Admittedly, the dollar shipping parity no longer has the fundamental importance which it once held in the daily gold fixing. There are other parities—with Continental currencies—which for the time being provide a more effective anchor for the sterling price of gold. None the less, the dollar rate has this week been sufficiently stable to provide a standard by which to judge the trend of official policy in determining the daily price of gold in London. And it would seem that, in the interest of maintaining a reasonably stable price, those in charge of the Exchange Account are prepared to forgo jobbing profits which could readily be earned by a more commer-

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BALANCE SHEET, 31st December, 1937	
LIABILITIES	ASSETS
Share Capital Authorised: 2,889,078 Shares of £12 each ... 34,428,948 0 0	Coin, Bank Notes and Balances with the Bank of England ... 53,988,246 16 4
2,000,000 Shares of £2 10s each ... 5,000,000 0 0	Balances with, and Cheques in course of Collection on other Banks in Great Britain and Ireland ... 18,700,855 4 0
5,771,952 Shares of £1 each ... 5,771,952 0 0	Money at Call and Short Notice ... 25,449,441 17 8
	Investments at or under Market Value:
Share Capital Issued: 2,889,078 Shares of £12 each ... 34,428,948 0 0	War Loan and other British Government Securities (of which £379,822 10s is lodged for Public and other Accounts) ... 117,386,191 2 1
£2 10s paid ... 7,172,997 10 0	British Corporation and County Stocks ... 603,059 1 3
1,921,477 Shares of £2 10s each, fully paid ... 4,804,192 10 0	Domestic and Colonial Government Stocks and Bonds ... 51,178 5 0
3,175,921 Shares of £1 each, fully paid ... 3,175,921 0 0	Sundry Investments ... 1,735,970 0 11
	Bills Discounted ... 30,925,878 5 1
Reserve Fund ... 15,152,811 0 0	British Treasury Bills ... 52,532,678 0 0
Dividend payable on 1st February, 1938 ... 12,404,799 0 0	
Balance of Profit and Loss Account, as below ... 809,168 13 2	
	Advances to Customers and other Accounts (less provision for Doubtful Debts and Contingencies) ... 207,947,787 0 0
Current Deposit and other Accounts 480,851,496 17 8	Midland Bank Executor & Trustee Company Limited: 250,431 7 8
(Including £249,998 15s 6d on Public and other Accounts secured as per contract) ... 496,296,377 12 0	Liabilities of Customers for Acceptances, Confirmed Credits and Engagements ... 20,726,945 12 1
Balances due to Affiliated Companies 5,444,880 16 0	Bank Premises at Head Office and Branches at cost, less amount written off ... 8,837,516 0 0
Acceptances and Confirmed Credits on account of Customers ... 12,079,911 1 0	Other Properties and work in progress for extension of the business at cost, less amount written off ... 843,532 18 2
Engagements on account of Customers ... 8,650,034 10 7	Yorkshire Penny Bank Limited: 93,750 Shares of £5 each, £3 paid ... 281,250 0 0
The Bank has contracts running for the sale of Foreign Currencies to the value of £3,393,941 8s 3d which are covered by purchases to a corresponding amount.	187,500 Shares of £1 each, fully paid ... 187,500 0 0
The total sum paid to Directors as remuneration for their services is as follows:	Proportion of Reserve relative thereto ... 468,750 0 0
Fees and Income Tax thereon ... 44,720 2 0	Shares in Affiliated Companies:
Fees and Income Tax thereon paid by Affiliated Companies to such Directors of those Companies as were also Directors of the Bank ... 4,988 19 8	Belfast Banking Company Limited: 200,000 Shares of £12 10s each, £4 paid ... 800,000 0 0
Total ... 49,689 2 5	Reserve and Undivided Profits ... 855,708 19 0
	The Clydesdale Bank Limited: 100,000 Shares of £50 each, £10 paid ... 1,300,000 0 0
	30,000 Shares of £10 each, fully paid ... 1,841,172 15 3
	Reserve and Undivided Profits ... 1,399,328 7 8
	North of Scotland Bank Limited: 163,000 Shares of £20 each, £7 paid ... 1,141,000 0 0
	Reserve and Undivided Profits ... 1,399,328 7 8
	Midland Bank Executor & Trustee Co. Ltd.: 200,000 Shares of £5 each, £1 5s paid ... 250,000 0 0
	Reserve and Undivided Profits ... 186,937 6 1
	546,084,145 19 2

Dr. PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1937		Cr.	
To Interim Dividend, paid 15th July 1937, at the rate of 10 per cent per annum, less Income Tax ... 854,820 14 4		By Balance from last Account ... 547,084 6 0	
Dividend payable 1st February 1938, at the rate of 10 per cent per annum, less Income Tax ... 809,168 13 2		Net Profit for the year ended 31st December 1937, including the sum of £370,170 0s dividends from Affiliated Companies, full provision having been made for Rebate, Expenses, and all Bad and Doubtful Debts ... 2,508,008 4 2	
Reduction of Bank Premises Account ... 400,000 0 0			
Reserve for Future Contingencies ... 309,000 0 0			
Balance carried forward to next Account ... 591,044 1 2			
	3,055,093 8 8		3,055,093 8 8

R. McKENNA, Chairman W. G. BRADSHAW, S. CHRISTOPHERSON, Deputy Chairmen G. K. M. MASON, Director F. HYDE, Managing Director

REPORT OF THE AUDITORS TO THE MEMBERS OF THE MIDLAND BANK LIMITED

In accordance with the provisions of Sub-section 1 of Section 154 of the Companies Act, 1929, we report as follows:

We have examined the above Balance Sheet in detail with the Books at Head Office and with the certified Returns from the Branches. We have satisfied ourselves as to the correctness of the Coin, Bank Notes and Balances with the Bank of England, Balances with, and Cheques in course of Collection on other Banks in Great Britain and Ireland, Money at Call and Short Notice and Bills Discounted. We have verified the Securities representing the Investments of the Bank and the British Treasury Bill and have obtained all the information and explanations we have required. 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 Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

LONDON, 12th January, 1938

WHINNEY, SMITH & WHINNEY, Chartered Accountants, Auditors

AFFILIATED COMPANIES:

BELFAST BANKING COMPANY LIMITED

THE CLYDESDALE BANK LIMITED

NORTH OF SCOTLAND BANK LIMITED

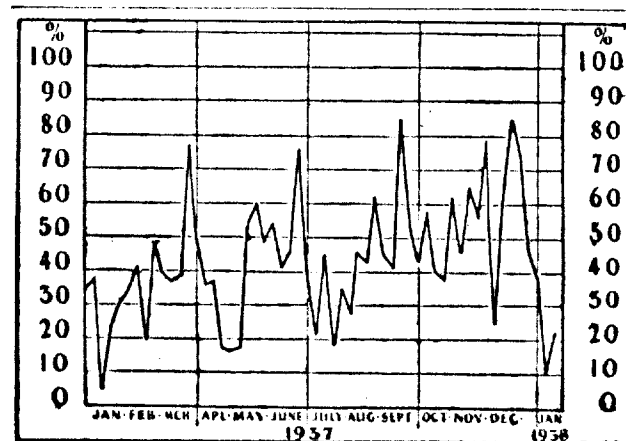
MIDLAND BANK EXECUTOR AND TRUSTEE COMPANY LIMITED

cial utilisation of the quasi-monopolistic powers which the Account wields in the bullion market. The fact that the gold operations of the Exchange Account in the open market represent only a small proportion of its total transactions in the metal in no way invalidates this conclusion.

* * *

Competition for Treasury Bills.—The discount market has again become aware in recent weeks of exceptionally keen outside competition for Treasury bills. At Friday's tender last week, allotments at the price at which the market syndicate applied were only 22 per cent. In the preceding week, the syndicate was altogether outbid for the Tuesday bills, on which its applications were largely concentrated. In all, the market is estimated to have obtained less than 10 per cent. of the amount for which it applied. These small allotments are a serious matter when the profit on turning over bills is already reduced to microscopic proportions and when the banks, anxious to buy bills, find to their annoyance that the discount market is unable to satisfy their requirements. There are two types of outside competition for bills. The first comes from the London branches of foreign and colonial banks and from financial houses outside the discount market, all of which tend to be drawn into the competition for Treasury bills whenever there is abnormal abundance of short term credit. Against this competition the market can be depended on to defend itself adequately, even if its defence means cutting the rate to a fraction of 1d. per cent. over the basic minimum of 10s. per cent. Much more ruthless, however, is the second type of outside competition for bills—that which emanates from central banks and issuing authorities within the sterling area. Such institutions—the South African Reserve Bank and the National Bank of Egypt, for example—hold substantial amounts of Treasury Bills as part of their currency reserve. These holdings have to be renewed as they mature, quite independently of the prevailing rate of discount. It is this type of competition which has been particularly marked in recent weeks; and last Friday it drove the average rate at which the Treasury bills were issued below the 10s. per cent. level. Against this competition the market is powerless, and its incidence is therefore a matter of primary importance.

PERCENTAGE OF TREASURY BILL ALLOTMENTS SECURED BY THE MARKET



In order to throw light on this question, we have drawn up the accompanying chart, which clearly illustrates the regular quarterly incidence of heavy maturities and renewals of "semi-official" holdings of Treasury Bills, and their effect on the allotment of bills secured by the discount market. The data for 1937 and for 1938, so far, show that this particular type of competition tends to be particularly severe during the first four or five weeks of each quarter. The ratio of allotment of bills to the market syndicate also depends, of course, on other influences—especially on the amount of Bills on offer. The lower average ratio of allotment in the first quarter of each year, when revenue normally exceeds expenditure and when floating debt is being repaid, is due to the latter factor.

Comparatively low allotments of bills to the market will, therefore, probably be the rule for some weeks to come. But experience in each of the last four quarters suggests that the market should, within a week or so, be freed from the impact of particularly heavy maturities of bills in special outside quarters.

* * *

French Exchange Policy.—This week, the spot rate for sterling in Paris rose to Frs. 154 on Tuesday, rallied to Frs. 151, and on Thursday afternoon rose to a new high record of Frs. 155. Forward francs wavered between limits of Frs. 2½ and Frs. 3½ discount for one month, and Frs. 7½ and Frs. 6½ for three months, but the widest rates were touched on Tuesday and not on Thursday. The Banque de France has been limiting its own deliveries of foreign exchange to purchases for genuine commercial transactions, and to some extent that has set the tone for the whole market. One consequence is that French importers are buying ahead, and this makes the dividing line between commerce and speculation somewhat tenuous. The market is convinced that the French authorities have no definite policy, but are simply waiting on events. This week they have been trying to replenish their resources by buying sterling spot and selling it forward, which is a method of borrowing sterling for the duration of their forward contracts. This probably explains the pronounced weakness of the spot rate and the relatively greater strength of the forward rates. The advantage of this procedure is not altogether obvious. The French authorities have had some reason to regret the transfer of Frs. 3,000 millions of gold made to the Banque de France last November, for it is now impossible to recover this gold for the exchange fund without a further serious shock to confidence. Indeed, the authorities may well decide to approach London shortly for a new sterling exchange credit, as the only remaining way of replenishing their resources. Meanwhile, the third transfer of Fl. 50 millions out of the Dutch loan of Fl. 150 millions to France arranged last autumn is only now being placed. It is not known, apparently, whether the whole of the Fl. 150 millions has already been paid over to the French authorities or whether France still has further exchange resources to come shortly from this source. Whatever the answer, it is clear that the French authorities have the un congenial task of making bricks with an inadequate supply of straw.

* * *

An American Banker on Taxation.—Mr Aldrich, in his report to the shareholders of the Chase National Bank, made caustic remarks on taxation as applied to capital. After insisting on the importance of capital and savings to economic progress, he enumerated and condemned many of the new taxes imposed by the Roosevelt Administration. High income tax, inheritance taxes, the capital gains tax, the undistributed profits tax—all provided him with an easy target. He summed up his condemnation of the Rooseveltian financial policy by saying that it had sought to substitute bank credit for real capital. Used with moderation, bank credit was a valuable auxiliary to savings, but the substitution of bank credit for investors' funds in long-term employment reduced the liquidity of the banking system, and if pushed too far might impair the safety of the banks. Mr Aldrich also touched upon recent legislation regarding new capital issues, which he described as fundamentally right, but much too drastic in its terms. The capital goods industries were seriously lagging behind other industries, and a prompt and adequate modification of Government policy affecting the capital market would make a major contribution to business revival.

* * *

World Gold Production.—The Union Corporation estimate world gold production for 1937 to have been 35,400,000 ounces—an increase of nearly 7½ per cent. on the revised 1936 figure of 32,960,000 ounces. The difference between this estimate and the total of

39,500,000 ounces which appeared in these columns recently is largely accounted for by the U.S.S.R. figures. The Union Corporation have decided to revise their 1936 estimates of Soviet gold production from 7,350,000 to 5,400,000 ounces and to substitute a 10 per cent. increase in 1937 for the official indications of a 25 per cent. increase. This action by a leading authority on the world's gold production suggests that the estimation of Soviet output must under existing conditions remain almost wholly a matter of guesswork. The recent liquidation of "Trotzkist wreckers" in the Soviet gold industry may, indeed, be as good a reason as any other for assuming that production has fallen well below earlier estimates.

* * *

Sun Life Assurance Accounts.—As usual, this Society is the first of the life offices to publish its accounts. The 1937 figures show further all-round expansion. Total sums assured amounted to £22,010,000, compared with £20,720,000 in 1936—the previous record year. Consideration moneys for immediate annuities were also larger,

at £145,000 against £125,000. The net rate of interest on the combined assurance and annuity funds fell by 2s. 6d. per cent. to 40s. 7d. per cent. Total assurance assets now amount to almost £43,000,000, and there were apparently considerable changes among the various investment classes during the year. Further expansion was shown in mortgages on property—due, no doubt, to a considerable extent to advances for house purchase in conjunction with assurance policies, from £3,959,000 to £4,725,000, and in loans on public rates from £3,326,000 to £4,057,000. Policy loans, however, fell from £2,726,000 to £2,643,000. An increase of £392,000 occurred in British Government Securities, which stand at £10,431,000. British Municipal securities, on the other hand, declined by £158,000 to £1,079,000. Last year the chairman drew attention to the policy of the board in reducing the amount invested abroad. This policy is reflected in a decline from £5,565,000 to £5,070,000 in Indian, Colonial and Foreign Government securities. Debentures show an increase of £556,000 to £10,175,000. The amount held in preference and ordinary stocks, however, is practically unchanged, and forms only about 3 per cent. of the total assets.

MONEY MARKET NOTES

The Bank Return

Contrary to market experience at this time last year, the note circulation has this week undergone a further small decrease. It is clear that the latest flight from the franc has not given rise to any new French hoarding of British currency.

	Jan. 27, 1937	Jan. 12, 1938	Jan. 19, 1938	Jan. 26, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	452.3	482.1	475.7	473.2
Banking Dept.				
Reserve	61.8	64.9	51.3	53.8
Public Depts.	12.1	13.2	11.0	13.6
Bankers' Depts.	98.4	123.4	124.4	113.1
Other Depts.	38.4	36.8	36.9	37.3
Govt. Secs.	78.6	90.2	104.4	98.9
Discounts and Advances	8.0	15.8	13.0	10.4
Other Secs.	18.7	20.5	21.8	19.0
Proportion	41.4%	37.4%	29.7%	32.7%

In the banking department the Reserve is stronger as the result of the continued contraction in the note circulation. Government securities are reduced by £5.5 millions, possibly because the Bank, like other holders, is having to bear the brunt of the seasonal repayment of Treasury bills out of revenue. Discounts and advances and other securities are also lower than a week ago, and there was a slight increase in public deposits. The result of all these movements was a drop of £11.3 millions in bankers' deposits.

*

The Money Market

In the past few days, in spite of the week's reduction in bankers' deposits, money has remained easy; and bankers' deposits themselves are still at a high level. On January 21st the market's allotment of Treasury bills was only 22 per cent., and so the market had only a limited quantity of bills available for sale this week. The clearing banks were keen buyers, but were unable to secure as many bills as they required.

	Jan. 28, 1937	Jan. 20, 1938	Jan. 27, 1938
	%	%	%
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½	1½-5g	1½-5g
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9½	1½-9½	1½-9½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

Since the end of the year the volume of Treasury bills issued by tender has been reduced from £622 to £587 millions. This is less than the contraction in the floating debt, for the floating assets of the departments have also been reduced from £361 to £329 millions. This last contraction of £32 millions is very likely due to the Exchange Equalisation Account's recent gold acquisitions. If so, the normal seasonal reduction in tender issues of Treasury bills is being neutralised to some extent by fresh borrowing to cover the Exchange Account's gold purchases.

*

The Bullion Market

In the bullion market, the usual Continental demand for gold has continued, but it has been met partly out of the liquidation of forward contracts which have matured and also out of some sales from private hoards. Apart from this, official sales provide the sole source of supply. The belga has now weakened to the point where the Belgian authorities could sell at a profit any gold held by them in London, but there is no trace yet of their having done so. The rate has not depreciated enough to make it profitable to ship gold from Brussels for sale in London.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis.	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Jan. 21 ...	139 8	6½ pm	256	20	1915½
" 22 ...	139 7½	6½ pm	251	20	1915½
" 24 ...	139 7½	6½ pm	419	20	1915½
" 25 ...	139 7½	5 pm	314	20	1915½
" 26 ...	139 7½	5 pm	177	20½	1915½
" 27 ...	139 6	6½ pm	552	20¼	20

* Above or below American shipping price. The New York price of silver remained at 45 cents per ounce .999 fine during the week.

The London silver market remains firm. Supplies are very limited, and the continuance of bear covering on a moderate scale favours a further rise in prices as a short-term view. Looking further ahead, prospects are less certain as current prices are already above the American shipping parity. The opening of dealings in Bombay for February and March settlement has witnessed a jump in the price for the later date to 9 annas premium, whereas so long as February was the later of the two settlement dates, the premium was only one anna. It looks as if some dealers are anticipating a reduction in the import duty.

*

Foreign Exchanges

The latest fluctuations of the franc, and their bearing on "control" policy, are discussed in a Note above. Apart from them, the market has been very quiet. Dollars came on offer in the middle of the week at \$5.00½, this being due to the fresh weakness in Wall Street. Dutch interests are reported to have been selling American securities and buying guilders, but as the Netherlands Bank has been selling guilders to meet all demands, sterling remains unchanged in Amsterdam at Fl. 8.97. Belgas have come on offer, owing to the weakness of the franc, and the spot rate has moved up from bel. 29.54 to 29.63. The discount on forward belgas shows little change at 5 cents discount for three months' delivery. Swiss francs are unchanged at Frs. 21.63½.

Investment

Gilt-edged Possibilities.—This week's events suggest that in the equity share markets the public, playing the deaf adder's part, refuse to hear even the bank chairmen, charm they never so wisely. Prices have receded fractionally, and there has been a tendency to close professional commitments. Nor has New York's mid-week defeatism been helpful. Interest on this side has shifted still more to the gilt-edged market. Here, a firm trend, since the beginning of this year, has been associated with intimations that the authorities, having studied the year-end reports of the joint-stock banks, have decided that, if a further rise in advances is not to involve further sales of bank investments, the cash basis must be widened. Inevitably, these signs of the times have resuscitated market questionings about the second *tranche* of Defence borrowing. The consensus of opinion, however, is against the imminence of a major Treasury operation. It is only quite recently that the decks of the Government Departments were cleared of the residuum of last year's offer. New money will certainly not be required by the Government to meet defence commitments falling due for some months ahead, and the omens suggest that the market is hardly likely to turn against the Treasury in the meantime.

A consideration of only slightly less importance is that other borrowers have equitable claims to consideration before the beginning of a close season for new issues, which a Government loan would be only too likely to impose. Their numbers include more than one overseas Government and, more particularly, a fairly lengthy list of home municipalities which have stocks (issued for the most part in 1920 and carrying 6 per cent. interest) which become callable in June and November next, usually on notice given three months earlier:—

Corporation	Stock Rate %	Issued	Outstanding	Earliest date repayable 1938
Stoke-on-Trent	4½	1923	400,000	April 5
Coventry	6	1920	876,556	June 30
Lincoln	6	1920	750,000	June 30
Middlesbrough	6	1920	1,246,750	June 30
S. Shields	6	1920	1,000,000	June 30
Boole	6	1920	494,076	Nov. 30
Bournemouth	6	1920	650,000	Nov. 30
Ipswich	6	1920	300,000	Nov. 30
Northampton	6	1920	400,000	Nov. 30
Rotherham	6	1920	635,609	Nov. 30
Stoke-on-Trent	6	1920	900,000	Nov. 30
Wolverhampton	6	1920	499,300	Nov. 30

In these conditions, significance attaches to the price at which Bristol will be "advised" to issue her forthcoming £2,000,000 loan. If an endeavour to lever up the prevailing market basis by, say, half a point, is made and proves successful, the authorities will have scored a definite point in their policy of resuming "control" over the destinies of the gilt-edged issue market. And they will have scored it at a time when that resumption is particularly opportune.

The Bondholder's Guardian.—The sixty-fourth annual report of the Council of Foreign Bondholders deals with a year of world-wide economic improvement which, unfortunately, was not adequately reflected in the bank-books of bondholders. Greece defaulted last April, and has persistently repeated an unacceptable offer of permanent settlement, which takes no account of the rapid improvement in Greek economic affairs. To Brazil, however, goes the doubtful distinction of being the most important defaulter of 1937. The report shows that her decision interrupted negotiations for the future of the debt service after March this year, which were being conducted in accordance with the Aranha plan. But there are successes as well as failure in the record of 1937. Poland, Danzig and Nicaragua made acceptable permanent settlements, and other arrangements or offers have

continued to be carried out by a lengthy list of countries, including Chile, Germany, China and Yugoslavia. The bondholder has good reason to thank the Council, which is now seeking to enlarge its scope for effective action through close collaboration with other organisations. To that end, meetings were held last year in London, Paris and New York. But in one direction, alas! it can report no progress. Page 93 of the report records: "There have been no developments during the year 1937 of special interest to bondholders of the State of Mississippi."

Wall Street and Hot Money.—A five-point fall in the Dow Jones index on Wednesday illustrates the cumulative effect of the uneasiness which now pervades Wall Street. In part, the fall appears due to the activities of the Dow theoreticians, but it has a basis in such current realities as the Administration's campaign against "monopolies" (discussed on page 216), the threat to re-open the Chrysler inquiry, and the President's declaration against wage cuts. The question of a renewal of European interest in Wall Street is purely academic at the moment. The publication of the U.S. Treasury return of capital movements during the third quarter of 1937, however, reveals, surprisingly, that there was a net influx of funds from abroad into U.S. domestic securities, amounting in total to \$55½ millions. Thus the liquidation evident during the second quarter of 1937 was sharply reversed. The figures for European countries (which bring up to date previous returns published in *The Economist* of October 23, 1937, page 173) show an influx of \$20 millions from the United Kingdom, and of \$60½ millions from European countries as a whole. Switzerland is responsible for the larger part of the increase, the Netherlands occupying third place. Evidently, holders of American securities are willing to run heavy paper losses for a time, and even to "average."

Company Registrations in 1937.—The annual record of new company registrations effected in 1937, published with customary detail by Messrs Jordan and Sons, Ltd., shows a 7 per cent. drop to 12,722 new registrations, including 35 companies with capitals of £500,000 or more. This fall is neither surprising nor of special significance. And though a fall of 27 per cent., from £158,221,238 to £113,590,283, in the nominal capital involved appears more important, the growing practice of registering small initial capitals which are increased after registration makes the comparison undependable. Last year provided such examples as Odeon Theatres, Ltd., and Doncaster Amalgamated Collieries, whose combined original capital of £10,100 has since been increased to £13,750,000. The fall in the number of registrations is entirely due to private companies. The number of public companies with share capitals was actually 10 greater at 321, although a decline in companies limited by guarantee is responsible for the small fall in total public registrations. Totals for 1937 and the three preceding years are given below:—

Years	Public Companies		Private Companies		Totals	
	Number Registered	Capital	Number Registered	Capital	Number Registered	Capital
1934 ...	446	69,761,622	12,029	73,778,784	12,475	143,540,406
1935 ...	430	54,870,783	12,673	81,763,377	13,103	136,634,160
1936 ...	418	49,359,643	13,324	108,861,595	13,742	158,221,238
1937 ...	416*	37,619,099	12,306	75,971,184	12,722	113,590,283

* Includes 95 companies limited by guarantee and associations not for profit without share capital.

Messrs Jordan's computations for individual groups show that land and finance companies were again

prominent. Private land and building companies take first place with 1,153 registrations, but they rank second in respect of capital to private finance and investment companies, which provided no less than one-eighth of all registered capitals, both of public and private companies. Among public company registrations, land companies constitute nearly one-third in number, but occupy no special position in point of capital; the largest group, in fact, is mines and quarries. The year recorded comparatively few "freaks." But an inversion of a familiar rule is to be found in the Articles of Transfer Trust, Ltd., whose directors must not be residents of, and whose board meetings must not be held in, the United Kingdom. It is also recorded that the International Council for Non-Intervention in Spain still lives in the files at Bush House, registered as a company limited by guarantee.

Company Notes

U.S. Steel Earnings.—The December quarterly earnings statement of the United States Steel Corporation seems destined to be the precursor of a series of depressing American company announcements. Net earnings for the quarter were only \$4,577,983, compared with \$20,650,780 for the corresponding quarter of 1936, and \$30,618,000 for the September quarter of 1937. This rate of earnings is equivalent to no more than \$1.27 per preferred share, compared with a quarterly dividend payment of \$1.75. During the quarter, steel operations fell to an average of 41.3 per cent. of capacity, against 71.4 per cent. for the whole year and in December the rate was only 32.3 per cent. Clearly, during the latter part of the quarter, the Corporation was operating at a negligible profit or even a loss. The market had already discounted this result, and had been inclined to buy steel shares on hopes of recovery in the constructional industries and of large-scale naval building. But this week's reaction has taken Steel common to \$55¼, compared with last year's "high" of \$126½, and until America's politico-economic background is clarified, there can hardly be much recovery.

Amalgamated Cotton Results.—Last year's comprehensive capital reduction has proved well timed. It has coincided with a spectacular improvement in earnings which has put the ordinary capital—now a mere vestige of its former bulk—back into the dividend list. The total income received by the Trust during the year to August 28, 1937, was £219,181, compared with £48,833 for the previous ten months' accounting period. The aggregate trading profits of the company and subsidiaries, together with other income, amounted to £279,783, of which £43,458 was set aside for depreciation and £42,132 for taxation, leaving net profits available for the Trust of £194,193. After payment of £27,486 for debenture interest and £47,126 for preference and preferred ordinary dividends, some £119,581 is available for ordinary dividends and reserve appropriations. Only £16,732 of this amount, however, is absorbed by the dividend of 1d. per share, tax free (equivalent to 11.11 per cent. gross) on the ordinary capital. Of the balance, £70,000 is put to general reserve, £30,000 to stock reserve, and £2,849 is carried forward. Balance-sheet comparisons cannot be made with 1936, owing to the reorganisation, but the picture presented shows a healthy net assets position, both for the Trust and for the subsidiaries. Like the Lancashire Cotton Corporation figures, which appeared earlier this month, the Amalgamated Cotton profits should be read in conjunction with the Leading Article on "Lancashire's Problem," which appears on page 230 of this issue. The shares stand around 1s. 7½d. to yield £7 8s. per cent.

Woolworth Meeting.—Mr. W. L. Stephenson's address to the shareholders of F. W. Woolworth last week was of the cheerful tenor proper to the review of a record year. Shareholders, however, must base estimates for

the current year on inference, rather than on any definite statement from the chair. The company's success last year was due to an increased volume of turnover, and this more than offset the difficulties of rising costs and interrupted supplies. Increased turnover, it appears, resulted primarily from the general improvement in trade conditions, although a moderate proportion of it was due to expansion of selling space and new stores. After last year's building programme there are now some 711 stores in operation. Some £250,000 was set aside last year for the first N.D.C. assessment, which, in a full year, will exceed £300,000. Shareholders will probably conclude that, so long as the nation's purchasing power is maintained, the Woolworth organisation should make satisfactory profits. The year 1938 has opened without any extravagant dividend expectations, but the position, so far as costs are concerned, should be less difficult than last year.

A Gaumont - British Inquiry.—The completion and lodgment of application forms at the Board of Trade concludes the first stage in the endeavour of certain shareholders to secure an official inquiry into the affairs of Gaumont-British Picture Corporation, under section 135 of the Companies Act. The shareholders' committee obtained support to a total of 3,233 applications representing 1,160,934 shares, equivalent to 11.326 per cent. of the total number issued. The legal minimum of 10 per cent. was thus exceeded. As we explained in *The Economist* of January 1st (page 31), the Board's powers are permissive and not mandatory. The next stage presumably is for the Board to invite the directors of the Corporation to make a reasoned case that the application be not heard. If that case failed to satisfy the Board of Trade, the latter might decide to appoint an inspector to investigate the Corporation's affairs, armed with powers of discovery and examination upon oath.

Investment Trust Results.—Industrial profits published in 1937 in many cases reached record levels, and it is not surprising that investment trust profits, assisted by the "time lag," still show a rising trend. The recent publication of a considerable number of trust reports for 1937 discloses a combination of fully-maintained improvement in revenue, and a deterioration in the valuation of investments. In the following table we analyse the earnings, dividends and investment records of six representative trusts whose accounts have lately appeared:

Trust (years to Dec. 31)	Total Rev.	Ordinary Stk. earned		Div.	Portfolio distrib.		Appn. or Depn.	Ord. Stk.	
		Amt.	%		Ord. Shs.	Gt. Br.		Price	Yield
Debenture Corp.	£	£	%	%	%	%	%		%
1935	232,487	88,028	11.4	10	16	47	—	227½	4.4
1936	239,364	92,927	12.0	10	17	48	+ ?		
1937	249,136	95,146	12.7	10	19	48	+ ?		
Eng. & N.Y. Tr.									
1935	66,043	7,163	3.0	3	43	38	-13	72½	6.9
1936	72,656	10,938	4.7	4	51	33	+ ?		
1937	78,141	13,498	6.0	5	50	38	-21		
Gen. Consol. Inv.									
1935	71,254	23,366	7.5	5	48	63	-12	131½	5.3
1936	85,006	27,051	8.9	6	50	67	+ ?		
1937	106,859	34,483	11.5	7	52	69	-5		
G. Northern Inv.									
1935	146,365	25,148	5.3	3	...	...	+15	127½	5.1
1936	161,369	33,394	7.2	5	...	...	+27		
1937	178,546	44,416	9.8	6½	42a	84a	+11		
Lon. Stholders									
1935	25,106	468	0.2	...	46	28	-15	15½	4.7
1936	34,134	5,226	2.5	...	52	25	+ ?	(4.1)	
1937	43,287	11,805	4.7	3½	55	33	-21		
Metropolitan Tr.									
1935	162,837	60,774	12.5	11	31	51	-3	243	4.9
1936	167,170	66,406	13.8	12	34	49	+ ?		
1937	177,304	71,354	15.1	12	35	52	-7		
Omnium Inv.									
1935	89,763	8,456	1.7	2	...	...	-9	59½	5.9
1936	90,875	10,422	2.1	2½	46a	...	+ ?		
1937	102,940	22,221	4.7	3½	...	...	-9		

* Proportion by which valuation of investments exceeds (+) or falls short of (—) book values. † Years to November 30th. ‡ Years to following January. § Includes Dominions and Colonies. a From chairman's speech.

Despite the fall in security values which had... tered by the end of December, two show investment valuations in...

But the general inference remains that the relationship between market and book cost of investments has deteriorated, even when compared with the end-1935 position. Although this problem has little bearing on revenue results, it is true, in general, that investment trusts must now adapt themselves to the facts of a market recession before the damage of the last one had been fully repaired. On a provisional estimate, it does not seem on the whole that investment trusts reaped a rich harvest from the recovery years. Capital profits did not, apparently, provide sufficiently large hidden reserves to offset the recent decline in market values. While inferences from the percentage distribution of investments must be made with caution, there are so far no signs of any pronounced or consistent changes in investment policy. Compared with the depression years, the proportion of equity holdings has been markedly increased, but no sweeping changes have been disclosed during the past two years. As further reports become available, more light may be thrown on the question whether the trusts are now as well equipped to face the possibility of a recession as they were eight years ago.

Greyhound Racing Association Trust.—We commented last week upon the offer to G.R.A. Trust second preference shareholders to exchange their existing right to participate in 25 per cent. of residual profits (after payment of the fixed 8 per cent. dividend) for 5 new ordinary shares in respect of every three preference shares held. This week the Trust has issued its accounts for the year to December, 1937. Net profits, excluding surpluses on the sale of investments, have increased from £209,980 to £241,012, thanks mainly to an increase in dividends received from subsidiary companies from £172,825 to £212,381. The ordinary dividend is sharply increased from 30 per cent. to 40 per cent. and the participating preference shares receive an additional dividend of 3.3 per cent., compared with 2.49 per cent. for 1936. After these payments, an earned balance of £56,345 remains; the directors, however, propose to transfer £66,666 to general reserve, thus reducing the balance carried forward from £45,949 to £35,853 (the latter figure includes a credit of £225 from sales of investments.) The results testify to continued popularity of the "dogs," and to increased popular purchasing power.

The Trust is issuing 2,666,667 ordinary shares of 1s. each at 3s. per share, to existing ordinary shareholders, and to participating preference shareholders in respect of their exchange rights. At the existing price of 3s. 9d. for the ordinary shares, these rights are worth approximately 2d. per share. Hitherto, the participating preference shareholders have been entitled to 25 per cent. of surplus profits after their fixed dividend, irrespective of the dividend paid upon the ordinary capital. In future, under the scheme, in order to maintain their share in the distribution of total profits, they will need to apply *pro rata* for

all new ordinary shares issued for cash. This fact strengthens their claim to more generous treatment, particularly in the matter of the capitalisation of reserves built up in the past.

Boot and Shoe Profits.—The season's boot and shoe company results are mixed in character, but all reports bear witness to the sharp rise in costs which began in 1936. Offsetting factors, such as rising turnover and the ability to pass on price increases, however, have prevented, in most cases, a major setback in profits. It may be inferred, however, that retailers, or manufacturers owning retail shops, have experienced less difficulty than manufacturers which largely supply retailers. We give below a comparative table, showing a selection of the latest reports:—

Company (years to Dec. 31)	Total Profits	Earned for divs.	Ord. Shares			
			Earned	Paid	Price & Denom.	Yield
Lotus	1935 93,905 1936 110,866 1937 98,370	64,557 76,100 59,141	8.6 11.1 8.0	% 7 6	s. d. 22 6 (11)	% 5.33
L.J. Weber & Phillips	1935 15,987 1936 18,237 1937 12,185	14,633 16,837 10,785	8.0 9.2 5.8	7½ 8½ 6	8 9 (10s.)	6.85
Stead and Simpson	1935 44,866 1936 47,151 1937 49,146	32,054 35,254 36,958	17.6 20.7 22.5	10 10 10	N.Q.	---
William Timpson	1935 126,796 1936 152,162 1937 167,524	90,896 116,334 116,524	31.3 43.4 25.8	22½ 25 15	N.Q.	---
J. Darnell and Son	1935 33,372 1936 35,647 1937 34,530	24,288 26,011 22,521	15.7 17.1 15.0	15 15 15	15 7½ (8s.)	7.68

† After £2,207 (1935) and £1,133 (1937) to reserve for investments.
‡ After £5,000 to repairs and renewals reserve. * Also capital bonus of 66½ per cent. N.Q.—Not quoted.

A year ago, Lotus shareholders were informed that shoes would cost more in 1937, and instances were quoted of rises in material prices of as much as 50 per cent. But it was then disclosed that adjustment was retarded by the unwillingness of retailers to alter conventional retail prices or to pay higher prices which they felt unable to pass on. Presumably, the 11 per cent. drop in trading profits for 1937 reflects a continuation of these factors. Higher tax provision has reduced earnings of the ordinary shareholders to the lowest level for the past three years. Though the accounts are not yet available, John White (Impregnable Boots) have increased the dividend for 1937 from 10 per cent. to 12½ per cent. This concern is an outstanding example among new entrants in the smaller centres of the boot and shoe industry, whose competition appears to have affected the position of some old-established manufacturers. The results of L. J. Weber and Phillips, the Tottenham manufacturers and leather merchants, are disappointing, for the latest profits are lower even than in 1932, and the dividend, although reduced by 2½ per cent., is barely covered by earnings. Stead and Simpson, who own both factories and retail shops, have obtained a moderate but satisfactory increase in profits, and are paying 10 per cent. for the fourth successive year. Distribution policy on the privately-held ordinary shares remains as conservative as ever, the surplus of £13,164 being added to the carry-forward, which now amounts to the substantial sum of £109,775. William Timpson, Ltd., also manufacturers and retailers, report the highest profits since incorporation. Increased turnover more than counteracted rising costs, but higher tax provision absorbs the whole of the increase in profits, and the amount earned for the ordinary is practically unchanged at £96,788. The maintenance of the J. Darnell and Son dividend at 15 per cent. is justified by the steady earnings record. Since the rise in costs is not yet completed, the yields on typical boot and shoe shares shown in the table are probably not excessive.

Rubber Share Outlook.—Among the bright hopes which collapsed in 1937 none is more striking than rubber's reversal of fortune. Not only have rubber prices

fallen to half their peak reached in the March boom. The unexpected decline in American consumption towards the end of the year has also necessitated a cut in output from 90 per cent. to only 70 per cent. of standard quotas in the current quarter, and following this week's decision of the International Committee, to 60 per cent. in the second quarter of the year. Thus, both profit margins and output have been simultaneously curtailed. The attention of the industry is thus anxiously focussed on the prospect for the near future. United States absorption in December amounted to only 29,400 tons against 49,600 tons a year before, and the current rate of world demand is almost certainly less than 1,000,000 tons per annum, i.e. well below the rate of release with a 70 per cent. quota. By its action this week in drastically cutting the quota to only 60 per cent., the Rubber Committee has shown itself fully responsive to these market apprehensions. The immediate reaction, of course, was a moderate rise in prices. Second thoughts, however, have already narrowed the gain, while rubber shares have remained almost totally unmoved. Unfortunately, supporters of rubber restriction are faced with a dilemma, since rubber is a commodity with an elastic demand. Though prices may be kept up by curtailing supplies, the decline in demand may thereby be accentuated. The most that can be expected of this policy is that the accumulation of surplus stocks will be prevented until the forces of recovery reverse the trend of demand. The future, therefore, still rests primarily with the United States, the consumer of over 50 per cent. of the world's supply of rubber. If the current recession there is soon reversed by a new advance in business, rubber shareholders may look for a rapid improvement in their prospects. Otherwise the outlook is bleak.

Meanwhile, on what basis should rubber shares be valued? In the following table we present a rough estimate of potential profits for six well-known companies, assuming that output remains at 60 per cent. of standard assessments during the remainder of the year (that is, averaging 62½ per cent. over the whole year) and that prices average 7½d. a lb. This may be an over-estimate, but on the other hand no allowance is made for forward sales, if any. Costs of production are assumed to be ½d. a lb. higher than the latest available figure.

Company and Share Denomination	62½% of latest Standard Production	Latest All- in Costs	Profit margin with price 7½d. per lb. (a)	1d. per lb. at 62½% Quota, % on Ord. Capital	Est. ord. earnings with price 7½d. per lb. 62½% Quota	Current Price of Ord. Shares	Estimated Earnings Yield
Batu Tiga (£1).....	(000's lbs.) 1,925	d. per lb. 4.5	d. per lb. 2.5	% 3.5	8.7	29.4½	5.9
Bikam (2/-)	3,290	4.7	2.3	2.6	6.0	2.3	5.3
F.M.S. Planters (£1)	1,920	4.6	2.4	3.2	7.7	27.6	5.6
London Asiatic (2/-)	7,990	4.2	2.8	3.6	10.1	3.6½	5.6
North Malay (2/-)...	1,990	4.5	2.5	2.6	6.5	21.½	6.1
Pataing (£1)	2,705	5.0	2.0	3.7	7.4	35.½	4.2

(a) Assuming a rise in costs of ½d. per lb.

The estimated earnings yields, based on current share prices, shown in the last column, suggest that most rubber shares are by no means undervalued at present. Indeed, the figures indicate that, in the absence of some improvement in rubber prices fairly soon, a further decline in share prices would hardly be surprising.

Rhodesian Copper Profits.—Compared with the first quarter of the company's current financial year, Roan Antelope's earnings for the quarter to December 31st showed a sharp contraction. Gross revenue for the quarter amounted to £833,500. After charging working expenses, including London and mine administration costs totalling £424,500, and £50,000 for replacement and obsolescence, the quarter's estimated profit is reduced to £359,000, compared with £686,500 for the September quarter. For the first six months of the company's year,

therefore, total profits amount to £1,045,500. The December quarter's fall is due to reduced production under the restriction scheme and to the sharp fall in the average price of copper. If we assume (as for Rhokana in our last week's issue) that the average price for copper for the year to June next will be between £42 10s. and £45 per ton, and that production will remain at 105 per cent. of standard, and if we allow for N.D.C. for a full year, Roan's earnings should range from 24½ to 27½ per cent. on the ordinary capital. The 5s. shares, at 17s. 9d., offer a somewhat higher prospective yield than other issues in the Rhodesian group, but their return is not unduly high. The same conclusion applies to Rhodesian Selection Trust ordinary, whose return depends upon Mufulira's net profits. These were reduced from £324,000 for the September quarter to £240,500 for the December quarter. Gross revenues amounted to £600,500 for the quarter, compared with £688,000 for the preceding quarter. Reserve for replacements received £25,000, but no debenture redemption charge was required, since the issue was redeemed in September.

Other Company Results.—Since the majority of banking results have already been published, our usual analysis of profit and loss accounts appearing on page 276 includes only 35 companies in all. The number of important industrial results is small, but includes *De Havilland Aircraft*, *Tilling and British Automobile Traction*, and also *Southalls (Birmingham)*. A discussion of the reports appears on page 274 under the heading "Shorter Comments." The full report of *Gas Light and Coke Company*, published as we go to press, shows that gross revenues increased by £537,792 to £13,573,409. Net revenues, however, are reduced by approximately £43,000 to £2,050,174. The dividend is maintained at £5 12s. per cent., for the ninth successive year, but a draft of £110,801 is made on the balance carried forward, which is reduced to £102,376.

Company Meetings of the Week.—Reports of company meetings held this week appear in this issue on page 254 onwards. The chairmen's speeches at the *Midland Bank*, *National Provincial Bank* and *Westminster Bank* are discussed on page 214 of this issue. Similarly, the remarks of Mr W. L. Stephenson at the *F. W. Woolworth* meeting are referred to on page 239. Mr R. B. H. Otley declared at the *General Consolidated Investment Trust* meeting that 1937 had been perplexing, but he expressed the view that productive capacity was not at saturation point. Mr Philip C. Turnbull explained to *Sednak Rubber Estates* members that one cause of the rise in costs arose from charging to revenue certain replanting expenditure. At the *Williams Deacon's Bank* meeting, Mr Gerard Powys Dewhurst urged that great efforts should be made to stimulate export trade, and welcomed, for this reason, the Anglo-America trade negotiations. Turning to the cotton trade, with which the bank is particularly concerned, Mr Dewhurst declared that some co-ordinating authority is essential if the industry is to put its house in order. Similar views on the export trade position were expressed by Mr M. J. Cooke at the *National Bank* meeting. The chairman also anticipated the publication of the report of the Commission of Inquiry into currency and banking conditions in Eire in the near future. Discussing the difficult conditions in the bill market last year, Sir William Goschen pointed out to shareholders of *Union Discount Company* that some slight improvement in foreign bill supplies was evident.



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THE STOCK EXCHANGES

London

SETTLING DAYS
TICKET ACCOUNT
FEBRUARY 8 FEBRUARY 10

Conditions have remained very quiet on the London market this week, and quotations, where changed, tend to be lower. The absence of an effective volume of business, however, has neither tested nor strengthened the underlying tone and while gilt-edged have tended to lose some of last week's brilliance, the strength of fixed-interest issues generally is the only outstanding feature of the week.

Gilt-edged were buoyant on Monday, reputedly on large-scale institutional buying, and National Defence Bonds reached par at one time. Some French support helped Old Consols further on Tuesday, but the general condition was already showing slight signs of ease, and the slackened mid-week support produced a mild reaction. Home corporation scrips were good at first, and not troubled by the prospect of renewed issue activity. Australian stocks celebrated the 150th anniversary of the Commonwealth with firmness.

In the *foreign bond market*, Brazilian issues were still on offer, and although Japanese bonds attracted some early support, mid-week anxiety regarding the Far Eastern situation and the Japanese Budget caused a setback. Some early buying of German issues was associated with vague discussion of a debt settlement, but the improvement was not sustained.

Home rail stocks were depressed at first by persistent selling, but the stocks held their lower levels on Tuesday. An excellent batch of traffics, however, stimulated the market, and London Transport "C" stock also showed improvement. Argentine rails continued dull and idle.

Subdued conditions prevailed in the *industrial market*. The feature, indeed, was provided by electricity supply shares, which advanced appreciably, on the view that the terms of the forthcoming electricity bill will be more favourable than the original proposals. Steel shares remained quiet, and showed declines of a few pence in most cases, while the coal industry's broadsides regarding the Coal Bill appeared to depress the shares. Motor shares revealed few interesting movements.

In the stores group, International Tea staged a recovery at first but did not maintain its gain. Investment issues in the brewery and tobacco markets showed little change, but received little attention. Shipping shares reacted slightly on the increase in the returns of idle tonnage. Bank and insurance shares received good support at first, in conformity with gilt-edged, and remained firm in mid-week.

Small business characterised the oil share market throughout the week. Conditions at home, on the Continent and in New York were mainly negative, and while there was occasional support for Mexican Eagle on supposedly good buying, and also for V.O.C. on the new issue announcement, changes in the leaders were small.

Rubber shares opened in the shadow of the International Committee's announcement, and dealers responded

slightly to the quota cut (discussed on page 240). Second thoughts, however, were much less favourable for the share market, and support was almost completely absent. A rather better demand for tea shares was reported.

Dealings in *Kapris* this week were much less animated, and prices showed a general fall in mid-week. There was some attempt to stimulate interest on Tuesday by professional operators, but the renewed stream of profit-taking brought a general set-back. The fall affected the dividend payers and also the developing mines, among which West Wits. showed a fall of 1/8 on Wednesday. Rhodesian copper issues remained dull, and were unmoved by the further profit estimates.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains‡	Corres. Dev 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 21	6,560	11,050	96.4	130.3
Jan. 24	7,690	13,170	96.4	130.4
Jan. 25	6,475	10,090	96.5	130.6
Jan. 26	6,415	10,495	96.2	130.6
Jan. 27	6,615	10,875	95.5	130.6
1938 High...	...	...	97.2	130.6
			Jan. 12	Jan. 27
Low ...	...	...	95.7	129.2
			Jan. 3	Jan. 3

‡ Approx. total recorded in S.E. List. * July 1,
1935 = 100. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Investment Index of 151 industrial ordinary share prices, standing on Tuesday last (January 25th) at 73.5, showed only a slight fall compared with 73.8 a month ago, but remained appreciably below the level of 90.5 a year ago. The corresponding yields are 4.85, 4.91 and 3.71 per cent. We give below the usual monthly particulars of fixed interest securities, which illustrate the recent firmness in this section of the market, and a selection of the separate ordinary share indices :—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Jan. 26, 1937	Dec. 28, 1937	Jan. 25, 1938
Fixed Interest—			
U. S. Gov. bonds (1)	147.3	132.7	136.2
Misc. ind. deb. (13)	124.8	121.5	121.6
Misc. ind. pref. (26)	120.4	115.6	116.3
Ordinary—			
Banks, etc. (10)	123.8	114.6	116.1
Fueling materials (6)	103.9	85.9	84.9
Coal (9)	116.4	105.8	102.7
Elec. Lt. and power (16)	131.9	117.3	118.9
Iron and steel (17)	81.1	65.9	64.3
Home rails (4)	84.3	70.6	67.7
Shipping (6)	26.1	18.5	19.2

Group	Yields (%)		
	Jan. 26, 1937	Dec. 28, 1937	Jan. 25, 1938
<i>Fixed Interest—</i>			
2½% Consols	3 03	3 36	3 27
Misc. indl. deb.	3 98	4 09	3 92½
Misc. indl. pref.	4 31	4 46	4 22½
<i>Ordinary—</i>			
Banks, etc.	3 82	4 12	4 01
Building materials ...	4 84	6 20	6 87
Coal	2 11	4 52	4 97
Elec. light and power ...	3 89	4 56	4 50
Iron and steel	3 88	6 04	6 29
Home rais.	1 26	3 05	3 36
Shipping	1 19	2 37	2 91

† After giving effect to changes in the number of securities in the group.

New York

Operators returned after the weekend hoping for news from Washington about the naval programme. Instead they heard much less palatable information regarding the drive against the "monopolists," and the President's declaration against wage-cuts. A snow-ball liquidation gradually developed. Trading began quietly, became dreary with losses of \$2 on Tuesday, and was extremely troubled on Wednesday, when stocks fell as much as \$6. The new short-selling rule formulated by the S.E.C. has been interpreted as a sign of greater wrath to come, while the market sees no immediate signs of hope in the industrial situation. The *Iron Age* estimate that steel activity has increased from 30 per cent. to 32½ per cent. of capacity was not received with any eagerness. Losses were generally distributed over the constructional trades, such stocks as Johns-Manville, Allied Chemical, Westinghouse Electric and steel shares being principally affected. Utilities showed a small improvement at first, but rails were scarcely less depressed than industrials. Government bonds became easier, and second-grade industrials weak.

New York Prices

	Close Latest			Close Latest	
	Jan.	Jan.		Jan.	Jan.
	20,	20,		20,	20,
	1938	1938		1938	1938
1. Rails & Transport					
Atchafson	38 3/4	34 7/8	Briggs	25 1/2	21 3/4
Balt. & Ohio	9	8 1/2	Chrysler	61 1/4	54 3/8
B.M.T. Tr.	11 1/4	10	Elec. Autolite	20	18 1/4
Can. Pacific	7 7/8	7 1/4	Gen. Motors	37 1/2	35 1/2
Ches. & Del.	24 1/2	26 1/4	Gen. Motors	9 1/4	8 1/2
C. & O. Ry. P.	31 1/2	31 1/2	Nash Kelynn	11 1/4	9 1/4
Illinois Cent.	10 3/8	9 5/8	9 Packard Mtr.	5 1/8	4 7/8
N.Y. Central	18 1/2	16 1/2	Boeing Airt.	14 1/4	12 3/4
Northern Pac.	12	10 1/2	Boeing Airt.	34	30 1/2
Pennsylv. R.	22 1/2	20	Douglas Air.	45 1/8	40 1/2
Southern Pac.	15 3/4	17 1/2	United Airt.	26	23 1/2
Union Pac.	23 1/2	21 1/2	U.S. Airt.	9 1/2	8 1/2
Union Pac.	82 1/4	75 1/4	Allied Chem.	172 1/2	161 1/2
Greyhound	9	9	Col. Carbon	71	67
			Dupont	119	112 1/2
2. Utilities and Communications					
Am. W. works	11 1/4	9 3/4	U.S. Carbide	77 1/2	74 1/2
C.W.I. & S.	13 1/2	11	U.S. Ind. Alc.	22 1/4	20 1/4
Con. Edison	23 1/4	22	Allis Chalm.	43 1/2	40 1/2
Col. Gas & Ele.	8 1/2	7 1/2	Gen. Electric	43	40 1/2
El. Bond & S.	9	7 7/8	West. Elec.	106	95 1/2
Nat. Pwr. & Lt.	7 1/4	6 1/2	American Can	80	79 1/2
U.S. Steel	20 1/2	18 1/2	Addressograph	21	21 1/2
U.S. Steel	27 1/2	26	Caterpillar	52 1/2	47 1/2
Pac. Lighting	38	36	Cont. Can.	80	74 1/2
Pub. Serv. N.J.	32 1/2	32	Int. Harvester	66 1/2	60 1/2
Stan. Gas & Ele.	4	3 1/2	Johns Manvle	72 1/2	69 1/2
United Corp.	3 1/2	2 1/2	Am. Radiator	128	112 1/2
U.S. Gas Imp.	146 1/4	144 1/4	Cor. Prods.	64	59 1/2
Internat. Tel.	7 1/4	7	J. Case & Co.	96 1/2	87 1/2
West. Union	26 1/2	25 1/2	Chas. Dary	44	40 1/2
Radio	6 1/4	6 1/4	Am. Trans.	44	40 1/2
" B. Pref.	49 1/2	46	J. Celanese of A.	17 1/2	15 1/2
			Ind. Rayon	21 1/4	20 1/4
			Colgate Palm.	104	94 1/2
			Eastm'n Kdk.	164 1/2	157 1/2
			Gillette	128	118 1/2
			Lambert Can.	12 1/2	11 1/2
			Loews	51	46 1/2
			20th Cen. Fox	23 1/2	22 1/2
3. Extractive and Metal					
Am. Ry. Mtl.	21 1/2	19 1/4	5. Retail Trade, &c.		
Beth. Steel	67 1/8	57 1/8	Mont. Ward	35 1/2	31 1/2
Beth. Steel Pf.	98	97	J. C. Penney	71	66 1/2
Republic St.	10	9 1/2	Sears Roebuck	62 1/2	57 1/2
U.S. Steel	60	55 1/2	United Drug	64	61 1/2
U.S. Steel Pf.	112 1/2	106 1/2	Walworth	19 1/4	18 1/2
American In.	13	12	Borden	48 1/2	38 1/2
Am. Mtel.	36 1/2	31 1/2	Gen. Foods	32 1/2	31
Am. Smelting	5 1/8	4 1/2	Kroger Grey.	17 1/2	16 1/2
Acero de Pas.	31 1/2	30 1/2	Nat. Biscuit	20 1/2	19 1/2
Buck. Alum.	42 1/2	39 1/2	U.S. Dairy	15 1/2	14 1/2
Int. Nickel	51 1/2	48 1/2	Stand. Brands	8 1/2	8 1/2
Kennecott	39 1/2	35 1/2	Am. Tob. B.	60	67 1/2
Pattino Mines	11 1/2	10	Lig. Mvrs B.	90 1/2	84 1/2
Tex. Gill. Sul.	3 1/2	3 1/2	Levitt	17 1/2	16 1/2
U.S. Smelt.	20 1/2	19 1/2	Reynold. Tob. B.	43	40 1/2
Vanadium	19 1/2	17 1/2	Stat. Distillers	20 1/2	20 1/2
Atlantic Refg.	21	21 1/2	Schenley Dis.	24 1/2	22 1/2
Phillips Pet.	39 1/2	37 1/2			
Shell Union	17 1/2	16 1/2			
Shell Un. Pf.	10 1/2	10 1/4			
Socomey	15 1/4	14 1/2	6. Finance		
U.S. Steel	15 1/4	14 1/2	Cornl. Credit	38	34 1/2
U.S. Steel	15 1/4	14 1/2	Atlas Corp.	8 1/2	8
Stn. Oil N.J.	49 1/2	47	Con. Inv. Tr.	43	38 1/2
Texas Corp.	42 1/4	39 1/4			

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):—

WEEKLY AVERAGES

	1938		Jan. 12, 1938	Jan. 1938	Jan. 1938
	Low Jan. 26	High Jan. 12			
347 Ind'ls.....	93-8	101-5	101-5	99-0	93-8
32 Rails.....	27-7	31-4	31-4	29-6	27-7
40 Unities.....	73-6	78-8	78-8	75-7	73-6
419 Stocks.....	79-8	86-4	86-4	84-0	79-8
Av. Yield %*	8-33 High	7-63 Low	7-63	7-85	8-33

* 50 Common Stocks.

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

Jan. 20	Jan. 21	Jan. 22	Jan. 24	Jan. 25	Jan. 26
114.3	112.2	111.9	111.7	110.0	105.7

High: 116.9 January 11th. Low: 101.9 January 3, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	000's
Jan. 20	820	6,780	140
Jan. 21	790	7,000	126
Jan. 22*	410	4,030	74
Jan. 23	540	5,200	111
Jan. 25	540	6,340	123
Jan. 26	1,610	10,250	284

- Two hour session

Capital Issues

THE absence of public offers this week has given the market an opportunity to discuss the prospect of renewed corporation borrowing, the significance of firmness in the funds, and the fate of the Canadian conversion. These questions are discussed on page 238 of this issue. Certain important offers to shareholders, however, have been reported. *Associated British Picture Corporation* is issuing 1,500,000 5s. ordinary shares, to share and debenture holders, at 14s. per share—a slightly

CAPITAL ISSUE TOTALS

Week ending Jan. 29	Nominal Capital	Con- versions	New Money
	£	£	£
To the Public	Nil	...	Nil
To Shareholders	725,000	...	1,152,500
By S. E. Introduction	450,000	...	452,500
By Permission to Deal	125,000	...	137,810
Sav. Certs. w/c Jan. 22	Dr500000	...	

Year to date—	Including Conversions	Excluding Conversions
---------------	--------------------------	--------------------------

	£	£
1936 (New Basis)	21,947,251	12,097,251
1937 (New Basis).....	50,267,311	43,221,228
1938 (Old Basis)	14,297,172	4,447,172
1937 (Old Basis)	31,820,412	24,924,730

(Continued on page 246)

DISCOUNT CORPORATION
OF NEW YORK

STATEMENT OF CONDITION

DECEMBER 31, 1937

ASSETS		LIABILITIES	
Acceptances Discounted . . .	\$5,567,874.19	Capital . . .	\$5,000,000.00
United States Government Securities & Bought under Resale Agreements . . .	89,319,073.20	Surplus . . .	5,000,000.00
Interest Receivable Accrued .	264,134.35	Undivided Profits	2,510,628.27
Sundry Debits	38,588.69		<u>\$12,510,628.27</u>
Cash and Due from Banks . .	3,229,057.10	Reserve for Dividend . . .	75,000.00
		Sundry Reserves for Discounts, Taxes, Etc.	258,838.42
		Loans Payable and Due to Banks and Customers	70,929,745.19
		Acceptances Rediscounted and Sold with Endorsement . .	10,203.28
		United States Government Securities — Repurchase Agreements	14,600,000.00
		Unearned Discount	4,575.57
		Sundry Credits	29,736.80
			<u>\$98,418,727.53</u>
	<u>\$98,418,727.53</u>		

DIRECTORS

WINTHROP W. ALDRICH CHAIRMAN OF THE BOARD, THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK S. SLOAN COLT PRESIDENT, BANKERS TRUST COMPANY ARTEMUS L. GATES PRESIDENT, THE NEW YORK TRUST COMPANY WILLIAM S. GRAY, JR. PRESIDENT, CENTRAL HANOVER BANK & TRUST COMPANY	PERCY H. JOHNSTON CHAIRMAN OF THE BOARD, CHEMICAL BANK & TRUST COMPANY JOHN McHUGH CHAIRMAN OF THE BOARD DUDLEY H. MILLS PRESIDENT J. P. MORGAN J. P. MORGAN & Co.	WILLIAM C. POTTER CHAIRMAN OF THE BOARD, GUARANTY TRUST COMPANY OF NEW YORK GORDON S. RENTSCHLER PRESIDENT, THE NATIONAL CITY BANK OF NEW YORK HERBERT N. REPP VICE PRESIDENT, SECRETARY DUNHAM B. SHERER PRESIDENT, CORN EXCHANGE BANK TRUST COMPANY
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OFFICES: FIFTY-EIGHT PINE STREET, NEW YORK

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allowing for exchange. (f) Flat yield.
 (g) Yield on 3½% basis. (h) Yield on 2½% basis. (i) To redemption at par, February 1, 1957. (j) Yield based on 40% of coupon. (k) Paid in £A.
 (l) Yield on 15½% basis. (m) Yield worked on 45% of coupon. (n) Yield worked on 40% of coupon. † Free of Income Tax.
 (o) Yield based on 43% of coupon. (p) Yield worked on 41½% coupon.

NEW ISSUE PRICES

Issue	Issue price	Jan. 26, 1938	Change since Jan. 19	Issue	Issue price	Jan. 26, 1938	Change since Jan. 19
Ass. Ppr. 5-5% Pref. £1	7/9	7½d-1½dis	...	Kent Electric 3½% Deb.	96	15½-17pm	+1½
Austra. 3½%	97	3d.-9d. pm.	...	N. Merc. Tst.	20/-	1, 9-1½ dis	...
Belgium 4%	97	5½-1½ dis	+½g	Northern Sec.	...	99½-100½	...
Butins 5%	7/6	8-0-8-6	...	Tst. 4% Dbs	par	1, 6-1½ dis	...
Do.6%Prf. £1	par	1½d.-7½d.	+1½d.	Sheff. 3½%	101	1½-2½ pm	+½g
Dene Ship10-	...	22.3-22.9	...	S Rhod. 3½%	101	1½-1½ pm	+½g
FortonTst.£1	...	22.6-23.6	...	Un. Cas. Ord.	...	20/--20.6	...
Gios.&Grey-hudersOrd.2-	...	2½10½-3½12	...	Waked. 3½%	101	1½-2½ pm	+½g
8% Pref. 2-	...	2, 9-3-	-1½	Wolv. Die	...	9/-9.6	...
Hudders3½%	101	1-1½ pm	+1½	Cast Pf. 10/-	...	...	...

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table does not include certain closed trusts)

Name and Group		Jan. 26, 1938	Change since Jan. 19	Name and Group		Jan. 26, 1938	Change since Jan. 19
0	Municipal & Gen.				Keystone		
0	For Govt. Bond ..	15.6-16.6	+3d	0	Gold 2nd Ser.	17.6-18.6x	...
0	Limited Invest.	20.3-21/-	...	0	Gold 3rd Ser.	12.10½-13.10	12x
0	Mid. & Southern ..	18.6-19.6	...	0	Keystone	17.1½-18.1½	-1½d
0	Scottish & Northn.	18.9-19.9	...	0	Keystone 2nd	14.10½-15.10	12x
0	Bank-Insurance			0	Keystone Flex.....	16.3-17.3	-1½d
0	Bank & Insur.* ..	19-20/-	...	0	Key. Control	15.7½-16.7½	-1½d
0	Insurance*	20.9-19.9x	...	0	Allied		
0	Invest. Trust*	18-19/-	+3d	0	Brit. Ind. Inst.	18.6-19.6	...
0	Invest. Trust*	14.9-15.9	...	0	Do. 2nd	16.3-17.3	...
0	Scot. B.I.L.T.* ..	15.6-16.6x	-3d	0	Do. 3rd	17-18/-	...
0	Cornhill deb.* ..	20.10½-21.6	...	0	Do. 4th	18.3-19.3x	...
0	Cornhill def.* ..	14.6-15.6	...	0	Elec. Inds.	16.6-17.6x	...
0				0	Metals & Min.	15-16/-	...
3	National			0	Other Groups		
0	National D.	19/-20/-	...	0	Brit. Emp. Inst. Unit.	18.7½-19.7½	-1½d
2	National D.	17.9-18.9	...	0	Brit. Gen. "C"	16.9-17.9	...
0	Nat. Invest.	13.10½-14.10½x	...	0	Rubber & Tin	1.3½-1.5	...
0	Amalgamated	21/-22/-	+3d	0	Producers	8-8.8	...
6	Century	18.1½-19.1½	1½d	0	Domestic	7.9-8.9x	...
0	Cult-edged	18.3-18.9	...	0	Lat. Prov. "A"	21-22/-	...
0	Scottish	17.9-18.9	...	0	Do. "B"	16-17/-	-3d
0	Universal	19.4½-20.4½	1½d	0	Do. Reserve	16.6-17.6	...
9				0	Selective "A"	16.7½-17.7½	-1½d
0	"15 Moorgate"			0	Selective "B"	16.10½-17.10½	0½d
0	Inv. Flexible	14.6-15.6	...	0	Brit. Trans.	14.9-15.9	-1½d
0	Inv. Gas & EL ..	12.9-13.9	...	0	Bank, Ins. & Fin.	15.1½-16.1½	...
0	Inv. General	17.7½-18.7½	-3d	0	Brewery	15.3-16.3	...
0	Inv. 2nd Gen.	14.10½-15.10½-3d	...	0	Protected	28.9-29.9	-3d
0	Inv. Gold	15.1½-16.1½	-1½d	0	Do. 2nd	18.6-19.6	...
0	3 Hundred	19-20/-	-1½d	0	Do. 3rd	13.6-14.6	...
0	Provident	16.6-17.6	-3d				
0	Scottish Fire	16.3-17.3x	-3d				

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (k) Yield on 30% basis. (m) Including bonus of 5% free of tax. (r) Calculated at 18½ annas per share of Rs. 9. (p) Annas per share. † Free of Income Tax. (e) Yield worked on 35% basis. (i) Yield on 16½% basis. (s) Highest price 132½ and 25 per cent. dividend on old shares, before 50 per cent. capital bonus. Yield at 25 per cent. = ₹6 7d. 0d.; at 16 per cent. = ₹4 1s. 0d. (w) Paid on ₹300,000 more capital than in preceding year. (d) 17½ per cent. cash dividend and 7½ per cent. in deferred ordinary stock. (v) Dividend before the 20½% capital bonus 4s. per share.

(Continued from page 243)

Year to date	Destination (Excluding Conversions)		
	U.K.	Brit. Emp.	Foreign
1938 (New Basis) ...	10,747,146	1,323,000	30,105
1937 (New Basis) ...	39,024,053	7,101,146	96,000
1938 (Old Basis) ...	4,147,172	Nil	Nil
1937 (Old Basis) ...	23,454,845	1,469,885	Nil

Year to date—	Nature of New Borrowing (Excluding Conversions)		
	Deb.	Pref.	Ord.
1938 (New Basis) ...	2,885,813	1,314,158	7,867,250
1937 (New Basis) ...	16,671,908	4,563,174	29,136,117
1938 (Old Basis) ...	477,530	582,560	3,947,172
1937 (Old Basis) ...	15,599,278	1,545,255	7,819,197

Note: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

STOCK EXCHANGE INTRODUCTIONS

Bradleys (Chester), Ltd.—Issued capital 250,000 £1 ordinary shares and 90,000 7 per cent. cumulative £1 preference shares. Wholesale, retail and manufacturing clothiers; founded 1878. Net profits after tax and depreciation: years to January 31, 1935, £11,744; 1936, £41,641; 1937, £45,639. Properties in balance sheet at £316,749. (Application to Manchester Stock Exchange.)

PRIVATE PLACING

Hellenic and General Trust.—This trust has placed privately £85,000 4 per cent. debenture stock 1950-60 at 98½.

TENDER

Brighton, Hove and Worthing Gas.—This Company is offering £40,000 of 4 per cent. preference stock for sale by tender. The minimum price is par.

ISSUES TO SHAREHOLDERS ONLY

Associated Portland Cement Manufacturers.—A provisional agreement has been made concerning the offer by this company to acquire 1,100,000 £1 ordinary shares in Alpha Cement. Tunnel Portland Cement will acquire from Associated a block of Alpha ordinary, but the offer (of 9 £1 ordinary in Associated against 20 £1 ordinary in Alpha) becomes binding only if by February 12th 90 per cent. of Alpha ordinary shareholders accept, or if Associated agree to modification. The shares will not rank for any dividend in respect of 1937. Alpha directors estimate net profit for 1937, before tax, at £187,000, against £172,659.

Associated British Picture Corporation.—Offer to share- and debenture-holders only, of 1,500,000 5s. ordinary shares at 14s. Proceeds to pay off advances. Total (consolidated) net assets, March, 1937, £5,119,692; trading profits, £1,265,829; net earnings (after pref. dividend, etc.), £738,051. Directors and friends will take up any shares not applied for.

Butler (W.) and Company.—Issue of 100,000 5 per cent. cumulative £1 preference shares at 20s. 6d. to holders of ordinary stock on January 14 (one share for £5 stock).

Pobjoy Airmotors.—Following negotiations with Short Brothers, White Drummond and Company, as issuing house to Pobjoy Airmotors and Aircraft, have been authorised to offer one 5s. share of Short Brothers for

every 12 Pobjoy shares, with strong recommendation for acceptance.

CONVERSIONS AND REPAYMENTS

Durham County Water Board.—The board is repaying the £300,000 4½ per cent. redeemable stock, 1938-48, on July 2nd at par, but holders to the extent of £250,000 may convert into 3½ per cent. redeemable stock, 1958-63. Existing holders may make cash applications at 100½.

UNIT TRUST CONVERSION

Selective Fixed Trust.—Selective Fixed Investments, Ltd., announce that the recent conversion offer to holders of Series "A" and "B" has not met with sufficient support to warrant allotment, and certificates will be returned.

FORTHCOMING ISSUES

Blackburn Aircraft.—It is proposed to create 150,000 5 per cent. cumulative redeemable £1 preference and 140,000 10s. ordinary shares. Of the latter, only 40,000 will be issued, and of those 33,333 are to be taken up by William Denny Bros. under the agreement to co-operate in managing a new factory at Dumbarton. Provisional arrangements have been made with Lazard Bros. for placing the 150,000 preference and the remaining 6,667 ordinary shares.

SHORTER COMMENTS

Company Results of the Week.—One of the outstanding results of the week is the improvement of £81,800 in DE HAVILLAND AIRCRAFT net profits to £213,958. Trading profits are, in fact, nearly 60 per cent. higher at £305,109, but the depreciation provision is substantially increased. Rubber company reports for financial years ending in September or October last continue to show good progress; among the larger companies whose results have lately been published are BAH LIAS (with net profits of £72,773, against £41,444) and KUALA-KANGSAR. The continued expansion of TILLING AND BRITISH AUTOMOBILE TRACTION has resulted in a rise in disclosed net profits from £367,423 to £442,099; and although the rate of dividend is nominally unchanged at 10 per cent., it is payable on a capital increased by last April's bonus. The first report of BIAN'S INDUSTRIES since the introduction of the shares to the public shows net profits of £84,300, and though the total distribution is 30 per cent., it is made on a conservative basis. BLUNDELL AND SPENCE, whose net profits of £27,921 are practically unchanged, report that owing to rising costs and more intensified competition, net profits did not advance in the same ratio as home and export sales. PAWSONS AND LEAFS have experienced a satisfactory improvement in profits, which amount to £16,448 net, against £11,477, and the dividend is raised by 1½ to 5 per cent. In the miscellaneous group, SOUTHALLS (BIRMINGHAM) net profits are fully maintained at £89,346. The dividend remains at 20 per cent., tax free, but a special distribution of 3d. per share is to be made in respect of profits from the sale of investments.

MISCELLANEOUS

Planet Building Society.—Total income 1937, £114,082. Balance of profit £74,494, against £77,368. Interest at rate of 3½ per cent. tax free on "A" and "B" shares. Reserve account No. 2 maintained at £5,000. To general reserve £14,588. Total reserves now exceed £150,000. Bank

overdraft of £41,370 has been paid off year closed with a credit balance of £53,583.

Roan Antelope Copper Mines.—Gross revenue for quarter to December 31, 1937, £833,500. Allowance for replacements, etc.; reserve again £50,000; estimated profit for the 3 months, subject to tax, is £359,000 (£52,000 above the December 1936 quarter, but £327,500 lower than the September quarter of 1937).

Dixor, Ltd.—The first report and accounts for year 1937 show profit £36,327. Dividend 37½ per cent. for 9 months, equal to 50 per cent. per annum. £8,350 is reserved for taxation, £900 to preference share redemption fund. Carry forward £1,530. Stock, debtors and cash total £47,469; creditors including taxation, £12,148.

Mexican Eagle Oil Company.—As a result of the appeal by the oil companies, the Mexican Supreme Court has granted suspension of the effects of the award of the Labour Board, but this suspension is subject to the provision of a bond, the terms of which are still under discussion. If an agreement is reached on this latter point, the award will then be a matter for decision by the Supreme Court.

Linen Thread Company.—Net profits (after tax and contingencies) for year to September 30, 1937, were £296,623 (a decrease of £28,815). To dividend reserve £50,000 (same). Final dividend 3 and bonus 2½ per cent., making 8½ per cent. (same). Carry forward £191,803 (£14,626 less).

Pass and Joyce, Ltd.—Accounts for 17 months to December 31, 1937, show a loss on trading (after all expenses) of £17,309; after directors' fees of £354, and a loss of £12,500 on special contract, total debit balance is £30,154. After deducting £6,428 brought in, Dr. 23,726 is carried forward. For year 1936 the net profit was £8,304.

Nestle and Anglo-Swiss Holding Company.—Preliminary figures show a net profit for 1937 of Fcs. 23,000,000. A meeting on January 26th approved the reduction of capital from Fcs. 116,000,000 to Fcs. 58,000,000 by repaying Fcs. 100 per share.

Mufulira Copper Mines.—Net profit, subject to taxation, of £240,500 for quarter to December 31, 1937, compared with £324,000 for the previous quarter and £99,500 for the same quarter a year ago. Thus for first six months of financial year, profit is £564,500, against £169,500 for corresponding period of previous year.

Thomas Owen Acquisition.—This company is acquiring controlling interest in Bury Paper Mills. It is proposed to create 100,000 6 per cent. redeemable cumulative 10s. preference shares and 1,000,000 1s. ordinary shares, the former to be offered to debenture holders and the latter to ordinary shareholders.

BANKS

Bank of Canada.—Profit in 1937 \$2,208,596 against \$2,008,124 in 1936, after contingencies and reserves. Total assets \$390,430,216 compared with \$356,985,905.

Bank of Nova Scotia.—Net profit for 1937 \$1,982,140 (an increase of \$55,454), after \$460,481 for bad debts, etc. To pension fund \$180,000, an increase of \$35,000. Written off bank premises \$250,000. Carry forward \$915,456, an increase of \$112,140. Total assets \$299,479,702. Deposits, \$242,417,185, an increase of \$3,905,624.

Dominion Bank.—Profits for 1937, after taxation, \$976,838 against \$951,277 for 1936. After \$75,000 (same) to officers' pension fund, writing \$100,000 (same) off bank premises, paying dividends of 10 per cent. amounting to \$700,000 (same), the sum of \$101,838 (\$76,278) was added to profit and loss carried forward. Deposits \$117,782,000 show an increase of \$5,300,000. Cash securities, etc., \$91,445,340 (72 per cent. of public liabilities). Total assets, \$144,000,000, an increase of \$5,000,000.

Industry and Trade

Uneasiness in the Steel Cartel.—The position of the Continental Steel Cartel has been weakened by the general decline of commodity prices. The Cartel's attempt to prevent major reductions in steel prices was met by a strike of consumers, which weakened the position of those producers who were particularly dependent on the export market. The loss of a great part of the Far Eastern trade intensified this dilemma. Finally, when cheap American products suddenly appeared in the market, several European works, especially in Belgium, France, Czechoslovakia and Poland, departed from the official prices in order to replenish order books. Some Belgian works are said to be contemplating withdrawal from the Cartel. While these differences may not seriously endanger the Cartel, a re-examination may be necessary of its recent price policy and of the possibility of a more comprehensive agreement with American producers. The present intensity of American competition will not, of course, last for ever, but well-informed observers have always been sceptical of successful collaboration with the American steel works, if only because the industry in the United States has no central market organisation. Fresh negotiations between Cartel and American representatives have recently taken place, but no definite result has yet emerged. The Cartel's task of regaining control over the world market is especially difficult during a period of falling consumption. Last week the Cartel, under pressure, permitted certain discretionary price reductions, and it is possible that part of the export trade recently lost to America will be recovered. In certain products, however, especially ship plates, competition is likely to remain keen.

Copper Control and Prices.—The London standard cash price for copper, which had risen from £39 8s. 9d. per ton on the first day of the New Year to £44 3s. 9d. on January 11th, has fallen again below £40 this week. The reaction has led to the demand for a reduction in the copper quota from its present level of 105 per cent. of assessed capacity. But such a reduction would not necessarily solve the problem, for it is not the situation on this side of the Atlantic, but the difficulties in the United States, which have kept the London copper market under pressure. Stocks of copper in the United States have increased from 99,576 short tons on April 30, 1937, to 259,900 short tons on December 31st. Nevertheless, the technical position of the United States copper market is not unsatisfactory, for consumers' stocks have fallen by about 305,000 short tons last year. In spite of high stocks and a small domestic demand in the United States, exports of domestic copper from that country have been small of late and are unlikely to rise in the immediate future. In the absence of United States selling pressure on this side of the Atlantic, the European market is likely to remain in a fairly strong position. Consumers' stocks are small and the total visible supply on December 31st, at 211,850 short tons, was but 6,500 tons larger than on August 31st, and only 19,000 tons higher than a year earlier. This rise is more than justified in view of the increased demand. Even at the higher level, copper stocks outside the United States are equivalent to only two months' consumption, which continues to run on very high levels.

Retail Trade Progress.—The retail trade returns for December, published in the *Board of Trade Journal*, make a better showing than had been expected. Though hesitancy among consumers was evident in the autumn, it now appears that Christmas trade was good. The value of retail sales in December was 8.3 per cent. higher in 1937 than in 1936—a figure appreciably above the annual

average gain of 7.7 per cent. An advance of no less than 10.0 per cent. was recorded in sales of food and perishables, but the turnover of other merchandise was only 6.8 per cent. higher. Developments in recent years are illustrated by the following indices of the Bank of England:—

INDICES OF RETAIL SALES
(Daily average, 1933 = 100)

	Food	Non-food	Total
1932	102	99	101
1933	100	100	100
1934	103	103	103
1935	111	108	109
1936	120	113	117
1937*	131	119	125
December, 1935	133	160	146
December, 1936	142	167	154
December, 1937	157	178	167

* Provisional

For the sixth successive month the gain, compared with 1936, was greatest (12.3 per cent.) in the Midlands and South Wales. Central and West-End London, on the other hand—which have been lagging behind other districts for some time—reported a decrease of 0.9 per cent. Retail prices are now almost 6 per cent. above the level of a year ago, and in terms of volume the expansion of retail trade is proceeding much more slowly than the value figures suggest.

Short Time in Lancashire.—In the light of the position discussed in a leading article on page 230, significance attaches to the news that during the last two or three months demand in the Lancashire cotton industry has been disappointing, and that some firms have been compelled to stop machinery. A definite move has now been taken to organise short time amongst spinners of medium werts in the American section. In this branch there are over fifty mills, containing about 5,000,000 spindles. At a meeting in Manchester last Monday, it was decided to ask all firms affected if they were prepared to close their mills for the weeks beginning, respectively, on February 7th and on February 21st. A further meeting will be held next Monday. Recession is in evidence also in the ring yarn section, and all the ring mills of the Lancashire Cotton Corporation have been closed this week. In the mills producing yarns from Egyptian cotton there has been a considerable increase in idle machinery.

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Jute Developments.—The report that the "Outside" mills in India have approached the Indian Jute Mills' Association with proposals for an agreement on working hours has caused a stir in Dundee. The Associated Indian Mills had curtailed their working hours to 40 per week, with 15 per cent. of their looms sealed, in order to prevent over-production. The erection of new mills in India by native owners, however, became a menace to the Associated Mills, especially as these mills worked 104 hours per week. After many attempts to obtain the adherence of the "outside" mills to the policy of the Associated Mills, the Association terminated the agreement and allowed its members to work independently—though none in fact is working more than 54 hours per week. Prices of cloth and bags consequently declined, though a considerable increase in demand synchronised with the rise in output. There are hopes that the latest move of the "outside" mills will lead to an amicable arrangement in India, for all other producing centres have felt the adverse effect of the fall in the prices of Indian goods. On Tuesday, the price of hessians advanced by 3d.-4d. per 100 yards, and that of heavy goods by 6d.-3s.

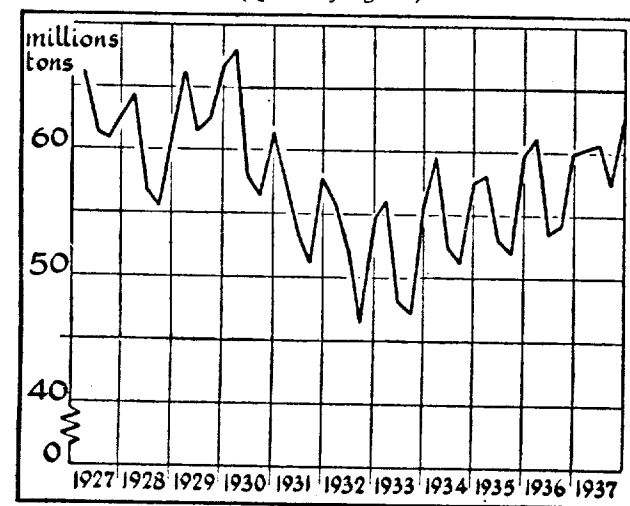
More Idle Shipping.—The lull in the expansion of international trade in the last quarter of 1937, revealed by a decline of 25 per cent. in our shipping freight rates index between September and December, is reflected in the Chamber of Shipping's returns of laid-up shipping on January 1st. In contrast to the normal seasonal movement, the volume of idle British merchant tonnage in home ports rose by 42,068 net tons (71,668 tons gross) between October 1st and the beginning of this month to 95,377 net tons. But, as the tonnage on the United Kingdom Register increased by 44,000 gross tons during last quarter of 1937, the decrease in the volume of British merchant vessels in commission was only 28,000 tons gross. Despite the recent deterioration, however, the volume of idle tonnage remains very small. For example, a year ago it still amounted to 192,800 net tons. The freight markets, unfortunately, have shown no improvement in recent weeks. Shipowners were the more relieved by the news that the members of the Greek Co-operation Committee had agreed to continue their support of the minimum freight rates scheme for "tramps."

Rubber Quota Cut Again.—Consumption of rubber has shown a rapid decline, following the recession in the United States, which normally consumes more than half of the world's output. Stocks amounted to 464,480 tons at the end of November, compared with 402,398 tons at the end of June, and the ratio of stocks to the current rate of consumption has tended to increase. On the basis of consumption during the twelve months ended last November, stocks were equivalent to more than five months' demand at the end of that month. In order to prevent further accumulation, the International Rubber Regulation Committee recently decided to reduce export quotas from 90 per cent. of assessed capacity during the second half of 1937 to 70 per cent. during the first quarter of 1938. Despite this drastic cut, however, prices failed to improve. Consequently, the Committee decided this week to reduce export quotas to 60 per cent. for the second quarter of this year. The Committee is evidently anxious to retain control over the position, but in the absence of an early expansion in demand in the United States an improvement in prices seems unlikely, in spite of the sharp turn of the restriction screw.

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Increased Coal Production.—The accompanying diagram shows the trend of British coal production quarterly during the past eleven years. The coal industry is one of the few branches of activity in which the pre-depression level has not yet been regained. Despite an increase of 12.4 million tons in production between 1936 and 1937, last year's output, at 241 million tons, was still

BRITISH COAL PRODUCTION
(Quarterly figures)



16.9 million tons below the level of 1929. The decline is due entirely to the fall in exports, for our index of home consumption, published in the Trade Supplement accompanying this issue, actually showed an increase of about 5 per cent. between 1929 and 1937. Last year's increase in production was distributed almost equally between home and foreign consumers, exports and shipments for the use of steamers having risen by 5.9 million tons between 1936 and 1937. The outlook for the industry remains encouraging, for domestic consumption shows no signs of an early decline. While new export business remains small in most districts, partly owing to the unattractive level of prices, inquiries for Welsh coal have increased this week.

The Wheat Subsidy.—The Wheat Act of 1932 guaranteed to the British grower of millable wheat a standard price of 10s. per cwt. on 27 million cwt. of wheat. If home production rose above this figure (now raised to 36 million cwt.) the "deficiency payment" per cwt. would be proportionately reduced. The subsidy is financed by a levy on the flour millers and importers; and the Minister of Agriculture is empowered, in consultation with the Wheat Commission, to issue orders prescribing the "anticipated supply" of home-grown millable wheat each season. Two new Orders were issued by the Minister last week-end. One alters the quota payment on flour. Last April, in consequence of the sharp rise in the price of wheat, the flour quota payment was abolished altogether, only to be re-imposed (at the rate of 6d. per sack of 280 lbs.) in September, when wheat prices had suffered a sharp fall. The present Order, which fixes the quota at 1s. per sack (i.e. 4.8d. per cwt.), comes as a reminder that every fall in the price of wheat places an additional burden on the flour millers and thus on the consumers of bread. The second Order, which also modifies that of last September, reduces the estimates of home supplies from 26 to 25 million cwt. Since production will not exceed the prescribed maximum, the growers will receive the full standard price this season.

Fish Supplies.—An idea of the financial position of Britain's deep-sea fisheries last year may be gleaned from figures given in the latest Monthly Return of Sea Fisheries, published by the Ministry of Agriculture. While home supplies of the principal categories of white fish were

larger in 1937 than in 1936, average prices were lower and the aggregate value of the catch consequently showed a slight decline. This fall in prices occurred at a time when costs were rising; thus production became even

BRITISH TAKINGS OF WET FISH

Category	Quantity		Value	
	1936	1937	1936	1937
	'000 Cwts.	'000 Cwts.	£'000	£'000
England and Wales:—				
Cod	6,523	6,949	3,555	3,669
Haddock	1,590	1,878	1,531	1,502
Hake	465	567	978	1,052
Plaice	553	518	1,309	1,296
Soles	81	75	385	462
Total Demersal*	12,637	13,332	10,601	10,566
Herrings	2,858	3,376	1,212	1,218
Total Pelagic*	3,175	3,702	1,330	1,346
Scotland:—				
Total wet fish	5,065	4,702	3,788	3,422
Great Britain:—				
Total wet fish	20,876	21,735	15,719	15,354

* Including other sorts.

INDUSTRIAL REPORTS

The majority of metal-using industries remain very active, for the pressure for deliveries of iron and steel continues strong. New business, however, remains limited, partly because most consumers have already covered their requirements for some months ahead. And, as supplies are still increasing, it is now possible to reduce arrears and to begin building up stocks. The demand for coal remains at a high level, largely owing to the buoyancy of home demand. Our Cardiff correspondent also reports a substantial increase in export inquiry this week. Output during the week ended January 15th was 5,206,100 tons, against 4,887,500 tons during the corresponding period last year. In contrast, activity in the cotton and wool textile trades has failed to improve, but the possibility that an agreement may at last be reached between the Associated and independent mills in India has led to an advance in quotations for jute goods. The retail trade returns for December are more satisfactory than was generally anticipated. The latest developments in the principal branches of activity, as well as the general business outlook, are discussed in the *Trade Supplement* accompanying this issue.

Coal

Cardiff.—The market for South Wales coal continues very firm, and the volume of trade has slightly increased. Shipments in the week ended January 23rd totalled 404,400 tons, compared with 375,600 tons in the previous week and 356,221 tons in the corresponding week last year. Apparently the position of collieries is being strengthened by the weakness of freight rates in the outward market. There has been an exceptionally heavy crop of inquiries during the past week. In the aggregate they amounted to between 650,000 and 700,000 tons, and include tenders for over 300,000 tons for South American electricity works, 50,000 tons for the Paris Orleans Railways, and 200,000 tons for the London Metropolitan Water Board. They provide for future delivery, and in one or two cases extend to 1939. Collieries are now realising the new approved prices on the greater part of their output, and the

higher prices are being firmly maintained. The market in coke is strong with supplies scarce, while patent fuel is steady at about 26s. per ton f.o.b.

Newcastle-on-Tyne.—Home requirements in the North-East are brisk, but forward export trade is much below expectations. Northumberland steam collieries continue to work regularly, relying mostly on old contracts. Sized coals are particularly firm, but the market in screened coal is quiet and inclined to weaken. The Durham section is firm, supplies of coking and gas coals being limited, whilst bunkers are fairly steady. Patent oven coke is in steady demand in the home trade, but export business is quiet and, owing to Continental competition, prices are easier.

Sheffield.—Domestic demand for virtually all descriptions of coal continues strong, and output goes immediately into consumption. Industrial demand is undiminished, and contracts placed indicate a long period of good trade. Small coal is very firm, and steam-raising fuels are in good request. Demand for house coal has fallen away owing to the milder weather.

The strength of the home market continues to keep prices for export and bunkering fuel above the level which shippers and foreign users are prepared to pay. Shippers report that it is difficult to compete with subsidised foreign coal and with North-East and Scottish coal.

The market in coke is firm. Blast-furnace coke is strong for prompt loading, and inquiry for central heating coke is good. Additional production from new coke ovens is relieving the pressure for supplies.

Prices are unchanged.

Workington.—The increased output is inadequate to satisfy needs, and Ulster and the Free State are short of 3,000 to 4,000 tons per week. Industrial fuel requirements have increased in a few years by 10 per cent. All the smalls go to the coking plants, which are being worked at capacity for the iron smelters.

The domestic market is buoyant. Prices are steady.

COAL OUTPUT AND EMPLOYMENT

District	Week ended January 8 1938		Week ended January 15 1938	
	Output	Wage-earners	Output	Wage-earners
	000 tons	000's	000 tons	000's
Northumberland	264.3	45.4	307.0	45.4
Durham	662.7	117.4	711.7	117.4
Yorkshire	964.1	142.3	998.9	142.4
Lancs. Cheshire and N. Wales	334.3	69.2	362.8	69.0
Derby, Notts & Leicester	766.3	97.9	776.7	98.0
Staffs, Wores, Salop & Warwick	426.2	67.5	434.2	67.6
South Wales and Monmouths	820.2	136.7	826.4	137.3
Other English districts*	123.6	22.5	127.2	22.5
Scotland	428.1	91.3	661.2	91.6
Total	4,790.1	790.2	5,206.1	791.2

* Including Cumberland, Westmorland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that nearly all departments of the iron and steel industry continue to operate at capacity and that there is unrelaxed pressure on the part of consumers to secure delivery. The volume of new business, however, remains somewhat restricted, chiefly because the large consumers of steel have covered their requirements for the first half of the year, and neither they nor the producers are anxious to enter into commitments beyond that period.

Business in pig iron has in the main been confined to small supplementary parcels for prompt delivery. Consumers and producers are in a comfortable position and, whilst the former have covered their requirements for some time ahead, the latter have sold most of their output for several months.

The demand for semi-finished material remains strong, but is being met with greater regularity than at any time during last year. British production of this class of steel has been increased and good quantities are arriving from the Continent.

There is no relaxation in the pressure for delivery of finished steel against existing contracts, but makers' arrears are gradually being reduced. The recent slight improvement in the demand from overseas markets has not been maintained and overseas buyers appear to be following a cautious policy, although in several markets stocks are understood to be low.

Sheffield.—The position has undergone little change this week. There is a steady demand in most sections. Forward buying has eased to some extent, the majority of iron consumers being well covered over the next few months. Deliveries are now becoming more adequate and regular, and some users are able to make a beginning with the building up of reserves. There is but little inquiry for imported iron, home production being now about equal to requirements. Hematite business is easier to transact than for some time so far as mixed numbers are concerned, but there is still a dearth of special qualities for which there is a keen demand. Bar iron business is good, especially in common and marked.

Business in steel continues at a very high level and deliveries of basic and acid billets are still in arrears. Stainless steel sheets are in heavy request, and the pressure for wire rods is unrelieved. Structural steel requirements are still well in advance of makers' ability to supply.

Production of steel ingots and castings in 1937, at 1,722,600 tons, marked a record, and showed an increase of 115,300 tons over 1936.

The iron and steel scrap market remains steady, although, with fairly full supplies of the former coming along, there is less readiness to pay recent prices. Merchants, however, stand solidly against any reduction. Heavy foundry cast iron sells at 75s.-80s. per ton, according to quality, and steel-works heavy cast iron at about 65s. per ton. There is a ready market for heavy basic steel at up to 67s. 6d. per ton, according to quality.

Middlesbrough.—The position on the pig iron market is easier; foundries which had contracted for Continental and Midland iron are well supplied, and producers of Cleveland iron are now in a better position to carry out their contracts. Little new business in foundry iron is passing. There is a steady home trade to outside buyers in East Coast hematite, in addition to the requirements at producers' works. Small sales are reported for export. There are now 36 blast-furnaces in operation in the North-East Coast area, one on foundry pig iron, thirteen on hematite and the remainder on basic, ferro-manganese, etc.

Supplies of home produced semi-manufactured steel have increased, and all finished steel departments are working to capacity. There is a lack of demand for black and galvanised sheets for export, and prices have been reduced by £1 per ton. Black sheets, 24-gauge, are now quoted at £14 10s. per ton, and galvanised sheets, 24-gauge, at £16 15s. per ton.

No agreement has yet been ratified regarding the price at which new contracts for blast-furnace coke will be arranged; meantime, home consumers who have made contracts at the top

price of 42s. per ton will be obliged to carry these out before being able to take advantage of any new arrangement. Heavy steel melting scrap continues in good request, and is in good supply at the official prices.

Cardiff.—In the South Wales iron and steel industry there has been little, if any, abatement in the pressure of the demand for pig iron and ingot steel, but comparatively quiet conditions are ruling in the tinplate section, where the output in the week ended January 15th was only at 62.16 per cent. of capacity. The easiness is due principally to the contraction in the volume of exports. Shipments at Swansea during the week ended January 20th totalled only 5,596 tons, compared with 5,716 tons the previous week, and 10,028 tons a year ago. Prices are unchanged.

Glasgow.—The volume of new business is still somewhat restricted, largely, it is believed, because consumers have already contracted for the bulk of their requirements for some time ahead. Steelmakers still have an enormous amount of work on books and are being pressed for deliveries for all classes of material. There is a strong demand for semis. Fairly regular supplies are now available and many rollers are able to keep plant fully employed and to reduce the heavy arrears which had accumulated on their books while their raw material was not available in sufficient volume.

Workington.—A marked change has come over the North-East Coast hematite pig-iron market. Consumers, having bought from six to twelve months ahead, are not entering into further commitments, and are not taking delivery freely. Makers are puzzled by the cautious attitude of users, but the decline in business causes no anxiety. They are assured of the absorption of virtually their entire output during the rest of the year. Demand for special and semi-special iron has not slackened. Production of the three qualities of low-phosphorus iron is not large, and there is not, in fact, enough to go round. A furnace at Workington has been blown out to be relined. Part of its output will be supplied by a furnace at Ulverston which is to change over shortly from basic to hematite iron. Prices are firm.

The steel trade is quieter. Makers at both Workington and Barrow, however, are in a strong position, the orders on their books ensuring full-time working at the mills for a year to come. Native ore, at 24s. 6d. per ton, f.o.t., is in heavy local request. Production is expanding a little. The Beckermert Mining Company has been granted leave by the Railway and Canal Commission to work 1,400 acres of ground at Beckermert and to let downland where necessary.

Textiles

Cotton (Manchester).—Market conditions have shown practically no change. Business has not been at a standstill, but most buyers have exercised caution in giving out orders. There seems to be very little fear of any marked rise in prices in the near future.

Raw cotton prices show little change. Early advices concerning crop preparations in the United States state that farm work is rather late.

The position of the spinning section continues unsatisfactory. Sales of American yarns have been smaller than in the previous week. An attempt is being made to organise short time amongst spinners of medium welfs. Curtailment of output in the Egyptian branch is now on a considerable scale. Mixed reports have come to hand from manufacturers of piece-goods. Inquiry has been persistent, but there have been loud complaints of numerous offers being quite impracticable. Further buying has taken place for India in regular styles and some producers, chiefly in Blackburn and Preston, have extended their engagements. Only limited support has been met with from the smaller outlets of the Far East. The holidays in Egypt have interfered with trade. Some very fair orders have been booked in printing and finishing styles for South America. Not more than necessary buying has been experienced in home trade fabrics. Production in weaving districts remains irregular.

RAW COTTON delivered to Spinners (Million bales)

Variety	Week ended		Total Deliveries	
	Jan. 14, 1938	Jan. 21, 1938	Aug. 1, 1936-1937-1937-1938	Aug. 1, 1937-1938
American	33.3	27.7	585	640.1
Brazilian	4.6	4.6	173	163.5
Peruvian, etc.	2.7	2.8	83	68.7
Egyptian	12.0	9.9	182	167.0
Sudan Sakel	3.2	1.7	74	81.8
East Indian	7.6	8.9	189	138.9
Other countries	4.2	2.7	101	98.6
Total	67.6	51.4	1,384	1,358.6

THE COMMODITY MARKETS

THE majority of the leading markets in primary products, both in this country and in the United States, remained under the cloud of last week's reaction. Consumers have again become cautious and speculative activity has subsided.

The reaction of the market to the drastic cut in rubber export quotas provided a good indication of the psychological background, for Wednesday's price was only one-sixteenth of a penny per lb. higher than a week ago. Non-ferrous metals were marked down in price, but raw cotton is scarcely changed on the week. The markets in wheat and raw sugar remained steady.

In the United States, the weak tendency of prices is reflected in Moody's index of staple commodities which declined from 150.8 to 150.4 during the week ended last Wednesday. A month ago the index stood at 151.6, and a year earlier at 206.1.

Metals

Copper.—The market was again easier, and on Tuesday the standard cash quotation fell below £40 per ton for the first time since January 4th. Although there was a slight recovery on Wednesday, prices at the close

showed a net loss of £2 2s. 6d. on the week. The decline was largely due to influences emanating from the United States, where consumer buying has fallen to small dimensions. The reduction in the United States domestic price from 11 to 10.25 cents per lb. now appears to have been as mistaken as the earlier increase. Although the market position in this country is sound, a major improvement is unlikely until American markets recover. The outlook is further discussed in the preceding Industry and Trade Section.

Tin.—Mainly owing to lack of buying interest in the United States, tin prices fell to £181 per ton at the close on Wednesday. Statistics for the principal producers in December, now becoming available, show that exports in that month were generally in excess of the quotas. The quota arrears carried over into the New Year are thus smaller than had at one time seemed likely; hence exports should not be excessive during the present quarter. But without a resumption of buying in the United States, tin prices here are unlikely to show much recovery.

Lead and Spelter.—In response to general influences both lead and spelter fell by 7s. 6d. per ton. The relatively favourable building plan figures for December had no effect on the former metal. Meanwhile, according to the Bureau of Metal Statistics, American lead stocks rose from 113,573 short tons at the end of November to 129,131 tons a month later. The increase was smaller than had been expected, owing to the fact that deliveries increased from 33,853 to 34,020 short tons. For zinc the Metallgesellschaft reports a decline in world smelter output from 145,191 to 140,638 metric tons between October and November; this was due, however, to the fact that the latter month had one less working day than the former. The daily rate of production was actually about unchanged and remained well in excess of consumption.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
January 14 ...	3,000	225	1,850	1,300
" 17 ...	2,050	225	1,950	1,450
" 18 ...	1,450	269	1,100	650
" 19 ...	3,400	325	2,500	1,800
" 20 ...	3,100	325	1,600	2,050
" 21 ...	1,100	300	1,300	2,650
" 24 ...	2,600	270	1,000	850
" 25 ...	3,200	275	1,700	1,050
" 26 ...	1,500	325	850	1,200

U.K. STOCKS

	Jan. 15, 1938	Jan. 22, 1938
Copper (Br. official w'houses) :	Tons	Tons
Refined	10,825	11,614
Rough	21,847	22,243
Tin (London and Liverpool)...	2,342	2,511

Grains

The wheat markets have exhibited a notable stability recently. After a further week of rather quiet trading prices show practically no change. Crop news has been scarce, but there are reports of excellent crops of good quality wheat from some of the South American countries; on the other hand, there is a growing shortage of good red wheat. Meanwhile, demand for flour has been rather quiet. As mentioned in a Note in the Industry and Trade Section, the Government levy was raised from 6d. to 1s. per sack of flour as from Sunday last.

After declining last week, the maize market has since been quietly steady. Although some improvement in the Argentine crop has occurred as the result of recent rains, there appears to be little hope of a good Argentine crop this year. Demand for overseas feeding barley was quiet this week, but prices were maintained. English malting barley prices are steady, supplies being generally below the requirements of the trade.

WORLD SHIPMENTS OF WHEAT AND FLOUR (000 Quarters)

From—	Week ended		Season to	
	Jan. 15, 1938	Jan. 22, 1938	Jan. 21, 1937	Jan. 22, 1938
N. America	512	479	16,482	12,083
Argentina and Uruguay	207	313	5,903	2,743
Australia	449	308	4,956	4,952
Russia	36	95	11	4,087
Danube and dist.	69	84	6,274	4,217
Other Countries	24	22	924	945
Total	1,297	1,304	35,264	29,364
To—				
U.K. Orders	385	401	9,745	7,972
France	366	263	6,775	5,907
Belgium	11	6	668	387
Holland	36	118	2,513	2,884
Italy	61	93	1,035	1,841
Greece	23	15	3,235	574
Scandinavia	80	49	1,011	880
Austria, etc.	19	6	974	750
Other European Countries	33	46	1,073	1,039
Ex-European Countries	67	49	386	1,684
Total	216	258	7,839	5,448
Total	1,297	1,304	35,264	29,364

Source: The Corn Trade News.

SALES OF BRITISH CEREALS

	Week ended	
	Jan. 15, 1938	Jan. 22, 1938
Wheat	cwt. 210,664	243,820
Barley	cwt. 177,855	156,049
Oats	cwt. 59,724	40,183

Other Foods

Provisions and Meat.—The official quotations for bacon were unchanged last week-end and the market this week has been firm. Hams were in demand and were slightly higher in price. The principal varieties of butter were all reduced in price, prices being generally steady at the lower level. Colonial makes of cheese were in fair demand, quotations for New Zealand showing a sharp fall; other sorts were a steady market. The seasonal decline in the price of imported eggs was continued, but new-laid were steady on an improved demand. Trade at the Smithfield meat market was rather quiet throughout the week. Quotations for lamb were rather lower, but other sorts of meat were about unchanged in price.

Colonial Produce.—At this week's tea auctions the tone was again satisfactory. Demand for Indian tea on Monday and Wednesday was strong and there was a slight improvement in the price of some grades. At Tuesday's Ceylon auctions there were irregular price movements, but prices were higher in some instances. Meanwhile, the market in raw sugar was steady, with prices about unchanged. Spot demand for coffee was quiet. Accra cocoas, after a steady opening, declined in price.

Fruit.—Business at Covent Garden was rather less active than formerly and prices were lower in some instances. According to *The Fruitgrower*, the demand for apples was not so good and prices were reduced. Pears were in moderate demand. With arrivals from South Africa now beginning, Californians have not done so well and prices showed an easier tendency. South African peaches, nectarines and plums sold steadily at moderate rates. Smaller supplies of hothouse grapes again made good prices, while good supplies of Californian were available at a moderate figure. Oranges advanced in price owing to smaller arrivals, while grapefruit sold rather better. Lemons were steady.

Vegetables.—At Covent Garden, according to *The Fruitgrower's* report,

AMERICAN WHOLESALE PRICES

	Jan. 19 1938	Jan. 26 1938		Jan. 19 1938	Jan. 26 1938
GRAINS (per bushel)—	Cents	Cents	METALS (per lb.)—cont.	Cents	Cents
Wheat, Chicago, May	95 1/8	94 1/8	Tin, N.Y., Straits spot	41.37 1/2	40.62 1/2
Maize, Chicago, May	124 1/2	125 1/8	Lead, N.Y., Spot	4.90	4.50
Oats, Chicago, May	31 1/8	31 1/8	Spelter, East St. Louis, spot	5.00	5.00
Rye, Chicago, May	74 1/4	73 1/2	MISCELLANEOUS (per lb.)—		
Barley, Winnipeg, May	63 1/8	63 1/8	Cocoa, N.Y., Accra, March	5.56	5.32
METALS (per lb.)—			Coffee, N.Y., cash	6 1/8	5 1/2
Copper, N.Y., Domestic spot	10.32 1/2	9.72 1/2	Do., Santos, No. 4	6 1/2	6 1/2
Producers' export	10.55	10.00	Cotton, N.Y., Am. mid., spot	8.59	8.54
MISCELLANEOUS (per lb.)—cont.					
Cotton, Am. Mid., Feb.	8.47	8.42			
Lard, Chicago, Jan.	8.20	8.20			
Petroleum, Mid-cont. crude					
33 deg. to 33-90, at well,					
per barrel	116	116			
Rubber, N.Y., vulcan. sheet spot	14 1/8	14 1/8			
Do., Do. Feb.-Mar.	14 1/8	14 1/8			
Sugar, N.Y., Cuban Cent., 96	3.23	3.20			
deg., spot					

BRITISH WHOLESALE PRICES

	Jan. 19, 1938	Jan. 26, 1938		Jan. 19, 1938	Jan. 26, 1938
CEREALS AND MEAT					
GRAIN, Etc.—					
Wheat—					
No. 2, N. Man. 496 lb.	58 9	59 3			
Eng. Gaz. av., per cwt.	5 4	5 4			
Liv. March, per cental	7 7 3	7 7			
Flour, per 280 lbs.—					
Straits, d d London	37 6	37 6			
Manitoba, ex store	40 6	39 6			
Barley, Eng. Gaz. av.	13 4	13 3			
Oats	8 7	8 6			
Maize, La Plata, landed, 480 lb.	34 0	34 0			
Do. January					
Rice, No. 2 Burma, per cwt.	8 7 1/2	8 3			
MEAT—					
Beef, per 8 lbs.—					
English long sides	5 0	4 8			
Argentine chilled hinds	4 0	4 5			
Mutton, per 8 lbs.—					
English wethers	5 0	4 8			
N.Z. frozen wethers	2 8	2 10			
Lamb, per 8 lbs.—					
N.Z. frozen	4 10	4 8			
Pork, English, per 8 lbs.	6 0	6 0			
BACON (per cwt.)—					
English	98 0	98 0			
Danish	96 0	96 0			
Dutch	91 0	91 0			
Irish	90 0	92 0			
HAMS (per cwt.)—					
Canadian	85 0	86 0			
United States	84 0	85 0			
OTHER FOODS					
BUTTER (per cwt.)—					
Australian	110 0	105 0			
New Zealand	111 0	106 0			
Danish	115 0	128 0			
CHEESE (per cwt.)—					
Canadian	74 0	73 0			
New Zealand	71 0	68 0			
English Cheddars	96 0	96 0			
Dutch	63 0	65 0			
COCOA (per cwt.)—					
Accra, I.L.	28 0	27 0			
Trinidad	48 0	45 0			
Grenada	45 0	40 0			
COFFEE (per cwt.)—					
Santos sup. c. & f.	32 6	32 6			
Costa Rica, medium to good	55 0	52 0			
Kenya, medium	44 0	44 0			
EGGS (per 120)—					
English (15-15 1/2 lb.)	16 0	16 0			
Danish (15 1/2 lb.)	13 3	12 6			
FRUIT—					
Oranges, Jaffa	8 3	8 6			
" Brazilian	13 9	14 3			
Lemons, Malaga	11 0	10 0			
" Sicilian	14 6	13 0			
Apples, Amer. (var.)	15 0	14 6			
" " (var.)	24 0	21 0			
Grapes, Almeria	7 6	7 6			
Grapefruit, Jaffa	11 0	11 0			
LARD (per cwt.)—					
Irish, finest bladders	64 0	64 0			
U.S.	51 6	51 0			
PEPPER, per lb.—					
Black Lampong (in Bond)	0 2 1/2	0 2 1/2			
White Muntok	0 3 3/8	0 3 3/4			
POTATOES (per cwt.)—					
King Edward	6 6	6 6			
SUGAR (per cwt.)—					
Centrifugal, 96%, prpt. sh. am.	6 0	6 0			
c.i.f. U.K. Cont.					
Refined—London	19 6	19 4 1/2			
Yellow Crystals	23 9	21 7 1/2			
Cubes	24 3	24 1 1/2			

† 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.

	Jan. 19, 1938	Jan. 26, 1938		Jan. 19, 1938	Jan. 26, 1938
SUGAR (per cwt.)—cont.					
Crushed	22 0	22 0			
Granulated	19 10 1/2	19 9			
Home Grown	19 9	19 7 1/2			
TEA (Auction Average) (per lb.)—					
S. India	13 98	14 15			
Ceylon	14 5	14 23			
Java	12 97	12 22			
Sumatra	11 66	11 45			
Africa	13 09	13 05			
Total	14 25	14 45			
TOBACCO (per lb.)—					
Virginia stemmed and unstemmed, common to fine	0 8	0 8			
Rhodesia stemmed and unstemmed	0 9	0 9			
Nyasaland stemmed and unstemmed	0 7	0 7			
East Indian stemmed and unstemmed	0 7	0 7			
TEXTILES					
COTTON (per lb.)—					
Raw, Mid-American	4 90	4 90			
" Sakerland, F.G.F.	8 36	8 39			
Giza, F.G.F.	7 53	7 56			
Yarns, 32's Twist	11	10 3/4			
" 40's Twist	10 3/4	10 3/4			
" 60's Twist (Egyptian)	17 4	17 4			
Cloth, 32 in. Printers, 116 yds.	18 4	18 3			
" 36 in. Shirtings, 75 yds.	24 10	24 9			
" 38 in. ditto, 38 yds.	10 7	10 7			
" 39 in. ditto, 37 1/2 yds.	9 7	9 7			
FLAX (per ton)—					
Livonian ZK	68 10	69 10			
Pernau HD	69 10	71 0			
Slanetz Medium, 1st sort	84 0	85 0			
HEMP (per ton)—					
Italian PC	69 0	69 0			
Mamila, Dec.-Feb. "J2"	29 0	28 0			
JUTE (per ton)—					
Native 1st mks., c.i.f. H.A.R.B., Jan.-Feb.	£19/0/0	£18/12/6			
Daisee 2 3 c.i.f. Dundee, Jan.-Feb.	£18/5/0	£17/15/0			
SILK (per lb.)—					
Canton	7 9	7 9			
Japan	6 6	6 6			
Italian, raw, fr. Milan	8 0	8 0			
WOOL (per lb.)—					
English, Southdown, greasy	16 1/2	16 1/2			
" Lincoln hog, washed	14 1/2	14 1/2			
Queensland, scd. super combg.	14	14			
N.S.W. greasy, super combg.	13	14			
N.Z., greasy, half-bred 50-50	12	13			
Tops—					
Merinos 70's average	29 1/2	29 1/2			
" 64's	27 1/2	27 1/2			
Crossbred 48's	17 1/2	16 1/2			
" 46's	17	16 1/2			
MINERALS					
COAL (per ton)—					
Welsh, best Admiralty	22 6	22 6			
Durham, best gas, f.o.b. Tyne	22 0	22 0			
Sheffield, best house, at pits	22 0	22 0			
IRON AND STEEL (per ton)—					
Pig, Cleveland No. 3, d d	109 0	109 0			
Bars, Middlesbrough	265 0	265 0			
Steel rails, heavy	202 6	202 6			
Tin plates	22 6	22 6			
NON-FERROUS METALS (per ton)—					
Copper—					
Standard cash	£42 6 3	£40 5 0			
Three months	£42 11 3	£40 10 0			
Tin—					
Standard cash	£184 5 0	£181 0 0			
Three months	£185 0 0	£182 0 0			
Lead, soft foreign—					
Cash	£16 1 3	£15 1 9			
Spelter, G.O.B.—					
Spot	£15 1 3	£14 13 9			
Aluminium, ingots and bars	100 0 0	100 0 0			
" rolling billets	102 0 0	102 0 0			
Nickel, home and export	180 0 0	180 0 0			
Antimony, Chinese	67 0 0	67 0 0			
Wolfram, Chinese ... per unit	75 0	75 0			
Platinum, refined ... per oz.	£7 0 0	£7 0 0			
Quicksilver ... per 76 lbs.	£12 17 0	£12 17 0			

OTHER FOODS: STATISTICS

	Week ended	
	Jan. 15, 1938	Jan. 22, 1938
BACON:		
Arrivals in London (bales):		
Danish	14,004	14,319
Canadian	9,232	8,176
Dutch	1,408	1,575
Lithuanian	1,247	1,222
Polish	2,693	2,783
COCOA:		
Movements in Lond. (bags):		
Landed	4,074	6,892
D'd for home consumption	5,942	12,824
Exports		920
Stocks, end of week	125,344	118,492
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	75	732
" D'd for home consn.	173	87
Exports		
Stocks, end of week	1,861	2,506
Central and S. American:		
Landed	3,487	3,064
D'd for home consumption	2,513	2,354
Exports	367	767
Stocks, end of week	60,000	59,943
Other kinds—Landed	3,648	14,606
" D'd for home consn.	5,189	4,627
Exports	708	582
Stocks, end of week	65,071	74,468
MEAT:		
Supplies at Smithfield (tons):		
Total	9,809	9,287
Beef and veal	4,983	4,703
Mutton and lamb	3,042	2,839
Pork and bacon	1,940	1,069
Poultry, etc.	744	676
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	10	3
" Delivered	1,974	1,959
Stocks, end of week	1,974	16
White—Landed	78	52
" Delivered	11,019	10,983
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	11,590	26,090
Deliveries	14,484	14,576
Stocks, end of week	271,712	283,226
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	45,308	45,134
S. India	7,859	8,262
Ceylon	23,030	24,437
Java	2,915	3,673
Sumatra	1,508	929
Africa	3,467	1,890
Total	84,087	84,325

* Week ended January 13 and 20 respectively.

asparagus was in demand at slightly higher prices, while house-grown beans were short and dear. Mushrooms were easier. Demand for forced rhubarb showed an improvement. Onions and parsnips remained dear, but carrots and turnips did not do quite so well. Greenstuff was lower in price for the week-end trade and has since shown little alteration. Meanwhile, at the various London markets, the potato trade showed few new features and prices were about unaltered.

Miscellaneous Commodities

Oilseeds and Oils.—The market is quiet. Linseed supplies from Argentina are expected to increase soon. The quantity afloat for Europe has increased to 162,400 tons (including 3,800 tons from India), compared with 177,700 tons a year ago. Some time, however, must elapse before deliveries at English ports assume substantial volume. In the circumstances trade in spot and near parcels is restricted, but crushers appear to have bought freely of Plate seed for early shipment. Prices have taken an easier turn, but generally are steady in view of the strong statistical position. Indian linseed has been in better demand, business having been stimulated by a reduction in freight rates. American crushers continue steady buyers of Plate. The first official estimate of the yield in Uruguay is 118,232 tons, of which 70,000 to 80,000 tons will be available for export. Egyptian cottonseed is easier with an improved inquiry for near positions, £5 17s. 6d. per ton having been

accepted for afloat and January loading to Hull.

Vegetable oil prices have an easier trend. Linseed oil has receded slightly in the face of the competition of foreign offers. Demand, however, is restricted and in view of short supplies mills are reserved in their offerings. Cotton oil is slow and ex Hull has been reduced by 25s. per ton. English refined is now offered at £20 10s. per ton. Demand for oilcakes continues satisfactory and prices are firm.

Rubber.—The event of the week was the decision of the Rubber Regulation Committee, discussed in a note in the Industry and Trade Section, to reduce the export quota from 70 per cent. of assessed capacity in the first quarter of 1938 to 60 per cent. in the second. During the last half of 1937 the quota was 90 per cent. The announcement was followed by an immediate spurt of prices; but the gain was subsequently lost on profit-taking, and prices are only fractionally higher on the week. The cut in the quota is unlikely to affect the stock position till after the end of April, unless there is a sharp rise in United States consumption.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ending	
	Jan. 15, 1938	Jan. 22, 1938
Landed	2,753	2,543
Delivered	1,828	1,419
Stocks, end of week	59,721	60,845

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COMPANY MEETINGS

MIDLAND BANK LIMITED

REVIEW OF PAST YEAR'S BUSINESS

EFFECT OF AMERICAN CONDITIONS

MANAGED CURRENCY NO LONGER A MAKESHIFT

NO GROUND FOR PESSIMISM IN THE OUTLOOK

FACTORS MAKING FOR WIDER INDUSTRIAL ACTIVITY

MR REGINALD 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, E.C.

The Rt. Hon. Reginald McKenna, the chairman, said: My Lords, Ladies and Gentlemen,—The year 1937 opened with a good prospect of sustained business improvement. The industrial outlook was so promising, indeed, that fears were expressed of a coming boom. There were signs of growing speculations on the Stock Exchange and in raw materials; some commodities, particularly metals, had made a disturbing jump. Speculation, however, was speedily checked by a reduction in the quantity of money, and a decline in prices followed. The decline went so far as to cause some anxiety, and, although the quantity of money was later restored, the closing months of the year that had opened buoyantly were marked by a more subdued outlook.

DEPRESSING AMERICAN INFLUENCES

Meanwhile depressing influences had been at work in the United States. In April President Roosevelt declared that some prices, particularly of the non-ferrous metals, were too high. At the same time the gold scare, based largely on unjustified inferences from that statement, gave rise to fears of a restrictive monetary policy and precipitated a general decline in Stock Exchange quotations and primary commodity prices. But what might have been no more than a temporary break developed in the United States into a real business recession. The confidence of industrialists, already disturbed by the policy of the Government, became seriously shaken, and capital construction was arrested. Happily, no similar obstacle to business enterprise is present in Great Britain, and there is no indication here that the drop in Stock Exchange quotations and commodity prices will lead to a comparable decline in general trade.

It is natural that a setback first in prices and then in trade should be taken to confirm the fears of people who are dubious about both the theory and practice of a managed currency. Management has meant cheap and abundant money, and in their view long-continued cheap money must lead to over-expansion of industry and trade, which has its inevitable reaction in a slump. The alleged benefits of cheap money, they tell us, have been exaggerated, while the danger of inflation is always present. Now they see that a fall in prices and a drop in employment have taken place while money is still cheap, and they regard this as definite condemnation of a managed currency.

CURRENCY AND CREDIT CONTROL

We shall all agree that the question of the right method of currency and credit control is of the greatest importance to the whole country. For banks in particular the subject has a special significance. Apart from the fact that their prosperity depends largely upon that of industry and trade, money is the stock in trade of their business, and they have a direct concern in monetary policy, which determines the quantity of money and through this the rates charged for its use.

We have now had a sufficiently long experience of a managed currency to enable us to form an opinion of the general effect of its operation. It must not be overlooked that deliberate currency management, particularly of a currency subject to such world-wide influences as sterling, is not an easy undertaking. A few years ago the very conception of a purely managed currency was something new; in no country were the conditions such as to make it practicable; it is only conceivable as being efficiently practised in a country with banking and credit highly centralised and with a Government

maintaining national credit unimpaired. Much had to be learnt and is being learnt, but, however difficult it may be to put on one side the ideas to which long usage of the gold standard has accustomed us, we find in practice that the system is working smoothly. In the light of our present knowledge a managed currency can no longer be regarded as a mere temporary makeshift while the gold standard is in abeyance.

COMPARISON OF EXPERIENCE 1925-31 AND 1931-37

To judge between the two systems the question we must ask is: How have we fared while our currency has been free to fluctuate without reference to any backing other than the country's credit? What have been the changes in our economic condition? Many causes contribute to such changes, and among these monetary policy is certainly one of the most important. Let me recall what has happened in recent years. It will be remembered that the gold standard, having been suspended on the outbreak of war, was brought into operation again in April 1925. It was maintained for over six years until September 1931, when once again it was suspended. For the first time we then set about controlling our currency without any active effort to restore the gold standard. We started a true experiment in management, and the experiment has now lasted for a period almost precisely as long as the restored gold standard was in operation, that is for rather over six years from September 1931 to the present time. In answering the question, then, how have we fared, we can compare our economic condition during two equal periods, one on gold and the other under management.

I take the Bank of England's stock of gold as the first subject for comparison, not only because it is usually regarded as the test of the strength of our international position, but because under any system of currency control it is an essential part of our equipment as bankers to the world. In April 1925 it stood at £154 millions; by September 1931 it had fallen to £135 millions; but by January 1938 it had risen to £326 millions at the statutory price. At the current price the value of the existing stock would be about £530 millions, quite apart from the gold held in the Exchange Equalisation Account. When we remember that gold is the universally accepted medium of international payments and that we, as a world centre of banking and finance, are liable to be called upon at any time to meet large external liabilities, it is clear that our position has been immensely strengthened by the great increase in our stock during the period of a managed currency. The Cunliffe Committee put our minimum need of gold reserve at £150 millions. The Macmillan Committee increased the requirement, whether in gold or foreign exchange, to a maximum of £225 millions. As events have developed it has become apparent that even these resources would not suffice to provide against capital movements on the scale that we now see. Including the amount held in the Exchange Equalisation Account, our present stock at the current value of gold is about £800 millions and if we set this against the probable total of our foreign liabilities, expanded though they may be, we must conclude that our position is far stronger than in 1931.

FLUCTUATIONS IN NATIONAL DEBT

Next we may note fluctuations in the burden of the national debt. There has been little change in the amount of the debt, but a great change in the interest paid. Excluding the American debt and interest on savings certificates, the national returns show that in the year ending March 1926, the first year of the return to the gold standard,

the charge was over £271 millions. In 1931-32 it had fallen by £13 millions. But in 1936-37 it was no more than £200 millions, a saving of nearly £60 millions a year since the introduction of a managed currency. Cheap and abundant money made possible the conversion of the old 5 per cent. War Loan into a 3½ per cent. stock, while on Treasury bills alone the saving is approximately £17 millions a year. When the demands upon the Exchequer are as heavy as they are to-day, both for national defence and social services, I cannot imagine any Chancellor of the Exchequer closing his eyes to the immense economy in the service of the debt that has been made as a result of monetary policy.

The relative degree of cheapness and abundance of money in the two periods is indicated by a comparison of the Bank rate and the quantity of bank deposits. From 1925 to 1931 the average Bank rate was approximately 4½ per cent. On the abandonment of the gold standard the rate was raised to 6 per cent. as a precautionary measure which was soon found to be unnecessary. It was lowered by stages until at the end of June 1932 it stood at 2 per cent., where it has remained ever since. There were no less than sixteen changes of Bank rate in the first period of six years, all of them consequent upon the obligation imposed on the Bank of England to protect its meagre gold stock. The subsequent stability at 2 per cent. has lasted over five-and-a-half years. No previous period of stability of so long duration can be found in the last hundred years, a fact which suggests that the frequent description of present money rates as abnormal is hardly justified. It is difficult to draw a line between the normal and the abnormal, but a rate which is now in its sixth year and shows no likelihood of variation in the early future might perhaps put in a claim to being no more abnormal than any other. The effect of freedom from the restrictions imposed by the gold standard is no less apparent in the quantity of money than in the rate paid for its use. Bank deposits, which were about £1,800 millions on the average for 1931, rose to nearly £2,300 millions in 1937.

TRADE AND EMPLOYMENT

The increase in purchasing power shown by this growth of deposits has been as beneficial to industry and trade as to the Treasury. If we resume our comparison and consider our condition at the beginning and end of each of the six-year periods, the conclusion is inescapable that, whatever other forces may have been in operation, a managed currency is at least consistent with flourishing trade. Let us look first at weekly wage rates, taking rates in 1924 as the basic figure of 100. In 1925 the corresponding figure was 102; by 1931 it had fallen below 97; but by last year it had risen again above 103. Taking the same year as the basis, profits, according to Sir Josiah Stamp's calculation, stood at 104 in 1925, dropped to 77 in 1931, but rose again to 120 in 1936, the last year for which this index is available. The figures of industrial production repeat the same story in another form—a decline over the first six years and a rise in the second by perhaps fifty per cent. Thus it is evident that, while business was on balance dropping away in the earlier period, it was steadily improving in the later.

Wages and profits are a measure of the incomes of the mass of the population. Production measures the degree in which our industrial capacity is being used; it governs the total of employment and unemployment, the returns for which make perhaps a more striking comparison than any others. Between 1925 and 1931 the total of our insured workers rose by 1,200,000, but the employed fell by 200,000, and the unemployed rose in consequence by 1,400,000. This was how we stood at the end of the first six-year period. In the second the insured workers increased by a further 800,000, but the number of those employed grew by as much as 2,100,000, thus reducing the unemployed by well over a million. What a contrast! a decline in employment of 200,000 in the first period; an increase of 2,100,000 in the second. No figures could be more convincing; no figures could exemplify more clearly the change in our economic condition in the two periods. We have still some way to go before we shall be utilising our full productive capacity, but the experience of the past six years indicates that in currency and credit policy we have not been led astray in using the opportunities for intelligent management which the departure from gold presented. I have not suggested, and I would not for a moment do so, that the pronounced improvement in our position as between the two periods is due solely to the change in the monetary system. But I do suggest that there is nothing in our present condition to indicate that the change has been other than for the better or that it is fraught with unknown perils in the future. (Applause.)

I have said nothing about wholesale price levels, since, as we have seen in the past year, these are subject to such rapid fluctuation that a comparison of index numbers for given dates is not a safe guide to a lasting trend. I may, however, remind you that over the period 1925 to 1931 there was in fact a downward trend which weighed

heavily upon primary producers and exercised a constant dragging effect upon business. Since 1931 some recovery has taken place, with beneficial effects apparent to everyone in the growth of world trade and the expansion of demand for the products of British industry.

BALANCE OF PAYMENTS

The data I have just quoted relate to our internal condition, but the picture would be incomplete without a reference to external trade. Last year, you may remember, I referred to the balance of current international payments and receipts as a test of safety in deciding whether an expansive monetary policy might be pursued further. Unfortunately, we have no certain knowledge of the true balance of payments. There can be no doubt that the requirements of re-armament and the growing volume of consumption due to greater employment necessitate additional purchases of goods from abroad in excess of our sales. The import surplus of merchandise is increasing. The other elements in the account are not so readily estimated, but when we consider the position as a whole it is difficult to believe, notwithstanding the official estimates, that the final balance is against us.

Here again it is helpful to take a longer view than is given by the figures for a single year. The official estimates of the balance of payments for 1932-36 show a net deficit for the five years approaching £50 millions. To this we must add at least an equal amount for last year, making an aggregate of over £100 millions. The figures prepared by Sir Robert Kindersley indicate that we have drawn to some extent upon our long-term capital abroad, a fact which would fit the supposition of a deficiency on current account. But in these six years we have spent on the purchase of gold now held in the Bank of England and the Exchange Equalisation Account an amount approximating £600 millions. If the official estimates be accepted, this expenditure could have been offset only by sales of British securities to foreigners and by an increase in our short-term liabilities. No evidence has been adduced of sales of securities on such a scale or of any vast increase in short-term liabilities, and it appears in consequence very doubtful whether our capital position has moved against us in any degree comparable with the addition to our gold reserves.

NOT LIVING ON CAPITAL

On the evidence of gold and capital movements, the contention that over the past six years we have been living upon capital does not appear to be well founded. The matter is of real importance, as we must not lose sight of the fact that any continued worsening of our current international account would call for a restrictive monetary policy.

I have now covered the ground which has to be surveyed in order to compare our experience in the two periods, characterised by radically different monetary arrangements. Everyone must recognise the dangers and difficulties of free monetary management—difficulties which have been greatly increased by the vast movements of funds from country to country for a variety of motives, economic, financial and political. But the fact that mankind is subject to innumerable physical disorders is no reason why medical research should cease or why the individual should not try to keep fit. The argument applies no less to financial than to bodily health. We have had far greater freedom under present conditions in adapting our policy to rapidly changing circumstances. The instruments with which trade can be stimulated or speculation checked are readily available for use. Already a great deal has been learnt about the principles and practice of a free monetary system, and I do not doubt that as fine a technique will be developed under the new system as we ever had when working on the gold standard. (Applause.)

POSITION AND PROGRESS OF THE BANK

In turning to the affairs of our own bank I deeply regret that my first task should be to record the death of two members of the board, Mr Henry Allan and Mr R. A. Murray. Both of these gentlemen came to us from the Clydesdale Bank, of which Mr Allan had been chairman for fourteen years. We mourn the loss of their personal friendship no less than we miss their collaboration in business. Their places on our board have been filled by two other distinguished directors of the Clydesdale Bank, Sir Harold Yarrow, who was appointed to the chairmanship of the Scottish Bank in succession to Mr Allan, and Sir George Mitchell. I take this opportunity to congratulate the Clydesdale Bank on having called to the chair one who has made his mark in business and is already showing a mastery of his new tasks. (Applause.) Our own board has been strengthened by the appointment of Sir John Anderson, who comes to us recommended by outstanding personal qualities

and a varied experience in administration both at home and abroad. He has a great record, culminating in his recent service to the Empire as Governor of Bengal. I am sure you will give him a cordial welcome. (Applause.)

I pass now to the accounts for the year. The profit and loss account shows that the recovery in earning power was maintained with the continuance of monetary expansion and trade improvement. Allowing for income tax and the new national defence contribution, both of which are provided for before the profit is struck, the 1937 net profit of £2,508,000 records an encouraging increase on the year and a restoration approximately to the pre-slump level. The improvement in the quality of our advances has reduced the amount we have had to reserve against possible bad debts.

ALLOCATION OF PROFIT

The profit for the year, added to the balance brought forward, makes the total sum available £3,055,000, and out of this we have already paid £855,000 by way of interim dividend at the rate of 16 per cent. per annum less income tax. We have allocated £300,000, the same amount as a year ago, to reserve for future contingencies, and £400,000, that is £50,000 more than last year, to reduction of bank premises account. The increased appropriation under this head is called for by the expenditure upon premises resulting from the continued growth of our business. In particular, our head office is nearing completion; one of the new wings is already occupied, and work on the other is proceeding rapidly. After these allocations there remains a sum of £1,500,000, out of which we propose to pay a final dividend again at the rate of sixteen per cent. per annum less income tax. In consequence of the recent increase in our capital this requires the larger sum of £909,000, and we are left with an addition of £44,000 to the carry forward, raising it to £591,000.

In the balance sheet the capital paid up and reserve fund show the effect of the recent new issue. As you know, in October last shareholders were given the right to subscribe for one fully-paid share of £1, at a price of £2, for every £20 of paid-up capital held. This offer entailed the issue of roughly 700,000 shares. Following our practice, we also offered new shares at the same price to members of the staff of the bank and its affiliations, in proportion to status and years of service. On this account about 200,000 shares have been issued. The aggregate addition to our paid-up capital is rather more than £900,000, and, the premium of £1 per share having been carried to the reserve fund, an equal addition is made to that item.

In deciding upon this increase of capital we were influenced by the growth of the volume of our business since the last issue, in 1930. Our deposit liabilities have expanded considerably over the period; last year, for example, they rose by nearly £10 millions, bringing the total to a new balance sheet record of £496 millions. It was felt in consequence that the proportion of shareholders' funds to liabilities had become unduly low. The favourable terms of the issue have given both shareholders and staff a participation in the bank's restored profits.

HIGH STANDARD OF LIQUIDITY

The assets side of the balance sheet shows the maintenance of a high standard of liquidity, the "quick" assets covering over 36 per cent. of deposit liabilities. Cash alone is a million higher. Balances with and cheques on other banks happen to be substantially lower, and money at call and short notice shows a decline of £3 millions, part of a much larger reduction in stock exchange loans, which are included under this heading. I mentioned a year ago that these loans are under constant review to ensure that the banking facilities we give are not being used to finance undue speculation. The change in conditions since last spring has removed any anxiety we might then have felt on this ground; Stock Exchange loans have in fact fallen to an unusually low level. On the other hand, borrowing by the money market has shown an increase, presumably to carry a larger volume of bills. Our own bill portfolio has risen by nearly £9 millions on the year, wholly under the heading of discounts as opposed to Treasury Bills. Although rates in the money market are still very low, they give us at least a modest return on funds which for reasons of liquidity we should otherwise have to retain in the unremunerative form of cash.

GROWTH OF ADVANCES

The largest movement on the balance sheet is to be found in advances, which have risen over the year by nearly £19 millions, a more rapid rate of growth than in 1936. Roughly one-half of the demand has been met out of the addition to deposits, and for the rest we have sold investments, which for want of better employment of our funds had risen to an exceptionally large total.

In commenting upon the movement in advances I may mention that the highest figure was reached in June 1929, when they stood at £224 millions. Hence we are now approaching the maximum, though the proportion of advances to deposits, as in all the banks, is lower than it was. Between the two dates there has been a severe fall and a slow recovery. The lowest point was reached in 1934, since when there has been a total increase of £44 millions. Of this amount a large part has been granted to borrowers not directly engaged in industry or trade, for instance the special fixed loans to local authorities, and advances for financial purposes, especially to facilitate permanent investment in real estate and other assets. But the tide has now turned; the demand for short-term industrial and trade advances has shown an appreciable revival during the past year. Our own internal figures give evidence of this revival most clearly in the engineering trades, some branches of the clothing industries, retail trade, entertainments and public services. It is seen also in building, a fact which indicates that the long-expected slackening in building activity as a whole has not yet become serious. Apart from these groups, the increase is widely spread.

The balance sheets and profit and loss accounts of our affiliated banks indicate the maintenance of a healthy condition. Very shortly it will be possible to say that all the four banks in our group have completed a hundred years of life, and happily all four show undiminished vitality. The Belfast Banking Company attained its hundredth anniversary in 1927, the North of Scotland Bank and ourselves in 1936, and now we offer our congratulations to the Clydesdale Bank upon the celebration of its centenary this year. Our remaining affiliation, the Executor and Trustee Company, continues to broaden its branch representation and to increase the volume of its business.

TRIBUTE TO THE STAFF

In considering the future of the bank I am happy to report that the spirit of good will and loyal service which characterises our staff is fully maintained. We have recently revised the application of our salary scale in order to give greater encouragement to younger members and new entrants into the bank's service. We have, moreover, introduced a new scale for women. These changes illustrate the benefits to be obtained, directly by the staff and indirectly by the shareholders, from the contact long since established and increasingly effective between the management and the elected representatives of the staff. Among other good work undertaken by the Staff Association is one purely disinterested service which I take special pleasure in mentioning. This is the collection from the staff of an annual amount running into several thousands of pounds for the purpose of giving financial support to various projects in distressed areas for relieving the ill-effects of long unemployment. It is a task in which all those participating may be proud to have their share. (Applause.)

I conclude my remarks on the position of the bank by observing that, with Mr Hyde's services as managing director, which must be counted among the bank's most valuable assets not enumerated in the balance sheet—though I regret deeply to say that indisposition has prevented him from being present among us today—and with our present team of general managers, ably supported by assistants who are constantly gaining in knowledge and experience, the prosperity of the bank is assured, as far as it is governed by factors within our control.

THE BUSINESS OUTLOOK

But what of the factors beyond our control? When we look to the future I see no ground for pessimism. We must not, it is true, under-rate the importance of American developments in their effect on other parts of the world. If the recent shrinkage in American business should for any reason persist, then it seems likely that the slow but substantial growth of world trade, which had been gathering strength until the middle of last year, may be definitely arrested. With a decline in total trade it becomes all the more important that we should neglect no opportunity of expanding our exports, whatever other pressure may be put upon our productive capacity. The special re-armament demand is temporary only; the maintenance of our export trade is a permanent necessity. (Hear, hear.)

Against the ill-effects of a possible recession in international trade must be set the fact that we are favoured by far healthier basic conditions than existed prior to the last slump. Our industry is financially and technically stronger. In addition, world markets are not generally overburdened by vast stocks of materials, and producers are better organised to adjust their output to demand. While, therefore, I do not minimise the importance of American influence on us, I think it would be wrong to deduce from recent commodity and Stock Exchange movements that we are necessarily on a lasting

downward curve. The clearing out of a speculative position, although accompanied by a severe fall in prices, is not in the long run bad for trade. Indeed, there are signs already that the depressing effect here of the American closing down of purchases of capital goods has spent its force, and that the underlying factors making for wider industrial activity are again coming into play. The great business of this country will still go on. (Applause.)

The Chairman then moved the adoption of the report and the audited statement of accounts.

This was seconded by Mr W. G. Bradshaw, C.B.E. (deputy-chairman), and carried.

A motion declaring payable a dividend at the rate of 16 per cent. per annum for the half-year to December 31st last was seconded by Mr Stanley Christopherson (deputy-chairman) and carried.

The Right Hon. Reginald McKenna and Mr Alexander Hall Wilson were re-elected as directors.

On the motion of Sir Ernest Bain, K.B.E., seconded by Sir William Nicholson, the auditors, Messrs Whinney, Smith and Whinney, were re-appointed.

VOTE OF THANKS TO DIRECTORS

Colonel G. Leathart Rae, D.S.O., in proposing that the thanks of the meeting be presented to the chairman and board of directors for their careful attention to the interests of the bank, said in part:—There is no doubt that the bonus issue granted a few months ago was a very satisfactory and pleasing thing for the shareholders. I wonder how many shareholders of this bank, especially those who come to these meetings regularly, realise what they owe to Mr McKenna for their instruction in what might be called modern financial methods. A great many years ago, it seems to me now, Mr McKenna used to talk about managed currency before anybody else seemed to know what it was all about.

I am confident that when the financial history of this very difficult time comes to be written shareholders of the Midland Bank will be very proud to find the position that Mr McKenna will occupy in that history. I would like to say something about the directors' work. The best testimonial I can give them is to draw your attention to the figure in the balance sheet. With such a chairman and board of directors I have no doubt that we shareholders of the Midland Bank have no cause whatsoever to be uneasy even in difficult times. (Applause.)

HON. ROWLAND BLADES' REMARKS

This resolution was seconded as follows by the Hon. Rowland R. Blades:—You have all had ample opportunity of judging for yourselves the great benefit we derive from the services of our chairman and the board of directors. It is a remarkable fact, as recorded in the notable speech to which we have just listened, that despite all the difficulties of the time, the net earnings of the bank have been restored practically to their pre-slump level. This very gratifying result must be due in no small degree to the assiduous attention to the interests of the bank which the chairman and all his colleagues on the board bring to their duties. May I say how much my father regrets his inability to be present at a meeting he has so seldom missed. He would have referred to the fact that very shortly Mr McKenna will "come of age" as a director of the bank, for it was in April, 1917, that he joined the board, and it is among the heaviest of the debts we owe to the late Sir Edward Holden that he should have shown such wisdom and foresight in selecting Mr McKenna to succeed him in the chair. (Applause.)

The resolution was then submitted to the meeting and carried.

SIR ALBERT STERN'S TRIBUTE TO STAFF

Lieut.-Colonel Sir Albert G. Stern, K.B.E., C.M.G. (director), in moving "That the thanks of the meeting be presented to the managing director, general managers, branch managers and all other officers of the bank for their continued devotion to their duties," said:—It is most pleasing for me to have the privilege of proposing this resolution. It gives a member of the board the opportunity of expressing appreciation of the tireless energy and devotion of all the officers of the bank. The success of the year's work is due in a large measure to those covered by this vote of thanks. Mr Hyde, our managing director, has steered the bank through another year with conspicuous success. He commands universal admiration, affection and respect. Behind his charm of manner, there subsists a remarkable constellation of qualities, gifts which have enabled him to attain the highest distinction in the field of banking. We offer him our grateful thanks for the valuable services he has rendered. (Hear, hear.)

Our institution, with its 2,000 branches and staff of some 13,000, cannot carry on its work successfully without a highly efficient

administration. In Mr Astbury, Mr Jackson and our other general managers, we have such an organisation, working in complete harmony with our managing director, devoting themselves without stint to their duties at the bank. The head office consists of many other departments whose chiefs render valuable services. The branch managers who deal directly with the public fill very responsible posts and hold the reputation and good name of the bank in their hands. To deal with a continuous stream of clients in search of sound advice, they must have experience, patience, tact and intelligence. To these and all other officers of the bank, we tender our warmest thanks. (Applause.)

Sir Harold Yarrow, Bt., C.B.E. (director), seconded the resolution, which was carried with acclamation.

MR ASTBURY'S RESPONSE

In the absence through indisposition of Mr Frederick Hyde (managing director), Mr H. A. Astbury (joint general manager) said in response:—In the very regrettable, but unavoidable, absence of our esteemed managing director, Mr Hyde, who is recovering from a short illness, I am deeply conscious of the privilege which falls to me to acknowledge the enthusiastic reception which has just been accorded to this vote of thanks, so charmingly submitted by Sir Albert Stern and supported by Sir Harold Yarrow. On behalf of every member of the staff, I wish, with very real sincerity, to thank our directors and shareholders for their generous appreciation of the services we have rendered during the past year. This resolution, with the encouraging remarks of the proposer, will be duly communicated to our staff and I can assure you, ladies and gentlemen, that it will give them the greatest satisfaction and, further, it will stimulate us all to go forward with renewed enthusiasm and fill us with determination to maintain and increase the high esteem in which the Midland Bank is held both at home and abroad.

In conclusion, I would like to take this opportunity to thank our board for allowing the staff to participate in the recent new issue of the bank's capital, which is yet another practical expression of the sympathetic consideration the staff is constantly receiving from our directors, for which we are profoundly grateful. (Applause.)

Mr James Fairbairn proposed and Mr H. O. Serpell seconded a vote of thanks to the chairman for presiding, and this was carried unanimously.

The proceedings then terminated.

F. W. WOOLWORTH AND COMPANY, LIMITED

PROFIT RECORD

The twenty-ninth annual general meeting of this company was held, on the 21st instant, in London.

Mr W. L. Stephenson (chairman) presiding, said: As anticipated a year ago, the prices generally hardened during last year, but the company followed a policy of liberal merchandising and continued to offer a greater variety of intrinsically sound values to its customers, all within the price limit of 6d. The wisdom of this policy is indicated by the result of the year's trading before you.

In a year of considerable difficulty as regards price and supplies, operating on a reduced ratio of profit and an increased ratio of expense, the company participated in the improved trade of the country to such good purpose as to enjoy sales of sufficient magnitude to more than offset the adverse factors just mentioned.

A moderate proportion of the increase in the company's turnover can be ascribed to new business, since there was a certain amount of expansion during the year. Thirty-four new branches were opened, four old stores were completely replaced by new and improved buildings on new sites, and forty of the old stores underwent alterations to provide extension of selling space. The year closed with 711 stores in operation.

The major part of the increase in turnover arose out of the improvement in the general trade conditions in the country, and it is particularly pleasing to note that the industrial centres showed the most marked recovery.

The profit shown is a new high record for the company, amounting to £6,490,013 13s. 4d., after charging all expenses and depreciation, but before tax deduction. This is an increase over the previous year of £657,571 7s. 2d.

The final dividend recommended is to pay 1s. 9d. per share, less income tax, on 30,000,000 ordinary shares of 5s. each, which will take £1,968,750, plus a cash bonus of 6d. per share, less income tax, which requires £562,500. This, together with the interim of 9d. per share already paid, gives 3s. per ordinary share, less tax. These recommendations, if accepted by you, will require a total sum of £2,731,250, leaving a balance to carry forward of £4,500,925 which is an increase of £992,947.

The report and accounts were unanimously adopted.

WESTMINSTER BANK LIMITED

FUNDAMENTAL STRENGTH OF BRITISH INDUSTRY

STEADY PROGRESS AND THEN A SLIGHT SETBACK

UNWARRANTED FEARS FOR THE FUTURE

BANK'S LARGEST PROFIT SINCE 1930

A 2% BONUS FOR SHAREHOLDERS

HON. RUPERT E. BECKETT'S REVIEW OF PAST YEAR'S ACTIVITIES

The annual general meeting of the Westminster Bank, Limited, was held, on the 26th instant, at the Head Office of the Bank, 41 Lothbury, London, E.C.2.

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, the directors' report, the balance sheet and the profit and loss account were taken as read.

The Chairman said:—My lords, ladies and gentlemen, I have to record that since we last met in general meeting the bank has lost the services as a director of Sir Gervase Beckett, who died in August last. To me his passing is naturally of personal significance: to the bank he brought the tradition and experience gained during many years of private banking, and as president of the Westminster Bank Art Club he was able to further amongst the members the enthusiasm they shared with him for art and all that it implies.

In April last Lord Dudley joined the board. His position and influence in the neighbourhood of Birmingham, where he is this year the President of the Chamber of Commerce, should prove a great help to the Westminster Bank, which, compared with other banks, was rather a late-comer to that part of the country. Two months later Lord Runciman rejoined us on the conclusion of his tenure of office as President of the Board of Trade. We welcome him back to the bank, of which he had previously been a director from 1924 until 1931, when he entered the National Government.

BALANCE SHEET

The balance sheet figures for the past year are before you, and you will see that at December 31st last the current, deposit and other accounts showed an increase of close upon £1 million. This is not a very striking figure, but the averages throughout the year are more illuminating. During the past year the weekly average deposits of the eleven clearing banks have been £71 millions in excess of those of 1936, which in turn exceeded those of 1935 by some £140 millions. Of the £71 millions increase in 1937, the Westminster Bank average accounted for £22 millions. Inasmuch as the average figures, and not those on the balance sheet date, form the basis of the bank's earning power, I think we may regard with satisfaction the course of the year's trading. For some years past I have noted the fact that the broadening of the credit base and consequent increase in bank deposits was not accompanied by a corresponding demand for advances. It was therefore feasible to employ our augmented funds only for the purchase of investments or in the short-term market. The past year, however, has seen a substantial alteration in this respect, and our advances to customers and other accounts show a welcome increase during the year of something in excess of £11 millions. Almost the whole of this has been provided out of our short-term money, and the higher rate of interest thereby obtained has naturally improved the bank's earning capacity. In the other items of the balance sheet there has been little change to record—certainly nothing to which I need direct your attention.

Some of you may have noticed the rebuilding on the site at the junction of Old Broad Street and Threadneedle Street, now nearing completion. This will house the headquarters of our trustee and executor department, which organisation has for some years past badly needed increased accommodation.

PROFIT AND LOSS ACCOUNT

The profit for the year, at £1,750,589, is, you will be pleased to hear, the best declaration since 1930. After payment of the usual dividends, we have made an allocation to bank premises account of £200,000, as in 1936. Nothing was provided for this purpose in 1935, but in each of the three preceding years £100,000 was so

appropriated. The cumulative net effect of our transfers to this account over a period of years is to enable us to carry this item in our balance sheet at a figure little in excess of £5 millions.

You will notice that our allocation to officers' pension fund is £300,000—an increase of £100,000 over the corresponding figure for last year. This increase has been rendered desirable by facts brought out in the course of an actuarial revaluation of the fund. The report which accompanies it directs attention to the increase in the numbers of the staff; the lower average age of normal retirement; the higher average of the salaries emerging for pension purposes; the increased longevity of pensioners; and the difficulty of earning actuarially presumed rates of interest upon accumulating funds. These factors are common to all pension funds, and shareholders must look for the recurrence of appropriations for the increased amount for some long time to come.

With these results before them the directors have felt justified, without serious depletion of the carry-forward figure, in declaring on the partly-paid shares a bonus of 2 per cent. I wish to emphasise that this is a bonus, as its name implies, and not a restoration of the dividend to the 20 per cent. which was paid on these shares for some years before 1931.

OUR ASSOCIATED INSTITUTIONS

The results of the Ulster Bank appear on a separate print, and it is gratifying to be able to report that the bank continues its steady progress with profits last year slightly above those for 1936. Westminster Foreign Bank continues to trade satisfactorily and at a profit. Naturally, it still maintains a position of more than normal liquidity.

THE ECONOMIC SITUATION

It is more than usually difficult at the present time to define the exact stage in economic progress which we have reached in this country, and to attempt to forecast the future course of events would be futile, in view of the many imponderable factors, and of the rapidity with which changes come about in the modern world. Nevertheless, a study of the available data relating to the many spheres of activity does yield sufficient information on which to base a reasoned judgment. The history of 1937 was one of continued progress during the greater part of the year, succeeded by a slight but perceptible pause in the closing months. The peak of our progress was reached in the early autumn, up to which time almost all the generally accepted business indices had a favourable trend, reaching the highest points achieved since the depression, and in some cases the highest ever recorded.

Industrial production, as measured by the Board of Trade, continued to increase, being on the average 8 per cent. greater than in 1936, and it was particularly satisfactory that almost every branch of industry included in the calculation of this index shared in the expansion. Our overseas trade moved up steadily each month as compared with the corresponding month of the previous year, the year's imports showing a rise in value of 21 per cent. and exports one of 18 per cent. The relative expansion of the two sides of our overseas trade has, however, been obscured by the rise of prices, the import figures having been more strongly influenced in this respect than the export. It is an interesting point, not commonly appreciated, that whilst our imports increased in volume by 6 per cent. in the first nine months of last year (the twelve months' figures not yet being available), our exports were as much as 12 per cent. larger.

IMPROVED EMPLOYMENT POSITION

The employment situation continued to improve over most of the year, the decline in the number of unemployed from January to September exceeding 280,000, whilst every month until August saw

a fresh record created in the total number of persons in employment. The figures for the last three months showed a reversal of this favourable movement, but nevertheless, the final statistics for the year, with a total of 11,437,000 in employment, remained some 200,000 above the comparable figure for 1936. Railway traffics, which benefited only in the last three months by the 5 per cent. increase in passenger fares and freight rates, registered an advance in gross receipts for the year of £7 millions, or 4½ per cent. Retail trade, though showing some regional variation, was on the whole substantially larger, and industrial profits had a rising trend.

The experiences of the main industries of the country were varied. In agriculture, weather conditions were not very favourable, and nearly all crops were smaller than in 1936. Farmers were compensated to some extent, however, by the improved prices realised for their produce. The operation of the various marketing schemes was an important factor in helping to stabilise prices, but farmers were faced with the problem of meeting increased costs of both labour and feeding-stuffs, the latter having risen by some 30 per cent. in a period of eighteen months. There was a slight reduction, last year, in the number of men regularly employed on farms.

PROGRESS OF HEAVY INDUSTRY

It was in the heavy industries, and especially iron and steel, that progress achieved its greatest momentum. The total of pig-iron production, at 8½ million tons, was a record for post-war years, but it was nevertheless insufficient to meet in full the requirements of the steel industry, and purchases of pig-iron and scrap from abroad were necessary to make good the deficiency. The output of steel, at nearly 13 million tons, was the largest ever recorded, and showed an advance over the previous year of more than 1 million tons, about a third of which was absorbed in increased exports and the remainder used in the home market. The return of prosperity to the iron and steel industry has enabled it to overtake arrears of maintenance, to effect improvements, and to make large extensions.

The coal industry also continued its forward movement, the output rising by 5½ per cent., from 228½ million tons in 1936 to a total estimated at 241½ million tons in 1937. This improvement in output follows one of 3 per cent. in the previous year, and the continued expansion is remarkable in view of the extraordinary economies in the use of coal that have been effected by all classes of consumers. Exports of coal rose by 6 million tons last year, to 40½ million tons, the highest figure attained since 1931. The engineering trade was very busy, many sections working uninterruptedly at high pressure, and the reserve of work carried over into the new year ensured a further period of good activity.

SHIPBUILDING

Shipbuilding benefited considerably by the receipt of a large volume of mercantile orders early in the year, but later high costs tended to slow down the placing of contracts. Good orders in respect of the naval programme were given out during the year, and made a welcome addition to the work in hand, but still only two-thirds of the industry's total available berths were occupied at the close of the year. With the continuance of internal co-operation in the shipping industry, owners experienced a satisfactory year. Freight markets varied in activity month by month, but rates averaged about 50 per cent. higher than in 1936.

Both the cotton and the wool textile industries opened the year encouragingly, but did not maintain their early promise. Raw cotton prices had a rising trend in the opening months, and sales were then satisfactory, but reaction set in and business became dull and difficult, the export trade being seriously affected by the disturbed international situation. Further steps in the internal reorganisation of the industry were taken during the year. The wool industry was exceptionally busy for a time, with values rising rapidly, but buyers operated much more cautiously in the second half of the year, and business was more subdued.

THE RECENT RECESSION IN BUSINESS ACTIVITY

The recession in business activity in the closing months of last year, in conjunction with a similar but more severe experience in the United States, has occasioned fears that the process of recovery which had gone on without serious interruption in this country for almost exactly five years is coming to an end. On every hand the question is heard "Are we heading for a slump?" The doubts that give rise to this question have already caused some impairment of that confidence which is the essence of business prosperity. It is important, therefore, in order to dispel unwarranted fears, that it

should receive an answer, based on an examination of the available facts.

A feeling of uncertainty received its first apparent justification in the autumn in the publication of unemployment returns whose sharp increase came as a severe shock even to those who had foreseen some deterioration. The existence of a setback to our previously unchecked progress was confirmed by other statistical data which, after making due allowance for seasonal influences, were almost uniformly less favourable in the closing months of the year. That our recovery could continue indefinitely, without intermission, was not to be expected, and the movement recently perceptible is at present only a slowing-down of activity, liable to attract exaggerated attention when it succeeds a long period of unbroken progress.

BRITAIN'S STEADY RECOVERY

The steadiness of our recovery from the depression suggests that it is of a permanent and long-term character, much more likely to endure because of its gradual growth. The freeing of the pound sterling, and the adoption of a moderate tariff policy, have been major factors in our rehabilitation, but the growth of our trade has been mainly on natural lines, and the success achieved so far has been without recourse to extreme expedients such as those being tried out in other countries.

In no field of activity is sentiment more quickly translated into terms of prices than in the stock markets, and unfortunately movements of stocks and shares receive an altogether undue prominence in spheres where they have only a limited relevance. It is not always realised that stock and share prices indicate the market's assessment not of current or future business activity but of future profits, which, particularly at a time of rising costs, may be a very different thing. For this reason, a stock exchange decline is frequently given an unnecessarily pessimistic interpretation, and causes a restriction of enterprise in the commercial and industrial spheres.

CAUSE OF DECLINE IN CONFIDENCE

The decline of confidence, which made its first appearance in this country in the stock and commodity markets, owed its origin in a large measure to a similar development in the United States. Tariff systems have attained a very high degree of scientific development, but none has yet been evolved which is capable of preventing the infiltration of pessimism from one country to another. And sentiment throughout the mercantile world is affected more by developments in the United States than by those in any other country. It is obvious how tremendous an influence must be wielded by a nation of nearly 140 million people, which is at once the world's largest consumer of many commodities and the largest producer of many others. This is strikingly illustrated by the decline of commodity prices in recent months, which has been due largely, and in some cases almost entirely, to a cessation of American buying.

In America, business activity has suffered a much sharper and more severe recession than that seen in this country, and although there are certain superficial similarities in our situations, there are fundamental differences of great importance. Many factors have played their part in bringing about the change in American sentiment, from the optimism prevailing in the early part of the year to the apprehension that has so seriously restricted business enterprise in the past few months. A troubled political atmosphere, in which the administration and the legislature have not always appeared to be in complete harmony; an apparent indecision in Government policy; antagonism between the Government and "big business"; serious labour disturbances; an unbalanced budget, despite heavy taxation, which was not universally regarded as satisfying the canon of equity: all these were factors tending to undermine confidence.

Even for a country accustomed to sharp fluctuations, the present recession has come upon America with exceptional suddenness, for industrial output and trade activity had been greater in the first half of last year than in any similar period since 1929. The recovery, however, was over-dependent upon the stimulation afforded by Government expenditure on public works. When, through a change of policy, directing such expenditure towards the consumption goods industries, this stimulant to the capital goods industries was withdrawn, there ensued a sharp decline of activity. This decline was accentuated when Government retrenchment was followed by the abandonment by many business concerns of programmes for expansion. A collapse of the commodity markets, following on abnormal activity and inordinate rises in the spring, was another symptom of the complete change of sentiment.

MORE ENCOURAGING NEWS FROM AMERICA

Fortunately, recent news from the United States has been more encouraging, and the view is gaining ground that the next few months will see a resumption there of the recovery movement. More

important than any other single factor will be the relations between the American Government and business interests, and it is upon the resolving of their differences, and the growth of a spirit of co-operation between them, that the future prospects, not only of America, but of the whole world, largely depend.

It is natural to find the influence of economic variations in America most strongly marked in our own country, and in the sensitive security and commodity markets. It should be remarked, however, that although price movements in London and New York tend to run on parallel lines, the movement in London is usually within narrower limits. According to precedent, therefore, the present reaction should have no more than a partial reflection in our markets. Last year, except in the first two months, security prices in the two countries rose and fell with almost complete sympathy month by month, finishing the year with a steep decline from August onwards. Wholesale prices rose in the spring, moved within narrow limits in the summer, and fell away in the autumn. British markets, however, showed the greater resistance, wholesale prices finishing the year about 6 per cent. up, compared with a 4 per cent. fall in American prices, and prices of ordinary shares declining by about 15 per cent. here, as against about 35 per cent. in America.

INHERENT STRENGTH OF BRITISH ECONOMY

If American adverse influence is so powerful, much depends on the measure of resistance that can be opposed to it, and this in turn depends largely on the inherent strength of the established economy of this country. In this respect we are fortunately well placed. With each year of growth, recovery has taken a firmer hold, sending its roots deeper and wider. The improvement achieved during the past five years in every sphere of activity has been truly remarkable. The best measure of this is the official index of industrial production, which, based on 1929, has risen from an average of 83.5 in 1932 to one of 123.5 for the first three quarters of 1937. In other words, the volume of production has increased in this short period by nearly 50 per cent.; equally striking is the improvement of nearly 25 per cent. over the previous peak of 1929. This expanded production has naturally called for a larger army of workers, and industry has absorbed two million additional workpeople since 1932, the total having risen from an average of 9.4 millions in that year to one of 11.4 millions for the first nine months of 1937.

Our overseas trade, though still greatly handicapped on the export side by world-wide restrictions, has been on the up grade, and is now about 43 per cent. higher in value and about 17 cent. larger in volume than in 1932. Numerous other statistical data could be adduced in illustration of the very substantial progress made over these years. Only in the closing months of last year did signs of halting become apparent.

THE RE-ARMAMENT PROGRAMME

Fundamentally, British industry is still in robust strength, which has been attained largely without adventitious aids. Re-armament comes under the last heading, and it has been urged in some quarters that our present trade prosperity is due to this factor. This argument is not tenable, however, for two reasons: first, that a good measure of prosperity was established before the re-armament programme was embarked upon; and second, that the increased expenditure, though large in actual amount, represents but a fraction of the total output of industry. In the first eighteen months of re-armament expenditure, industrial production expanded at an average rate of 9 per cent. per annum, compared with an average rate of expansion in the previous three years of 7 per cent.

According to official statements, the supplementary expenditure on defence is at the rate of some £150 millions per annum. Although the work afforded by this expenditure forms a welcome addition to that already in hand, it is small when viewed in relation to the gross output of British industry, which, on the basis of official figures, amounted last year to between £3,500 millions and £4,000 millions. From these figures it would appear that for every twenty-four persons already in employment, the re-armament programme has so far provided work for an extra one.

Employment arising from re-armament is likely to continue, possibly on an increasing scale, for some long time ahead, and the big developments undertaken by the railways and other large employers of labour, in addition to their normal programmes, will assist in the same direction. Another factor making for stability is the relatively large purchasing power of the wage-earning section of the community. The marked rise in recent years in the numbers employed in industry has meant a considerably enhanced aggregate buying capacity, which remains largely intact in spite of the recent diminution in these numbers.

IMPROVED STANDARD OF LIVING

Moreover, participation in the enhanced prosperity of the past few years has not been confined to the wage-earning classes; the standard of living of the community as a whole has steadily improved. A very broad indication of this development is afforded in the returns of our overseas trade, which show that imports of food, drink, and tobacco rose from £355 millions in 1935 to £382 millions in 1936, and to £432 millions last year. To some extent, the increase in value of these imports has been due to higher prices, but, as I have already indicated, there has been an appreciable expansion in volume also. Imports of raw materials and of manufactured articles have undergone a still greater relative expansion, a considerable part of which must be the outcome of an enhanced standard of living, for the man with more money to spend does not limit his extra purchases to foodstuffs but uses his margin for additional expenditures in other spheres.

Another factor which has contributed in an important degree to the enlargement of our imports has been the demand arising out of armament needs. In the ordinary course, imports of raw materials are followed by exports of a proportion of the manufactured goods into which they are fashioned, thus helping to rectify the balance between the two sides of our trade. But imports for armament purposes do not give rise to such compensating exports.

A WELCOME DEVELOPMENT

From a social point of view, the improvement in the common welfare of the people is a development to be welcomed, and from the viewpoint of national safety re-armament is a necessity which we have been forced to adopt. Yet both, desirable or unavoidable in themselves, have far-reaching implications in the economic sphere. Our imports last year cost £181 millions more than in 1936, and the increase of £95 millions in our exports, satisfactory though it was, was sufficient to pay for little more than a half of the additional imports. The gap between imports and exports has thus widened by £86 millions. In 1936, when our receipts from "invisible" exports had been taken into account, our trade balance was estimated by the Board of Trade to be £19 millions on the wrong side. For last year, we have to find a further £86 millions, and although shipping, banking and insurance receipts, and income from overseas investments, will undoubtedly show improvement, the final figure will be on the debit side again and substantially higher than that for 1936.

In view of the obstacles encountered in many foreign countries, with two leading nations committed to closed economies, from which all but the most essential imports are rigidly excluded, and with armed conflicts proceeding in Europe and Asia, it is remarkable that so much progress, or indeed any progress at all, has been made by our export trade. Nevertheless, failure to pay for our imports for two years in succession emphasises anew that intensified efforts must be put forth still further to expand our overseas markets.

For many years now, the proportion of our total production absorbed by exports has been declining. To some extent, this is an inevitable process in the country which was first in the manufacturing field and has since taught the world to produce for itself, but it is one whose pace can and must be minimised. Our home market to-day is flourishing, but if it is prospering, even to a limited extent, at the expense of export trade, this is a price we can ill afford to pay. Our essential dependence upon imports for so large a part of our food and raw materials makes the further development of export trade an inescapable obligation, and the combined energies of government, manufacturer, merchant, and banker must be devoted to this end. British industry has been enabled through the years of prosperity to readjust its organisation and enhance its efficiency, but to widen its scope it will have to look increasingly abroad.

FAVOURABLE EXPORT TRADE OUTLOOK

The immediate outlook for export trade continues to be favourable within the limits still imposed by outside influences. Prices of primary products, though finishing the year below the highest points touched, were on the average substantially above those ruling in 1936. Primary producing countries have thus shared in the further recovery of the past year, and with their enhanced incomes, the prospects favour an expanding demand for manufactured goods, in the satisfaction of which we should participate.

In recent years, economic progress has everywhere been overshadowed by political developments, as has been forcibly brought home to us on more than one occasion during the past twelve months. We owe a debt of gratitude to those in charge of our destinies, who so far have preserved this country from active embroilment in the lamentable events that we see around us. It is the heartfelt wish of

every one of us that they may meet with continued success in the hard task to which they are devoting their energies.

I have put forward a plea for sober judgment of our economic position, and have endeavoured to show that to take alarm at this juncture is harmful and unwarranted. Our pace has slackened, but our reserve of strength and our stamina should sustain us through the present vicissitudes and enable us fully to play our part whatever the future may have in store for us. (Applause.)

The Chairman then moved the adoption of the report and accounts, and Sir Malcolm Hogg, deputy chairman, seconded the resolution, which was carried.

After brief comments by shareholders, the retiring directors were then re-elected and the auditors were reappointed for the year 1938. To a vote of thanks to the staff for their admirable work during the past year the chief general manager, Mr Charles Liddbury, responded, and a vote of thanks to the chairman terminated the proceedings.

GENERAL CONSOLIDATED INVESTMENT TRUST, LIMITED

GROUND FOR OPTIMISM

The forty-second ordinary general meeting of the General Consolidated Investment Trust, Limited, was held, on the 25th instant, at Winchester House, Old Broad Street, London.

Mr R. B. H. Otley, the chairman, who presided, said that the year 1937 had been a perplexing one. Indeed, they were entitled, he thought, to congratulate themselves upon the fact that the company's earnings had in each of the past three years shown a steady increase over the previous one. While, however, their revenue position was excellent, they had suffered to some extent in the matter of the valuation of their holdings, which, instead of showing the substantial appreciation of a year ago, now showed a depreciation of 4.82 per cent. That was more than covered by the reserve and revenue account balances, but prudence demanded that they must conserve their resources, and that was why, although 11½ per cent. on the ordinary stock had been earned, the board were restricting the distribution of a final dividend to 5 per cent., making, with the interim dividend already paid, 7 per cent. for the year.

In tracing what seemed to him to have been the origin of the malaise that had so long affected the London markets, he would say that to attribute the responsibility for market fluctuations to City sentiment alone was inequitable. Markets were greatly influenced by forces outside the Stock Exchange, which, however, remained the only place where such changes of sentiment were registered and the City's reaction to such changes of sentiment were "infectious" inasmuch as they spread to markets essentially unaffected by the issue at stake, and "far-reaching" by reason of the unduly large amount of stock held at certain times for speculative and not investment purposes. With the experiences of the slump of 1931, City sentiment was on the watch for "a cloud as big as a man's hand." It was not to be observed in British industry, but the boiling over of commodity prices, Franklin Roosevelt's pronouncement that the price of durables was too high, and, finally, what was referred to as the gold scare, had created the conditions precedent to a first-class market depression.

He, however, would venture to express the belief that many observers laid too great a stress upon an anticipated all-round recession in British industries, but in that relation he had to confess that his views were the views of an optimist who had great confidence in British industry as a whole. The board had to follow the fortunes of a large number of companies and could not help being struck not only by the favourable results shown by British industry in the past year's working, but by the encouraging prospects for 1938. Were they not entitled to point to the figures of the country's export trade, which had amounted to no less than £596,761,000, as against £501,374,000 in 1936 and £481,137,000 in 1935, and that at a time when almost all the civilised world would appear to be at sixes and sevens and international commerce was still fettered by currency restrictions, tariffs, quotas, etc. He believed that examples could be multiplied to show that the calls upon production were by no means at saturation point, and that there did not appear to be any reason to contemplate any violent downward fluctuations in the industrial barometer in the United Kingdom at the present time, in regard to volume, at any rate. A trade agreement with the United States, if carried into effect with the goodwill of the Dominions and Colonies, must have a powerful effect for good. On the whole, he was inclined, as he had said, to take the optimistic view.

So far as their own company's prospects were concerned, they had made a good beginning to the current year, and signs were not wanting that their revenue might be at least as satisfactory in 1938 as in 1937.

The report and accounts were unanimously adopted.

THE NATIONAL BANK LIMITED

A SATISFACTORY HALF-YEAR

The annual general meeting of the National Bank, Limited, was held at 13 Old Broad Street, London, E.C., on the 27th instant.

Mr M. J. Cooke, the chairman, said that it was proposed to pay the usual dividend at the rate of 12 per cent. per annum, less income tax, to transfer £10,000 to reserve, which would then stand at £1,140,000, to reduce bank premises by a further £10,000 and to carry forward £38,813 8s. Full provision had been made for all bad and doubtful debts.

The foregoing figures gave evidence of the sound and liquid position of the bank, but remarked that with the very low rates prevailing in the money market it was not easy to employ funds as profitably as could be wished, and he was confident that the shareholders would approve of the continuance of the bank's prudent policy of liquidity.

ENCOURAGING FEATURES

Among the most encouraging features of the moment were the conversations between Great Britain and Eire and those between Great Britain and the U.S.A. Though it was premature to forecast what might be the ultimate results, the indications were more favourable towards trade agreements than they had been for some time, and all should wish for their success. A better understanding between nations would always lead to more favourable trade relations. At the previous annual meeting the outlook for 1937 had been considered promising, although details of the picture might be changing. Industrial activity was still well above the 1930 level and, though some trades, in particular building, had declined during 1937, others, such as coal, steel, rayon and electricity had very definitely improved. The five years' re-armament programme was having a good effect upon trade in general. Wholesale prices were well above last year's level.

The changes on the Stock Exchange in the last few months were the result of external influences. The difficulties in America with regard to the New Deal had been reflected in the highly nervous state of the New York Stock Exchange which had immediate repercussions in London. The tripartite agreement of September, 1936, had not been so efficacious as was hoped in sustaining the franc. The wars raging in Spain and China had played their part in disturbing the markets and upsetting normal conditions of trade. Though non-intervention had prevented the spread of the Spanish conflict to other countries, war was always a disorganising influence on trade. The very fact that such influences had so markedly affected internal conditions brought home the truth that the different countries of the world were interdependent in their economic interests.

TRADE RESTRICTIONS

The presence of restrictions on international trade, such as quotas, exchange controls, high tariffs and the like, inevitably hindered the free movement of goods and trading nations, both great or small, only prospered by the sale of goods and services. Intense economic nationalism which rejected the advantages of exchange, also adversely affected international trade. History showed that technical inventions and consequent increases in productivity provided necessities at least to increasing populations through more extended world trade. Trade pacts, wherever completed, had always had good results. Great attention should therefore be given to the balance of trade and to the balance of payments. It was natural that the prevailing note should be one of caution, but there was no justification for anticipating a slump, and the necessary confidence as regards the future should arise from the observation of current trends in the country.

With regard to Ireland, with which the bank was so vitally associated, the chairman mentioned that the Commission of Inquiry into Currency, Banking, Credit, etc., of which he was a member, had the assistance of several well-known economists both from Eire and outside. It would complete its Report within a very short period. As the terms of reference indicated, the Report would be based on a comprehensive survey of the economic background of Eire, and on that account would command great interest and attention. The improvement in trade and industrial conditions in Northern Ireland which had been reported in 1936 had been maintained in 1937. The unemployment problem still necessitated attention.

In concluding his remarks, the chairman expressed the appreciation of the board of the excellent work done by the staff, who, as usual, had given willing and valuable services to the bank, and had carried out their duties in a most efficient manner.

The report and statement of accounts were unanimously adopted and the retiring directors and auditors were re-elected.

NATIONAL PROVINCIAL BANK, LIMITED

MARKED INCREASE IN TURNOVER

DIVIDEND MAINTAINED AT 15 PER CENT.

GREAT BRITAIN'S HIGH ECONOMIC PRESTIGE

CONFIDENCE IN THE OUTLOOK

URGENT NEED FOR LARGER FOREIGN TRADE

MR COLIN F. CAMPBELL'S SURVEY

The annual general meeting of the shareholders of the National Provincial Bank Limited was held at the head office, 15 Bishopsgate, London, E.C., on Thursday, the 27th day of January, 1938, 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,—The report and accounts have already been in your hands for some days so I will with your permission take them as read. Since we last met a year ago only one change has taken place on the board which requires the confirmation of the shareholders, and this is the appointment of Viscount Wolmer, P.C., M.P. Lord Wolmer has considerable business experience and I have no doubt that you will heartily approve of this appointment.

Two other changes which affect our procedure have, however, taken place. Mr Alexander Johnston expressed a wish in February to be relieved of the special duties which fall on a deputy chairman, and Sir Alfred Lewis has expressed a similar wish. I am glad to say these gentlemen retain their seats on the board, and I would like to take this opportunity of thanking them for the valuable and consistent support they always gave to me as chairman and to assure them that they have well earned the further degree of leisure which has now fallen to them.

To fill the vacancies which have thus arisen, the board has elected Captain Eric Smith and the Hon. Jasper Ridley, both of whom have a thorough knowledge of banking affairs and procedure.

Before passing to the general affairs of the bank, I should like to mention the honour that has been conferred on two members of the board since we met a year ago. Mr Denison-Pender received a peerage in July, so that we now know him as Lord Pender of Porthcurnow, and Sir Percival Perry received a peerage this month in the New Year honours. We warmly congratulate our two colleagues on the distinction which has been conferred upon them.

PROPOSED SPLITTING OF SHARES

After this meeting is over, we have called an extraordinary general meeting for the purpose of passing certain resolutions for splitting the shares of the bank. Possibly some shareholders may not wish or have time to stay for this further meeting; so I will refer to the matter now.

A sub-division of the shares of the bank took place in August, 1919, as it was thought at that time that they were rather unwieldy and consequently not a convenient denomination for investors. Since that time sentiment in the City has moved still further in the direction of shares of smaller values, so that the directors are of the opinion that a further sub-division would now be beneficial to the shareholders and more attractive to the public. Incidentally, a share of lesser denomination broadens the basis of the shareholders and, as far as the partly-paid shares are concerned, affords additional security to the depositor in the fact that the uncalled liability will be spread over a much larger proprietary.

COMPOSITION OF THE CAPITAL

There are now three classes of shares.

The authorised capital consists of:—

120,000 shares of £25 each,
2,400,000 shares of £20 each, and
1,800,000 shares of £5 each,

of which have been issued

120,000 shares of £25 each, £3 10s. paid,
1,972,354 shares of £20 each, £4 paid, and

234,000 shares of £5 each, fully paid.

When sub-divided the capital will stand at:—

Authorised:—

600,000 "A" shares of £5 each,
9,600,000 "B" shares of £5 each, and
9,000,000 shares of £1 each,

of which will be in issue

600,000 "A" shares of £5 each, 14s. paid,
7,889,416 "B" shares of £5 each, £1 paid, and
1,170,000 shares of £1 each, fully paid.

We should have liked to make the two denominations of partly-paid shares into one, but though we have instituted a careful inquiry this has not been found to be possible owing to legal and other difficulties.

THE ACCOUNTS

I will now deal with the statement of the accounts for the year ended December 31, 1937, but before referring to details of the position disclosed, I am glad to be able to report that the business of the bank continues to expand, and that the turnover for the past year shows a very marked increase when compared with 1936.

Current, deposit and other accounts stand at £320,246,414 17s. 7d., which is slightly less than last year's total. With regard to the small decrease shown in the deposits, the balance sheet of course represents our position on the last day in the year: actually the deposits throughout the year, judged by the monthly averages, were in excess of the average for 1936. The other figures on the liabilities side of the balance sheet call for no special comment, with the exception of the allocation to reserve to which I will refer later.

On the assets side, cash on hand and balances at the Bank of England amount to £32,448,577 1s. 5d., being 10.1 per cent. of the deposits. Bills discounted and money at call and short notice show a decline of approximately £16½ millions, which is due to the larger demand for advances. During the year the return on Treasury bills has been appreciably less than in 1936, the average rate of return for 1937 being a fraction over 11s. 2d., compared with 11s. 7d. for the year 1936. It has only been on rare occasions that banks have been able to utilise their money in the discount market at anything over one-half of 1 per cent.

WELCOME INCREASE IN ADVANCES

You will notice that there is a welcome increase in our chief earning asset, namely advances, which now stand at £140,445,454 6s. 11d. The increase is widely spread and every important industry which looks to us for assistance has contributed to the larger total.

Investments other than those in other banks stand at nearly £86 millions and are approximately £2½ millions lower than at the end of last year; but they still represent over 26.8 per cent. of the deposits.

We are glad to report a net profit of £1,874,959 18s. 6d., being an increase of £104,786 15s. 6d. over the previous year. The dividend continues at 15 per cent., and after allocating £100,000 to bank premises account and £250,000 to pension fund, against £200,000 a year ago, and making a transfer of £500,000 to reserve fund, there remains to be carried forward the sum of £573,714 11s. 8d.

Shareholders will remember that in 1931 we made a transfer of £1,479,416 from the reserve in consequence of the unprecedented fall in security values, and we have now made this substantial transfer of £500,000 towards restoring the position.

During 1937 the gilt-edged stock market proved to be very sensitive to economic and political influences, which are incalculable

factors. Consequently while these conditions continue we have to be prepared for sudden fluctuations in Stock Exchange prices.

The uncertainty of world conditions also demands that we should reinforce our reserves and preserve that degree of strength and liquidity which has enabled the British banking system to weather so many storms in the past.

SURVEY OF HOME AFFAIRS

The past year has not been free from events which have given rise to anxiety of one kind or another in the minds of those who take a thoughtful interest in world affairs; but in retrospect and in comparison with preceding years there can be no doubt that on balance substantial progress in economic recovery has been achieved in this country. Tests applied to all significant points indicate increased general prosperity.

INDICES

Taking the year as a whole, the volume of employment has never been higher and—more important—there has been a heavy reduction in unemployment in most industries and in all main districts. It is true that recently the gain in employment has not been fully maintained, but making allowance for the seasonal factor we are justified in looking upon this contraction as a pause rather than a general set-back. The official index of production shows an appreciable increase for 1937 compared with 1936; whilst the index of wage rates continues to rise. Retail sales and bank clearings have, generally speaking, increased throughout the country and furnish evidence of augmented consuming power.

REVIEW OF INDUSTRIES

DEFENCE PROGRAMME.—The great range of industries which are directly and indirectly concerned with the completion of the Defence programme are assured of some further years of great activity, and their prosperity must continue to have a favourable effect on many other trades.

BUILDING.—The slackening in some departments of building which has been foreshadowed for a long time would seem to have arrived, but there is still a considerable amount of construction to be achieved before the population is housed in accordance with modern standards. We may reasonably expect that projects for the improvement of housing of those who live in congested areas, together with the work connected with the erection of factories and workshops, will go a long way in compensating diminishing activity in other departments.

IRON AND STEEL.—It is a source of great satisfaction to us to know that the iron and steel and allied industries with which we have many old and valued connections have experienced a substantial increase in activity during the year; indeed, the production of both pig iron and steel has reached a level unequalled in the past.

COAL.—The increased output of the heavy manufacturing industries has been accompanied by a welcome increase in employment and in the production of coal, which industry seems now to be reaping the reward of many years of reorganisation and re-equipment.

WOOL.—The progress of the West Riding of Yorkshire, where we are closely concerned with the textile industries, has been handicapped during the latter part of the past year by instability in the world price of wool. There is reason to think that prices of wool are now on a sounder level, and we may therefore expect in due course a return of confidence to trade consumers with consequent benefit to all concerned.

SHIPPING AND SHIPBUILDING.—Shipping and shipbuilding and the areas which depend mainly upon them have been so long under the shadow of uncertainty and depression that it is especially gratifying to note the increased business they have experienced during the past year.

AGRICULTURE

The all-important agricultural industry with approximately three-quarters of a million employed workers in Great Britain (excluding occupiers, their wives and domestic servants) is from many points of view our most important single industry. We are able to say from our experience that, taking the country as a whole, the continuance of Government schemes has enabled agriculture to make further progress during the past year. Conditions in the industry differ widely as between different localities and different types of husbandry, and a great deal remains to be done before it can be said that the land in our country is in a state of high cultivation and efficiency. The farmer has maintained a grim struggle against adverse conditions for a considerable period and richly deserves any improvement that may take place in the future.

CONTINUED CONFIDENCE JUSTIFIED

General progress notwithstanding, doubts are now being expressed as to the likelihood of a continuance of the present level of activity; and indeed, fears of a further pronounced economic recession are by no means rare, particularly in quarters where economics is an academic study. From one aspect these fears indicate a caution due to the bitter experiences of the slump years. It is good that lessons of the past shall be kept in mind; but before we allow caution to outweigh confidence and degenerate into pessimism, we should be sure that existing circumstances warrant this.

The main sources of our weakness in the great depression of 1930-33 are now sufficiently well recognised to enable us to say that not one of them is in active operation to-day.

In spite of increased calls on the Exchequer, the Budget of ordinary expenditure is well balanced, and although there still remains a further two months to the end of the financial year, an enhanced level of incomes and profits should ensure that the Chancellor's estimates are reached.

COMPARISON WITH 1931

The case was very different seven years ago.

In 1931 we were firmly attached to the gold standard at a period when we were unable to resist sudden and heavy pressure for cash payments across the foreign exchanges. To-day we have in the Exchange Equalisation Account a means which should prove adequate in neutralising exchange pressure in meeting potential demands for repatriation of foreign-owned assets. In 1931 confidence in the position of this country was at a very low ebb abroad; whilst now our economic prestige stands high in the minds of foreigners.

To-day we are in a position, through the operation of tariffs and similar means, to negotiate in the assurance that we may secure equitable treatment in overseas trade; seven years ago our industries were largely unprotected at home and at a relative disadvantage in many export markets. Prior to the great depression credit was comparatively restricted; now we are assured of a continuance of cheap and plentiful credit.

In some quarters concern has been shown regarding the increase in 1937, compared with 1936, of £86 millions in the adverse balance of our foreign trade account, and comparisons have been drawn with the position in 1931. It should be borne in mind, however, that seven years ago the widening deficit on foreign trade account was due in appreciable measure to a decline in exports: during the last year our exports have steadily advanced.

TRADE BALANCE AND BALANCE OF PAYMENTS

A large part of the increased value of our imports during 1937 was due to the steep rise in world prices of a number of primary commodities which took place mainly in the first half of the year. In recent months there have been marked reductions in the prices of a considerable range of world commodities. If we take only eight of the more important descriptions, our imports for the first eight months of 1938 at present prices will, in comparison with the same period of 1937, cost us perhaps £20-£25 millions less, on the assumption that quantities are unchanged.

In any event, the balance of trade is only one ingredient—though the most important—in our net balance of payments abroad. We shall have to wait for some time for the official estimates of invisible items, but such information as we have readily available, for instance the rise in shipping activity and freights, supports the idea that net invisible exports will go a considerable way to counterbalance the increased deficit on trade account.

PRICES: RISING COSTS

The rise in primary product values to which I have just referred was principally due to unjustified fears on the part of industrial consumers of a shortage of future supplies, and the high levels reached in many instances were as much unwelcome to producers as they have proved to be to consumers. One of the effects of the increase in primary values was to stimulate the rising tendency both in the cost of living and the level of general industrial costs. These tendencies have caused some concern in all quarters, but we may expect that the reduced primary price levels now prevailing, which in the main offer only a reasonable margin to the average producer, will in due course exercise a moderating effect on the future course of retail prices and production costs.

CONSERVATION OF RESOURCES AND DEPRESSION

During the last few years standing charges in the shape of debenture interest, etc., have been greatly reduced and there has been a

considerable measure of capital reorganisation. Further, the proportion of industrial profits which has been placed to reserve during the last four years of growing prosperity has been, generally speaking, very greatly in excess of similar apportionments in the years of prosperity prior to 1931. We may, therefore, be tolerably sure that, providing reserves are maintained in a more or less liquid form, industry will be far better placed in dealing with any serious deterioration of the situation which the more distant future may have in store.

POSITION STRONG BASICALLY.—If I have dwelt at some length on the factors justifying confidence in our present position it is because I believe in its fundamental strength and soundness, and well know the mischief often worked by fears which have no foundation in fact.

SHORT AND LONG TERM CAPITAL

EXPORTS OF SHORT TERM CAPITAL.—Two items in our balance of external payments, namely, short and long term capital transfers, have in recent times been the subject of considerable comment. Modern movements of short term capital are due to a large extent to the state of political and economic uncertainty which prevails in a number of important countries and will diminish as these causes are remedied. In the meantime the exchange funds and central banks of the principal countries should be able to control the situation.

LONG TERM CAPITAL INVESTMENT.—The overseas movement of long term capital is from our point of view a much more important matter. The function of our overseas investment for many generations in the evolution of this country on the one hand, and of the Empire and relatively under-developed foreign countries on the other, is sufficiently well understood to enable us to discuss our future policy in this respect. Foreign investment should depend on two things—a surplus of income in the lending country and reasonable opportunities of capital construction which will show a return sufficient to provide the service of loans in the borrowing country. There is no doubt that potential avenues of capital improvement throughout the world do exist.

Of the main factors responsible for the slowing up of our overseas investment in recent years, some exhibit the features of permanence and some are clearly of a transient nature. If we exclude the teeming populations of the East, the increase of numbers in some countries, especially in the Empire, is progressing at a slower rate than hitherto and some of these countries have now accumulated considerable domestic capital. In a number of cases borrowers at long term took, especially in the post-war years, rather more than they could easily assimilate and found some difficulty in meeting their external obligations when the depression of 1930-31 set in; and further we in this country were compelled, for reasons connected with the crisis of 1931, to place an embargo on the export of capital.

BORROWERS' CREDIT IMPROVED

It cannot be seriously doubted that the position of many potential borrowers, especially within the Empire, has very greatly improved in the last few years.

It has been said that, having in mind the present trend of population in this country and elsewhere, we should not encourage primary producing areas to borrow further capital from us on the ground that they will encounter increased difficulty in marketing their products in payment of interest and sinking fund. This belief is surely without foundation. The potential increase in general consuming power of even a static population (and we have not reached this point yet) is very great. This is clearly true, for example, in the case of the world commodities with which we clothe ourselves. It is less obvious in the case of foodstuffs, but even here it is certain that we could consume a great deal more with benefit to the nation's health.

FOREIGN TRADE INCREASE URGENT

As an increase in our material welfare drawn from abroad is essentially a matter of the exchange of goods, I do not think it is possible to over-emphasise the desirability of pressing ahead with any measure designed to assist our export trades. In no other single direction, having particularly in mind that our great export and ancillary industries are among the worst affected by unemployment, can we expect such an abundant return for effort. It is true that some sections of industry are at present working at high pressure, but the importance of maintaining and increasing our export trade is so great that the need of markets overseas cannot be ignored. There is no solid foundation for the idea that our great industrial companies cannot handle the requirements of these markets overseas

in consequence of their commitments for re-armaments and for the home trade. In fact the great bulk of our industries are well able to deal with increased overseas inquiries.

The alternative to a vigorous policy of increasing our foreign trade implies a further period of waste of our domestic capital resources, both material and human, ameliorated by expensive readjustments in some of the areas worst affected.

PROGRESS IN PRIMARY PRODUCING COUNTRIES GENERALLY

When we look at the past year's history of the principal countries abroad we remark a further gratifying increase in the prosperity of members of the sterling group. Not only in Scandinavia and other Baltic States, but throughout the Empire, increased activity at levels of prices higher on the average than the preceding year has brought further substantial relief from depression.

The great primary producing areas of the world are reaping the reward of the fortitude with which they have faced long years of depression. Canada, Australia, New Zealand and South Africa have benefited by the enhanced prices of their main products and find increasing ease in meeting the service of their external dues. India and the majority of the South American States have also participated in prosperity due to better markets for their produce.

With their improved prosperity, the Empire countries evince a desire to add to their populations. We may be sure that wisely ordered schemes of emigration from this country will benefit the Dominions and the great Dependencies.

While we thus lay stress on the importance of foreign trade and contemplate the greater measure of prosperity prevailing in the primary producing countries, let us be constantly on our guard against the bureaucratic tendencies to interfere and meddle with commercial and industrial life. Such action can only result in stifling development and impeding enterprise.

DETERIORATION IN A FEW DIRECTIONS

In a few directions we have to recognise that conditions have worsened. The outbreak of a major war in China has gravely embarrassed trade with a valuable market and must seriously retard the economic progress of a great country. In spite of little relief for many years from internal dissension and warfare, China has made great strides in economic development, and we must hope for an early termination of the present wasteful hostilities.

The civil war in Spain continues to exercise a harmful influence on the commerce of nations.

There has recently been a serious slowing down of industry and trade in the United States, but the spirit of courage and enterprise which has already done so much in the last few years to lighten the burden of internal commercial indebtedness and stimulate recovery, will surely soon be successful in enabling a resumption of progress in that great country. In view of her position as an important consumer of world commodities the economic welfare of the vast population of the United States is of intimate concern to all other peoples. We may be sure that this aspect of affairs is well borne in mind by those who are charged with the responsibility of negotiating a commercial treaty between this country and the United States of America at the present time.

TRADE BARRIERS

The relaxing of international trade barriers which have been erected in recent years may prove a long and difficult matter; but if the problem is approached on all sides in the spirit of "what can we give" as well as "what can we take," difficulties will be surmounted. It is always easy to prevent the international exchange of goods, and if we are to make progress in the rehabilitation of international trade, it is essential that sectional interests in all countries shall be subordinated to wider considerations.

ANGLO-UNITED STATES OF AMERICA TREATY.—The harmful nature of most forms of interference with the natural course of trade are now more widely recognised, and it is to be hoped that a real beginning will be made in the concluding of the Anglo-American Trade Treaty in reducing the worst of the obstacles that have been set up in recent years. The benefits of such a Treaty—conceived on liberal lines—would not be confined to the immediate parties. It is certain that its fruit would induce many other countries, who either deliberately or under the compulsion of external forces have restricted their external trade, to take concrete steps in the direction of expanding both their imports and exports.

BUSINESS CONFIDENCE

There is no doubt that the past year has seen a marked improvement in economic conditions in many countries, and this improve-

ment may be expected gradually to lessen political tension which does so much to limit confidence and retard further recovery.

Business confidence is a delicate plant which, if it is to have any great degree of permanence, must be rooted in good soil. We can surely find this foundation if we contemplate the achievements of the last few years of recovery both here and abroad and view in their proper perspective both those factors which give rise to doubt and those which lend hope for the future.

I now beg to move:—"That the report and accounts, as presented, be received and adopted."

Captain E. C. Eric Smith, M.C. (a deputy-chairman), seconded the motion, and the Chairman having replied to shareholders' remarks, it was carried unanimously.

The Chairman then proposed the re-election of Mr Charles Gipps Hamilton, Sir John Buck Lloyd, the Right Hon. Lord Pender, Mr Eustace Abel Smith, and the Right Hon. the Viscount Wolmer, P.C., M.P., as directors.

Captain Smith seconded the motion, and it was unanimously adopted.

On the proposition of Mr C. P. Serocold, seconded by Lieut.-Colonel G. S. Eunson, Sir Nicholas Edwin Waterhouse, K.B.E. (of Messrs Price, Waterhouse and Company), and Sir William Henry Peat, K.B.E. (of Messrs Peat, Marwick, Mitchell and Company), were re-appointed auditors for the current year.

Mr Theodore Goddard 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 H. Carron Scrimgeour seconded the vote, which was cordially passed, and brief acknowledgments were made by the chairman and Mr Ernest Cornwall (chief general manager).

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting was then held for the purpose of passing the special resolutions (of which due notice had been given) for sub-dividing the bank's capital into shares of smaller denominations, to take effect as from March 7, 1938.

The special resolutions were formally moved by the Chairman, seconded by Captain Smith, and unanimously adopted.

A vote of thanks to Mr Colin Campbell for his able conduct in the chair, proposed by Mr Dudley H. Illingworth, and seconded by Mr John Cadogan, concluded the proceedings.

WILLIAMS DEACON'S BANK LIMITED

SUCCESSFUL YEAR—INCREASED PROFIT

NEED FOR STIMULATING EXPORT TRADE

POSITION OF COTTON TRADE

MR GERARD POWYS DEWHURST'S ADDRESS

The annual meeting of the shareholders of Williams Deacon's Bank, Limited, was held on Thursday, January 27, 1938, in the Board Room, Mosley Street, Manchester, Mr Gerard Powys Dewhurst (the Chairman) presiding.

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 absence from our meeting to-day from several members of the board.

You will have seen from the report that we have to deplore the death during the year of our colleague, Percy Ashworth, who for nineteen years had been a member of this board. Originally head of an old-established family concern in Bolton, his intimate knowledge of the cotton trade has been of great assistance to the bank, and we miss him sadly both as friend and director. Then, too, the sudden death of William Charles McGrath, an assistant general manager, was a loss the bank could ill afford. Prior to his last appointment Mr McGrath had been for many years associated with the branch department of the bank, and as manager of branches had earned the esteem and affection of all ranks of the staff.

BALANCE SHEET ITEMS

Taking the remainder of the report with your permission as read, and turning to the balance sheet, on the liabilities side our capital and reserve fund show no change.

SEDENAK RUBBER ESTATES, LIMITED

SATISFACTORY CONDITION OF ESTATES

The twenty-eighth ordinary general meeting of this company was held, on the 25th instant, in London.

Mr Philip C. Turnbull, O.B.E. (the chairman), who presided, said that whereas last year 1,262 acres were classed as immature, this figure has now been reduced to 365 acres, thus adding almost 900 acres to the mature area. As a partial offset to this, 200 acres of the oldest and poorest yielding rubber on the Sedenak Division were cut down and replanted during the financial year. The cost of this replanting has been charged to revenue and is one of the items responsible for costs having risen.

I would like to quote from the manager's annual report on this subject. He says:—"The cost of production was higher notwithstanding the increased output, but this can be explained to a large extent by there having been granted to the labour force a substantial increase in pay, charging of replanting to revenue, increasing duty, Tamil assessment, and opening up and bringing into tapping some 1,100 acres of young rubber."

The year's working has resulted in a profit of £43,000, which must be regarded as satisfactory, although when paying the interim dividend of 5 per cent., which was based on approximate profits of £25,000 for the first six months' working, we did not anticipate a further and continuous fall in market prices, and at that time anticipated that we would have over £50,000 to show for the full year's profits.

Before considering dividends your board felt it sound policy to increase the reserve to £45,000 by transferring a further £5,000 to that account, and investing it in Government securities, which stand at a corresponding figure.

The visiting agent expresses his satisfaction generally with the work, while the manager says there is not the slightest doubt that Sedenak, as a whole, is a very fine property, and, as a result of the decision to replant over a period of three years approximately 530 acres of the older rubber which has now passed its peak, the future, from the point of view of yields, can be faced with considerable confidence.

The report and accounts were unanimously adopted, and the payment of a final dividend of 7 per cent., less tax, at 5s. in the £, was approved.

Deposits which have been subject to considerable movements for the finance of trade show a net increase of £986,000 on the year.

Acceptances and credits for customers are lower by £162,000; on the other hand there is an increase of £327,000 in endorsements and other obligations.

Turning to the assets side of the sheet, our cash is slightly lower, representing just over 10 per cent. of our deposits.

Balances with other banks show little change, while we have some £430,000 more short money on the market than last year.

Bills discounted appear at £414,000 less; our reduced holding of Treasury bills more than accounts for this difference.

Increased demands for advances from our customers amounting to £2,400,000 have a definite bearing on the fall of £1,374,000 in our investments, a welcome reversal of our experience of the last few years.

These advances are extremely well spread, and while we note a diminution of demand from textile, shipping and transport quarters, the requirements of our customers in such heavy industries as iron, steel, engineering and shipbuilding, and in miscellaneous trades are distinctly larger.

Bank premises account, after an appropriation from this year's profits, show a net decrease of £15,000.

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 £310,921, as compared with £293,636 or an increase of £17,285. This profit, with

^a balance of £102,046 brought forward from last year, gives us a total of £412,967 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 carry forward to next year's account £148,592, as against £102,046 brought in.

The balance sheet figures I have outlined give ample evidence of the liquid position of the bank, and after all bad and doubtful debts have been fully provided for, our increased net return is the result of steady progress throughout the system.

I should like to refer here to our trustee departments, whose activities are increasing in a very satisfactory manner. We find that the facilities they provide are recognised and utilised by an increasing number of our customers, and we look forward to further developments in this branch of the Bank's operations.

CONTINUED IMPROVEMENT IN TRADE

The improvement in trade, which was such a feature of 1936, has continued during the year under review, and in most of the heavy industries of the country, as far as output is concerned, new record levels of production have been attained, while the returns, both for unemployment and insured persons in employment, at all events for the first three quarters of the year, have been favourable.

Unfortunately, the effect of covering their requirements in raw materials on the part of consumers was accentuated by extensive speculative buying, and following President Roosevelt's pronouncement on the subject of high prices a reaction set in, and prices of all commodities fell precipitately. This, coupled with the uncertainty of the gold policy of the United States, had a most disturbing effect on the Stock Exchange, and values of gilt-edged securities and industrial equities alike experienced a heavy fall.

This interlude, though undoubtedly a check to business confidence, need not necessarily affect the position of the country's industries with their prospect of continued activity ahead, but it leads one to wonder how far domestic recovery can go without an improvement in international trade.

FORMIDABLE EXCESS OF IMPORTS

Imports and exports have both continued to rise, the former, partly owing to higher values, out of all proportion to the latter, with the result that the balance of trade has gone badly against the country during the year, so much so that the excess of imports has reached the formidable total of 432 millions, and after making all due allowance for an increase in invisible exports, such as shipping freights and investments abroad, this is a disparity we cannot afford to ignore.

Great efforts should be made to stimulate our export trade, and discourage superfluous imports, and, in spite of the attraction of domestic trade and Government orders, and the restrictions attached to dealing with foreign countries, every possible assistance should be afforded our manufacturers and merchants in the furtherance of such policy.

It is from this angle that we welcome the Anglo-American trade negotiations recently set on foot; any arrangements for the removal of restrictions and the improvement of trade between the United States of America and ourselves would appear to hold out infinite possibilities from the economic as well as the political point of view.

IMPROVED POSITION OF COTTON TRADE

If we turn to the area more directly served by this bank, we are glad to be able to report that the past twelve months, from a producer's point of view, was the best experienced in the cotton trade for some years past, and both spinners and manufacturers in the early part of the year were fortified with orders for a considerable time ahead. Demand, however, in the autumn, owing to the fall in the price of the raw material, showed signs of dropping off, and by the end of the year production had slowed down, and stocks of goods had begun to accumulate in the hands of distributors.

The home trade was responsible for most of this improvement, and, though most markets abroad increased their purchases from this country, this was largely offset by a further reduction of our trade in piece-goods with India.

The long drawn out negotiations for a new United Kingdom-India Trade Agreement to replace the Ottawa Agreement seem no nearer conclusion, and this delay in arranging new trade relations, which leaves untouched the existing prohibitive duties on exports from this country, has been a definite bar to business.

REORGANISATION OF COTTON TRADE

The question of working out a satisfactory plan of reorganisation for the cotton trade as a whole has for long now occupied the attention

of the Joint Committee of Cotton Trade Organisations, and their proposals to that effect have now been approved, with certain reservations with regard to the export side, by all sections of the trade.

Briefly, the Committee proposes that the Government be asked to introduce an Enabling Bill, under which a board representing the whole industry, and an independent advisory committee, would be set up to examine schemes put forward by the industry or its sections, and if satisfied that such proposals were in the general interests of the industry and in particular would tend to assist the export trade, to submit them to the President of the Board of Trade for Parliamentary approval, thereby obtaining statutory effect to such schemes.

Taking a view of the industry as a whole, with its vast diversity of interests and activities, it is impossible to resist the conclusion that some such co-ordinating authority is essential if the cotton trade is to put its house in order.

The problems which confront each section of the trade are similar in character. Each unit is faced with a surplus of productive capacity, with its inevitable consequence of price-cutting and depletion of capital, and it is desirable to ensure that any success which a particular section of the industry may reach in dealing with these problems should not be achieved to the detriment of other interests in the trade.

It would seem therefore that some form of comprehensive organisation which carries the support and confidence of the whole industry, and whose recommendations would carry weight with the Government, is a vital necessity if the trade is to maintain and improve its position in the markets of the world.

The difficulties confronting this Cotton Industry Board are many and obvious. It will not be easy for instance to reconcile the position of the manufacturer who must run his machinery, after allowing for replacements and improvements, on a profitable basis, with that of the merchant who must sell the goods in foreign markets at a competitive price, but a strong internal organisation does not necessarily stifle our competitive capacity, nor can we contemplate indefinitely subsidising exports at the expense of capital and wages.

It is to be hoped that the Government will grant facilities for the necessary Enabling Bill to be introduced to Parliament during the present Session.

IRON AND STEEL EXPANSION

We have continued good reports from our branches in the Sheffield area; iron and steel outputs show continued expansion, and have again reached record figures, while exports, which for some years have been a declining quantity, show a small but welcome increase.

The demand for specialities, such as stainless steel, has been well maintained, and both heavy and light sections of engineering are actively employed.

The output of coal in South Yorkshire continues at a high level, and, though there are signs that present prices are hindering the export movements, reports from Doncaster show a very active condition of trade.

We have better news from Bolton than for some years past; the cotton trade in that district has contributed largely to the general improvement, whilst engineers and ironfounders have done well. The building trade there also continues to be active.

Reports from Wigan, with its high percentage of unemployed show little improvement, and until some new industry is established there to take the place of dismantled collieries, engineering works and mills, there cannot be much hope of alleviation.

Such centres of the cotton and woollen industries as Oldham and Rochdale also give clear indications of better trade.

TRIBUTE TO STAFF

In conclusion, gentlemen, I should like on your behalf to send a special message of sympathy to our general manager.

Since the autumn Mr Bradburn has been laid low with a most distressing form of rheumatism, which has prevented him taking any active part in the business of the bank, and I feel sure we all wish him a speedy recovery.

In his absence the duties and responsibilities of general manager have fallen on the deputy general manager, Mr Thomson, and to him I feel we owe a special vote of thanks, while I should also like to convey to the assistant general manager, the officers and staff of the bank our very keen appreciation of the way in which the work of the bank has been conducted during the past year.

The Chairman then moved the adoption of the report and accounts, which was seconded and carried.

The retiring directors, Mr William Whyte, and Lieut.-Col. Sir Alan John Sykes, Bt., D.L., were re-elected, and the auditors, Messrs Ashworth Mosley and Company, were re-appointed.

DISTRICT BANK, LIMITED

FURTHER INCREASE IN EARNINGS

CONDITIONS IN COTTON TRADE

NEED TO ENCOURAGE EXPORTS

SIR R. NOTON BARCLAY'S SPEECH AT THE ANNUAL GENERAL MEETING

The one hundred and eighth annual meeting of shareholders of District Bank, Limited, was held on the 28th instant, at the Head Office, Spring Gardens, Manchester.

The chairman, Sir R. Noton Barclay, presided. He said:—

Ladies and gentlemen,—Before I say anything in regard to the accounts for the past year I should like to refer to Sir Nigel L. Campbell, who has joined the board since we last met. Sir Nigel has many important industrial and financial connections, and he is in addition one of the trustees of the fund provided by Lord Nuffield for the relief of the distressed areas. We count ourselves fortunate in welcoming him as a colleague whose counsel and assistance have already proved to be of much value.

BALANCE-SHEET

You all have copies of the accounts for the past year which, with your permission, I will take as read. There are, however, various items to which I would like to call your attention, and I will deal first with the balance-sheet.

The paid-up capital is unchanged at £2,976,428, while the amount of our reserve is equal to the capital. Current, deposit, and other accounts at more than £81,000,000 are nearly £3,000,000 up on last year; this is the highest figure we have ever shown. Acceptances, confirmed credits, endorsements and guarantees on behalf of customers at £9,346,000 show a £2,000,000 increase and are perhaps to some extent an indication of unsettled international conditions, as they include the increase in the forward exchange business done by our foreign department.

Turning to the assets, cash on hand and with the Bank of England is nearly £600,000 up at £8,675,379, while there is a slight reduction in our money at call and short notice and in the bills of exchange item, in the latter case due to our smaller holding of Treasury bills.

There is little change in the total of investments. The market value of our holdings is considerably in excess of the figures in the balance-sheet.

Advances at £30,834,000 show a substantial increase of nearly £3,500,000 over last year. This, you will agree, is a pleasing feature, following, as it does, the increase during 1936. The debts are well spread among a wide variety of industries and, of course, all necessary provision for loss has been deducted.

Bank property shows a small increase at £1,580,000. Sixty thousand pounds has been provided in this year's accounts to write down this item, and there have also been realisations of redundant offices due to the merging of certain of the District and County branches.

PROFIT AND LOSS ACCOUNT

If you will now turn to the profit and loss account you will see that the net profit for the year, after payment of expenses and all other charges, amounts to £519,255. This compares with £490,324 last year, and is particularly gratifying in view of the additional taxation which we have had to meet. With £209,236 brought forward there is £788,492 available.

As you will see from the report, your directors have appropriated to the pensions and annuities fund £70,000 and, as I have previously mentioned, to the bank property item £60,000. We propose to increase the dividend upon the A and C shares to 18½ per cent. for the past half-year, making 17½ per cent. for the full year. Upon the B shares we recommend the usual maximum dividend at the rate of 10 per cent. per annum. After provision has been made for these payments there remains to be carried forward to this current year's accounts the sum of £285,611.

The difficulty in finding employment for short moneys at remunerative rates has continued, and there is no immediate prospect of a change in these conditions. We have, however, increased our profit, and this can be attributed to our larger lendings and the increased business handled by the bank. There is a satisfactory growth in our business, and definite progress has been made.

We realise that the satisfactory figures we are able to place before you to-day are largely the result of the devoted attention of a most

able staff to the many calls made upon them by an expanding and ever-varying business. This has been recognised in the annual revision of their remuneration, with special consideration to young married men. I desire to place on record our cordial appreciation of the loyal and efficient services rendered by the chief general manager, officials, and the whole of the staff.

LANCASHIRE INDUSTRIAL SITES COMPANY, LIMITED

Before I leave the subject of our domestic affairs, it may be of interest to mention that we have supported, and have agreed to participate in, the recently formed Lancashire Industrial Sites Company, Limited, an enterprise formed under the auspices of the Lancashire Industrial Development Council for the purpose of enabling industrialists to acquire factories in this area upon easy terms. We hope that as a result of its activities new industries may be attracted in increasing numbers.

CLEARING FIGURES

Turning to mere general conditions affecting the country, it is worthy of note that the aggregate London clearings during the year showed an increase of more than £2,000,000,000, or 5 per cent. Whereas the town clearing showed a decrease of £934,000,000 during the final quarter, reflecting perhaps a falling off in Stock Exchange business, it is perhaps significant of the general maintenance of trade that the country clearing showed an increase during each quarter of 1937—although a smaller one during the last quarter. The Manchester figures are 6 per cent. better than a year ago.

THE COTTON TRADE

The cotton industry has been busier and business has been more profitable in 1937 than at any other time during the past ten years.

The larger demand for cotton goods which started in the late months of 1936 was maintained, with the result that much idle spinning and weaving machinery was restarted. By May of 1937 it was common to hear of producers having six to nine months' work on hand and at profitable prices. The larger trade resulted no doubt to some extent from the increase in world commodity prices, and, in the home market particularly, from better employment due in part to the re-armament programme. All markets with the exception of India and China bought on an unusually large scale for delivery extending months ahead. Merchants were apprehensive of still higher prices: manufacturers rushed in to buy yarns speculatively in order to secure delivery of goods and yarn, and there was produced the largest volume of demand that Lancashire had experienced for years. Order-books were filled and mills had the greatest difficulty in keeping their engagements.

In the first three to four months of the year prices were rising; middling American cotton was quoted at 8.14d. per pound on March 16, but by November the price had fallen to 4.53d. per pound. In the second half of the year the demand fell off substantially, and to-day the existence of unsold stocks and delayed deliveries of goods bought at high prices is causing a good deal of concern.

IMPROVED SELLING PRICES IN SPINNING SECTION

An important feature during the year has been the improvement in selling prices in the spinning section. This was largely due to the success of the legalised schemes of price-fixing in the American and Egyptian sections. This, coupled with the improved demand, has enabled many concerns to pay their first dividends for years.

Manufacturers, though acting individually, were also able to improve their margins, but unfortunately prices have now slipped back and at the moment there is the old cut-throat competition. Consideration is now being given by manufacturers to the setting up of some price-fixing scheme similar to that adopted by the spinners. While manufacturers might hope for steadier profits if

such a scheme were agreed upon the possible adverse effect of higher prices on the export trade must not be overlooked.

It is estimated that, helped by the general prosperity in Great Britain, no less than one half of Lancashire's output of 4,000,000,000 (four thousand million) yards of cotton and rayon fabrics is now absorbed by the home trade. Consumption of cotton and rayon goods in the United Kingdom is only about forty yards per head per annum, as compared with over sixty yards per head in the United States, and, though orders for the home trade have been on a much smaller scale since the autumn, it appears likely that Lancashire will retain its volume of output for the home trade.

As regards the future of export business, this will depend largely on the results of the Government's action to obtain satisfactory trade agreements and better organisation in the industry itself.

The Joint Committee of Cotton Trade Organisations is now considering a scheme which, it is claimed, will improve the organisation of the trade generally. The various sections are at present engaged in working out details with the object of making an early application on specific lines for an Enabling Bill to be presented to the Government.

The Spindles Board completed its first year's working on September 14, 1937, and the report showed that it had withdrawn from actual production 3,265,000 mule equivalent spindles. That the board has not accomplished all that it set out to do is principally due to the improvement which has taken place in the trade since the scheme was first mooted.

IRON AND STEEL

The year 1937 was remarkable in the history of the British iron and steel industry, for the output of steel reached a new high peak, at 12,964,000 tons. The average monthly output of pig iron showed an increase of 65,000 tons as compared with 1936, and the figures for December are the best since 1918, when the industry was keyed up to meet an unprecedented demand for munition production. It is noteworthy that the rise of 10 per cent. in steel output, as against 1936, was achieved notwithstanding the difficulty experienced in the early months of 1937 in obtaining adequate supplies of raw materials. This difficulty was occasioned partly by the effect of the Spanish civil war upon supplies of ore from that country, and partly by a more insistent demand for available ore from a number of countries where producers are enjoying greater activity. A further problem which faced the industry was the difficulty of securing the necessary supplies of scrap, due to a decline in home supplies from demolition schemes and to the increased demand from overseas.

An interesting commentary on the steel output last year is the rate of growth as compared with 1929, a year regarded as a record one in almost all countries. Britain surpassed this peak by one-third, yet in France, Belgium, Luxembourg, and the United States the 1937 production was less than that of 1929, while even the German output swollen as it was by armament demands, was less than 10 per cent. above the 1929 output.

In the achievement of such remarkable expansion much credit is due to the co-ordinating efforts of the British Iron and Steel Federation. Moreover, modernisation of existing plant and extension of capacity augurs well for an increased output in the current year. Nevertheless, it is to be hoped that in view of the setback which the industry experienced after the Great War, producers are alive to the danger of overproduction and are keeping fully in mind that the present demand for armaments will not continue indefinitely.

BUILDING ACTIVITY

It is widely appreciated that economic recovery in Britain since 1932 has been based to a great extent on a boom in building, including the rehousing schemes of the local authorities and the activities of the speculative builder in the construction and sale of dwelling-houses. An increase in the demand for houses, factories, and business premises has a stimulating effect on many industries, owing to the diversity of materials required for constructional purposes. The additional purchasing power released in the form of wages to building labour, and in associated industries, ultimately benefits practically every trade in the country. It is, therefore, not surprising that any pronounced movement in building plans approved is of the greatest significance.

Many people believed the building boom would be of short duration, but its continuance—aided, of course, by low money rates—has been an outstanding feature of recent years. Now, however, there is little room for doubt that the demand for dwelling-houses erected by the speculative builder is less active, and the note of caution, now characteristic of commercial enterprise, will make business men hesitate before deciding to construct new factories and other business premises. As against this the prosecution of the policy of slum clear-

ance ensures a continuance for some years of considerable activity in municipal housing, and the severity of any recession is likely to be mitigated thereby.

THE UNITED STATES

In the United States the business setback in 1937 has been of considerable magnitude, and the turn of the year has, unfortunately, brought no fundamental change in the position. The volume of business has fallen off in nearly all the principal branches of industry, and perhaps the seriousness of the position is most vividly depicted by the contraction of the iron and steel output, which is now less than 30 per cent. of capacity, as against 80 per cent. nearly six months ago.

As in the last depression, the authorities are taking active steps to try to remedy matters, but so far progress is impeded by the clash between the Administration and influential business interests. Industrialists are bewildered at the unexpected and unaccountable recession in business, and they seem to have little confidence in the ability of the Government to relieve the situation.

The bright side of the American position is the absence of high accumulated stocks and the non-existence of a mass of debt waiting to be liquidated by business houses and private individuals. These were among the worst features of the last depression. Many circumstances essential to recovery are present, and the proposed trade agreement with this country, if achieved, should prove beneficial.

THE BALANCE OF PAYMENTS

At home the growing deficit in our balance of international payments is a serious matter. Of recent years the unfavourable balance has been largely attributed to the replenishment of stocks, to the recovery of internal trade, and to imports which later would be translated into exports. These were explanations for a growing deficit which rightly caused little adverse comment, but the unfavourable balance for 1937, which, even when allowance is made for invisible exports, it is thought may amount to at least £50,000,000, as against £19,000,000 in 1936, gives rise to feelings of disquiet because of the attendant circumstances. The current deficit has largely resulted from our spending on armaments.

Admittedly, our adverse balance of payments will be somewhat reduced when rearmament programmes are completed, but in the meantime signs are not wanting that the deficit may increase. The steady upward movement in wholesale prices since 1932 has been put forward as a reason why we may expect an increase in the purchasing power of overseas producers of primary commodities. For some years our exporting industries have therefore been able to view the future hopefully. Since August, however, prices have sharply receded, and although this fall has at the moment been arrested the new year has brought no assurance of any quick recovery. This may entail an early setback to our exports, and, if so, to what proportions may we expect our adverse balance of trade to grow during the current year?

THE NEED FOR EXPORTS

Notwithstanding this evidence of some deterioration in our trading position, we can rightly feel pleased that orderliness and moderation in economic and political policy have brought a greater degree of prosperity to this country than to most of our competitors. Even though we may now be faced with some reaction from the prosperous trading conditions of the past year, we can at least feel satisfied that this country will be better prepared to cope with any setback than it was in the past.

But the maintenance and, if possible, increase of our exports is of paramount importance. Other things being equal, we might rely on British efficiency, shrewdness and determination to keep us in front of our competitors. Unfortunately, however, as yet there appears to be no indication of any reaction from the world-wide tendency towards national self-sufficiency, and so long as this persists world prosperity is unattainable. While one longs for a truer perception of the economic conditions under which alone by unhampered interchange of commodities nations may freely develop their resources and prosper once more, pending such a change of sentiment we have to make the best of things as they are in a restricted and crippled world. Meantime our dependence on exports presents an Achilles' heel to competitors. In these troubled times it seems essential that British exporters must receive help from the Government if they are to hold their own in foreign markets. Other nations wrest overseas business from us through exchange manipulation, through tariffs, and by other methods. The British market still remains attractive to many other countries, who try to come to terms in the matter of trading agreements. Pacts which have been approved are already

favourably reflected in our export figures, and further developments in this direction are essential if our exports are to be maintained. At the same time we must in fairness recognise that the Government in any action which it may take on these lines has to take into account political considerations outside the economic sphere.

INSURANCE AGAINST WAR RISKS

In connection with exports, I feel that reference should be made to the recent decision of underwriters to discontinue the acceptance of war risk on merchandise except whilst the goods remain actually at sea. This means that the sequence of cover in the transfer of goods from the British supplier to the ultimate buyer is interrupted. There is a gap during which cover does not exist and a serious difficulty is raised in maintaining our whole system of financing trade.

In the Great War Government action as regards the insurance of war risks was found to be indispensable, and incidentally the Government made a financial success of their operations.

It seems essential that the Government should take a lead at once in arranging with underwriters and the mercantile community some scheme by which this gap can be bridged.

There is the even larger question of the insurance of buildings and goods against risks of enemy action. So far the Government has shown reluctance to tackle the difficulties, but it is increasingly felt that it is one of the problems of safeguarding the community which the State cannot afford to neglect.

THE OUTLOOK

While the trade outlook for the coming year may indicate that some reduction in the general activity of the country is not unlikely, there is no adequate ground for the pessimistic views which one hears expressed in some quarters. "Slump" is an evil word—talk slump often enough and we do much to bring it about. Sentiment plays a large part in trade expansion and depression. At one time people buy and they overbuy, at another they refuse to buy and run short of supplies—thus boom begets slump and slump begets boom.

If we could control this sentimental factor the curve of trade would follow a far more even and natural course. This does not mean that we should close our eyes to unfavourable factors; it only means that we should take a sane view of factors unfavourable and favourable alike.

Looking to the future in this manner, I believe that while we may in the coming year witness some recession, a natural recession from the activity of the past year, the outlook is by no means unfavourable. Whilst certain industries may show some falling off, the curve is still likely to be well maintained or even upward in other industries. On the whole, employment is likely to continue good, and the consequent distribution of wages should ensure sustained activity in the home trade. The average trend, therefore, should, I think, be such that, apart from political disturbances, the result of which no one can foretell, we can envisage the immediate future with some degree of confidence.

The report and accounts were adopted, and the retiring directors were re-elected.

Messrs Halliday, Pearson and Co., and Mr Leslie Shaw, the retiring auditors, were reappointed.

The proceedings then terminated.

THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

CONDITIONS IN DISCOUNT MARKET

LOW MONEY RATES

SIR WILLIAM GOSCHEN'S ADDRESS

The eightieth ordinary general meeting of the Union Discount Company of London, Limited, was held, on the 27th 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 accounts have been in your hands for some days, and I presume you will take them as read. It is the habit of people of middle age constantly to compare the times in which they are living with those of their youth,

and to contemplate the changes that have taken place. If this is true of life in general, how specially true is it of business life and of the discount market in particular?

As a result of the Great War and the difficulties arising from it, such as the introduction in many countries of national finance as opposed to international finance, the restriction in exchange and currency and other features of a similar nature, the total of foreign drawn bills for discount has very largely diminished, and this fact has naturally had its effect on the market. Fortunately, there are signs of slight improvement in this direction, and the inland drawn bill has at least held its own. But other opportunities for dealing have also arisen and have enabled us to more than maintain our figures, as you will have gathered from the annual reports that come before you, and I would urge that adaptability on conservative lines to changing conditions must always be the keynote of progressive business.

INTERNATIONAL POLITICS

As regards the past year, this country has been suffering from anxiety concerning international politics because not only did the Spanish War continue throughout the year but a new factor was added in the shape of the outbreak of hostilities between China and Japan. Another adverse factor was the reaction last autumn in trade and particularly on the activities in the United States followed by a severe fall in Wall Street quotations which have had a widespread effect. The fall in the prices of commodities in this country was very noticeable. For example, during 1937 copper had a fall of 48 per cent., cotton 40 per cent., rubber 37 per cent., tin 42 per cent., wheat 32 per cent.

Speculation has its place in all markets, and is stabilising and useful up to a point. In the examples I have quoted these heavy falls clearly indicate that the unhealthy speculative mania in commodities which existed for some months about a year ago was entirely unjustified. It is surely a great relief to the taxpayers that the nation should get the best value possible for its enormous expenditure on re-armaments and that the speculator's profits abroad and at home should be curtailed as much as possible.

COMMODITY PRICES

On the other hand, it may be that the present level of commodity prices has fallen below what it ought to be in order that the primary producing countries can make a reasonable profit and thus enable them to maintain and increase their imports from industrial countries such as our own. The effects of falling prices, however, were weathered without any real financial disturbance, and the strength of our banks has been demonstrated by the accounts which have already appeared.

As regards money rates, I ventured in my speech of last year to doubt the prophets who foreshadowed that we were on the eve of higher bank rates and dearer money. As a matter of fact, low rates have been maintained all through the year, and the Treasury bill allotment rate was actually lower in 1937 at 11s. 2d. compared with 11s. 7d. in 1936.

There has also been a pronounced factor in the prosperity of our own country, and people are hopeful of the negotiations which are about to take place in the direction of bringing about an Anglo-American treaty which might well have far-reaching effects.

UNRAVELLING OF EUROPEAN TANGLE

Other attempts, too, are being made to unravel the tangle of economic affairs in Europe. The great difficulty that lies in the path of those who are devoting their energies to this end is political suspicion. Every scheme that is brought forward is closely scrutinised from the angle of political benefit to any particular country. The only course whereby we can help those who are striving for our country's good is by showing our confidence in them and by doing our best to uphold this country's financial position as an example to the rest of the world, remembering always that it is the extension of legitimate trade with all nations and wise economy which lead to prosperity that will endure and benefit all.

The Chairman moved the adoption of the report and accounts, which was carried unanimously.

The Chairman, having paid a tribute to the work of the manager, his assistants and the staff, the proceedings terminated.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bowyer Street, Fleet Street, London, E.C.4.

CURRENT STATISTICS

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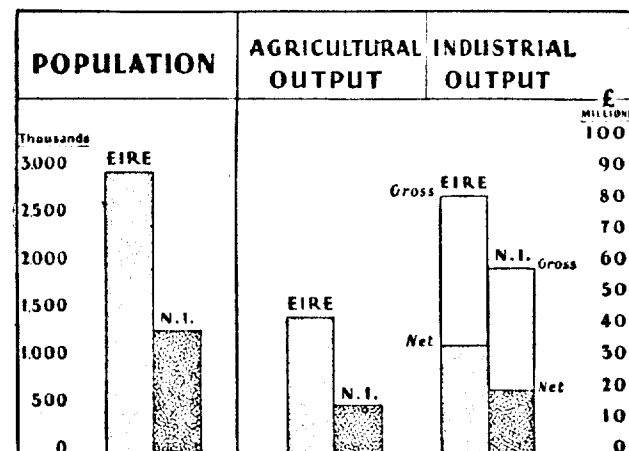
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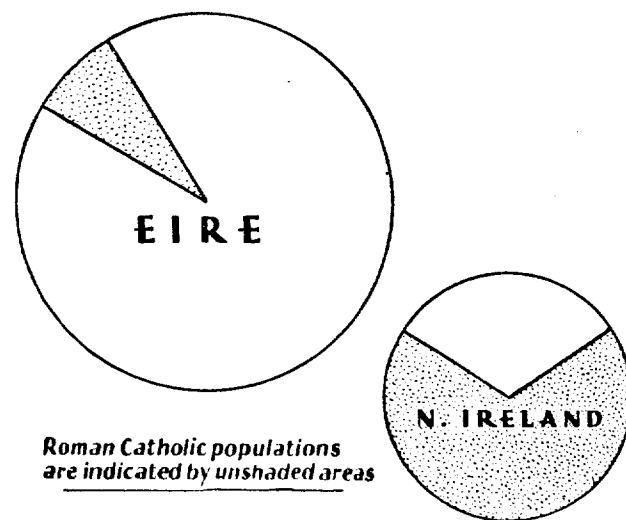
Ireland

The following charts have been compiled to illustrate the relative economic and political positions of Eire and Northern Ireland. The dates for the figures used in Chart I are as follows: *Population*, Censuses of 1936 (Eire) and 1937 (N. Ireland); *Agriculture*, 1935–36; *Industry*, 1935 (N. Ireland), 1936 (Eire). In Chart II, which shows the religious minorities in the two countries, the area of each circle is proportionate to the total population. Charts III and IV relate to Eire alone and show the effects of the depression and the economic "war" with Great Britain. The last Chart shows the great decline in the population of Ireland since 1841 (which was the maximum point) and the part played by emigration (for which figures are not available before 1871–80).

I.—POPULATION, AGRICULTURE, INDUSTRY

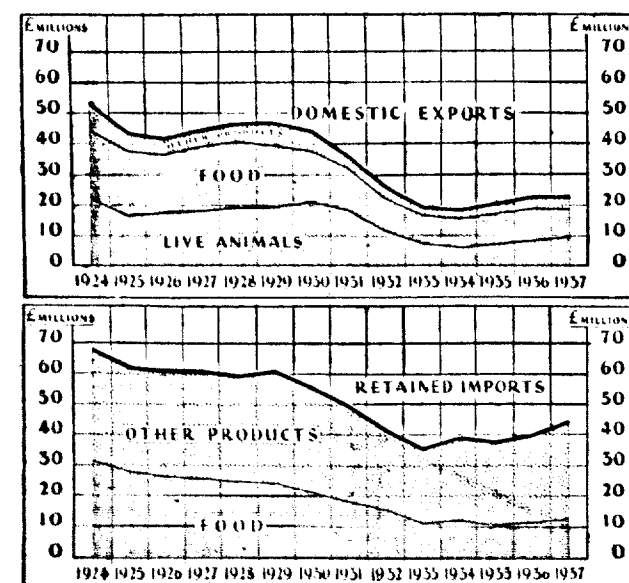


II.—IRISH MINORITIES

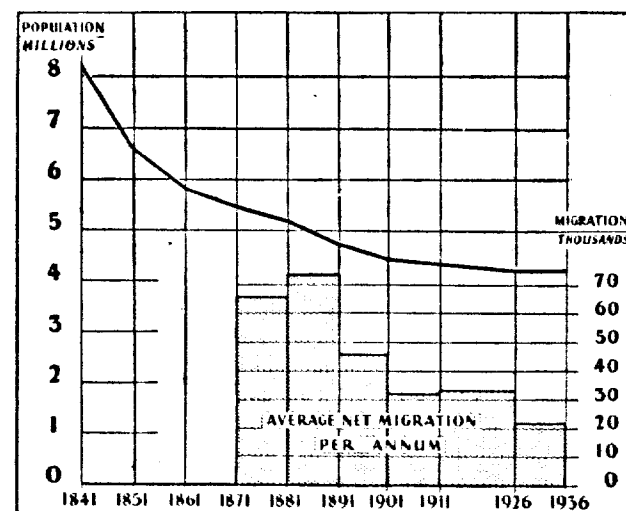


Roman Catholic populations are indicated by unshaded areas

III and IV.—VALUE OF EXTERNAL TRADE OF EIRE



V.—POPULATION, 1841-1936



Finance

GOVERNMENT FINANCE

For the week ended January 22, 1938, the total ordinary revenue was £41,217,000, against ordinary expenditure of £8,400,000. The deficit accrued since April 1st last is thus £109,042,000, against a deficit of £90,989,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for year 1937-38	April 1, 1937	April 1, 1938	Week ended Jan. 22, 1938	Week ended Jan. 22, 1937
ORDINARY REVENUE					
Inc. Tax ...	288,150	121,081	140,350	14,534	18,405
Sur-tax ...	58,000	21,780	23,350	3,180	3,290
Estate, etc., Duties ...	89,000	68,350	72,280	1,760	1,280
Stamps ...	29,000	20,160	16,980	630	30
N.D.C. ...	2,000	...	148	...	40
Other In. Rev. Duties	1,500	230	810	40	130
Total I. Rev.	467,650	231,621	253,918	20,144	23,175
Customs ...	219,850	171,742	180,622	3,873	3,841
Excise ...	113,150	92,500	96,500	5,900	6,100
Total Cust. and Excise	333,000	264,242	277,122	9,773	9,941
Motor Duties ...	34,000	430,265	29,954	8,844	6,605
P.O. (Net Receipts) ...	11,800	12,200	11,750	560	1,400
P.O. Fund Crown Lds. Rec. from Sun. Loans Misc. Rec.	1,350	1,050	1,030	...	...
	4,300	4,413	5,093	...	...
	11,000	16,038	11,189	...	...
Total Ordinary Revenue	863,100	559,829	590,081	39,283	41,217
SELF-BAL. REVENUE					
Post Office and Broadcasting ...	75,198	55,600	58,500	2,000	1,000
Total	...	615,429	648,581	41,283	42,217

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for year 1937-38	April 1, 1937	April 1, 1938	Week ended Jan. 22, 1938	Week ended Jan. 22, 1937
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt. Payments to N. Ireland Other Cons. Fund Serv. P.O. Fund	224,000	189,942	194,144	343	400
	8,000	5,000	5,517	...	...
	3,200	2,502	2,858	...	...
	300	420	...	...	...
Total	235,500	197,864	202,519	343	400
Supply Serv.	627,348	452,954	496,604	13,753	8,000
Total Ord. Expend.	862,848	650,818	699,123	14,096	8,400
SELF-BAL. EXPEND.					
P. O. and Broadcasting Votes	75,198	55,600	58,500	2,000	1,000
Total	...	706,418	757,623	16,096	9,400

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After increasing Exchequer balances by £378,897 to £3,155,691, the other operations for the week (as shown in the next column, but excluding £2,000,000 issued under the Defence Loans Act) reduced the gross National debt by £30,477,000 to about £8,230 millions.

CHANGES IN NATIONAL DEBT

NET REPAYMENTS, ETC.*	
Treasury Bills	22,842
Public Department Advances	7,185
National Savings Certificates	50
Post Office and Teleg. (Money) Act	350
Other Debt (War Loan) Acts	50
	30,477
* Excluding £2,000,000 issued under Section 1 (1) of the Defence Loans Act, 1937. There were no net increases in debt, but £40,000 was received in respect of Suez Canal Drawn shares.	
AGGREGATE ISSUES AND RECEIPTS	
The aggregate issues and receipts from April 1, 1937, to January 22, 1938, are shown below:—	
(£ thousands)	
Ordinary Exp. ...	699,123
Issue to Exch. Eq. Fund (July, 37)	200,000
Issue under Defence Loans Act	3,250
Increase in balances	455
	902,828
Ordinary Rev. ...	590,080
S. Canal shs.	40
Gross borrg. ...	319,846
Less: New S.F. ...	7,129
Old S.F. ...	9
Net borrowing	312,708
	902,828

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
Date	Tender	Tap	Public Dept. Bank of England		
1937					
Jan. 9	599.0	174.9	30.0	803.9	204.9
Mar. 31	500.0	174.6	23.5	698.1	198.1
Dec. 4	617.0	301.8	42.6	961.4	344.4
" 11	622.0	305.3	45.3	972.6	350.6
" 18	622.0	317.3	41.6	980.9	358.9
" 25	622.0	319.9	41.1	983.0	361.0
" 31	889.7*	39.4	55.7	984.9	...
1938					
Jan. 8	622.0	312.4	41.6	980.0	354.0
" 15	612.0	308.9	35.3	956.2	344.2
" 22	597.0	301.0	28.1	926.2	329.1

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Amount		Average Rate %	Per Cent. Allotted at minimum Rate
Date of Tender	Offered Applied for Allotted		
1937			
Jan. 8	35.0	72.9	35.0
Nov. 12	45.0	75.0	45.0
" 19	45.0	65.0	45.0
" 26	50.0	62.3	50.0
" 3	50.0	64.4	50.0
Dec. 10	50.0	91.5	50.0
" 17	50.0	76.8	50.0
" 24	50.0	68.4	50.0
" 31	50.0	80.5	50.0
1938			
Jan. 7	40.0	81.8	40.0
" 14	35.0	81.8	35.0
" 21	35.0	88.2	32.0

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills.
On January 21st, applications at £99 17s. 6d. per cent. for bills to be paid for on Tuesday to Saturday of the following week inclusive were accepted as to about 22 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Monday at £99 17s. 7d. per cent. and above were allotted in full. £30 millions of Treasury bills are being offered on January 28th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
2 wks. to: Jan. 16, 1937...	1,650,627	1,162,970
Jan. 15, 1938...	1,409,043	1,056,782
Week to: Jan. 16, 1937...	803,903	602,927
Jan. 8, 1938...	695,854	521,890
Jan. 15, 1938...	713,189	534,892

Net Exchequer receipts, eight days to Jan. 8, 1938: £600,000; week to Jan. 15, 1938: Dr. £150,000.

BANK OF ENGLAND RETURNS

JANUARY 26, 1938

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation	473,197,968	Other Govt. Securities...	188,418,881
In Bnkg. Department...	53,208,857	Other Secs.	556,261
		Silver Coin...	9,758
		Armt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,406,825
			526,406,825

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs.	98,943,165
Res.	3,563,368	Other Secs.	10,428,329
Public Depts.	13,554,954	Disc. etc.	18,957,236
Other Depts.	113,072,470	Securities	29,385,565
Bankers	37,348,536	Notes	53,208,857
Other	150,421,006	Gold & Silv. Coin	554,741
	182,092,328		182,092,328

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Jan. 26, 1938	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	473,198	- 2,473	+ 20,901
Deposits: Public	13,555	+ 2,504	+ 1,421
Bankers	113,072	- 11,285	+ 14,649
Others	37,349	+ 410	+ 1,093
Total outside liabilities	637,174	+ 10,844	+ 35,879
Capital and res.	18,116	+ 23	- 26
COMBINED ASSETS			
Govt. debt and securities	298,377	- 5,694	+ 20,781
Discounts and advances	10,428	- 2,518	+ 2,410
Other securities	19,514	- 2,558	- 236
Silver coin in issue dept.	10	- 1	- 4
Gold coin and bullion	326,961	+ 29	+ 12,901
RESERVES			
Res. of notes & coin in banking department...	53,764	+ 2,444	- 7,999
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	32.8%	+ 3.0%	- 8.6%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.4%	+ 0.9%	- 0.8%

COMPARATIVE ANALYSIS

(£ millions)		1938				
	1937	Jan. 27	Jan. 5	Jan. 12	Jan. 19	Jan. 26*
Issue Dept.:						
Notes in circ.	452.3	492.6	482.1	475.7	473.2	
Notes in banking dept.	61.4	53.8	64.3	50.7	53.2	
Govt. debt and securities	198.9	219.7	219.7	199.7	199.4	
Other secs.	1.0	0.3	0.3	0.3	0.6	
Gold	313.7	326.4	326.4	326.4	326.4	
Deposits:						
Public	12.1	14.4	13.2	11.0	13.6	
Bankers	98.4	129.2	123.4	124.4	113.1	
Others	38.4	37.4	36.8	36.9	37.3	
Total	149.0	181.0	173.3	172.3	164.0	
Bkg. Dept. Secs.:						
Government	78.6	108.3	90.2	104.4	98.9	
Discounts, etc.	8.0	15.1	15.8	13.0	10.4	
Other	18.7	21.1	20.5	21.8	18.9	
Total	105.3	144.5	126.5	139.1	128.3	
Banking dept. reserve	61.8	54.5	64.9	51.3	53.6	
"Proportion"	41.4	30.1	37.4	29.8	32.8	
Reserve ratio†	52.2	48.6	49.9	50.5	51.4	

* Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £9,758; capital, £14,553,000; res., £3,563,368.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Roumania, appeared in *The Economist* of December 25, 1937; Bulgaria and Egypt, of January 1, 1938; International Settlements and Argentina, of January 8; Denmark, of January 15; Reichsbank, Australia, Estonia, Finland, Hungary, Java, Jugo-Slavia, New Zealand and Norway, of January 22.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Jan. 24, 1937	Dec. 30, 1937	Jan. 20, 1938	Jan. 27, 1938
Gold cert., on hand and due from Treas.	8,850	9,120	9,118	9,118
Total reserves	9,170	9,461	9,554	9,568
Total cash reserves	308	311	427	441
Total bills discounted	3	13	11	11
Bills in open mkt.	3	3	1	1
Total bills on hand	6	16	11	12
Industrial advances	24	18	18	18
Total U.S. Govt. secs.	2,410	2,564	2,564	2,564
Total bills and secs.	2,410	2,598	2,593	2,594
Total resources	12,318	12,853	12,874	12,776
LIABILITIES				
F.R. notes in actual circulation	4,140	4,283	4,155	4,119
Aggregate of excess m.				
bank res. over reqts.	2,150	1,160	1,370	1,440
Deposits — Member-bank reserve account	6,773	6,983	7,219	7,296
Govt. deposits	180	140	135	117
Total deposits	7,267	7,535	7,772	7,807
Cap. paid in and surplus	305	306	308	308
Total liabilities	12,318	12,853	12,874	12,776
Ratio of total res. to deposit and F.R. note liab. combined	80.4%	80.1%	80.1%	80.2%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	11,345	12,760	12,755	12,755
Treasury and Nat. Bk. currency	2,531	2,634	2,639	2,654
LIABILITIES				
Money in circulation	6,318	6,571	6,346	6,294
Treasury cash and deposits with F.R. bks.	2,683	3,760	3,756	3,759

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

	Jan. 24, 1937	Dec. 30, 1937	Jan. 20, 1938	Jan. 27, 1938
Total gold reserves	3,666	3,638	3,772	3,817
Total bills discounted	1	3	3	3
Bills in open mkt.	1	1	0	0
Total U.S. Govt. secs.	652	739	739	739
Total bills and securities	653	742	742	742
Deposits — Member-bank reserve acct.	3,106	2,301	2,328	2,336
Total res. to dep. and Fed. Res. note liab. combined	86.6%	84.7%	84.9%	85.4%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Jan. 1937	Dec. 1937	Jan. 1938	Jan. 1938
Assets	1937	1937	1937	1938
Loans, total	9,039	9,500	9,226	9,195
Investments	13,758	12,168	12,023	12,138
Reserve with Federal Reserve banks	5,303	5,365	5,473	5,600
Due from domestic bks.	2,354	1,869	1,918	1,957
LIABILITIES				
Deposits: demand (ad-justed)	15,562	14,675	14,219	14,463
Time	5,053	5,192	5,225	5,203
U.S. Government	655	684	679	675
Inter-bank	6,534	5,489	5,605	5,696

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

	Jan. 23, 1937	Dec. 23, 1937	Jan. 20, 1938	Jan. 27, 1938
Assets	1937	1937	1938	1938
Gold*	60,159	58,932	58,933	58,933
Advances on gold coin	1,183			
Bills: Commercial	8,671	9,746	11,193	12,313
Bought abroad	1,410	870	856	854
Advances on securities	3,560	3,693	3,860	3,894
Thirty-day advances	646	529	967	1,072
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	19,398	26,909	31,909	31,904
Negotiable bonds	5,640	5,637	5,580	5,580
Sinking Fund Dept.	3,761	4,163	4,212	4,073
LIABILITIES				
Notes in circulation	86,545	91,263	92,557	91,865
Deposits: Public	1,944	2,423	3,159	3,122
Private	16,518	16,281	21,451	23,299
Other liabilities	2,801	3,444	3,540	3,517
Gold reserve to sight liabilities	57.4%	53.4%	50.2%	49.8%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.

NATIONAL BANK OF BELGIUM

	Jan. 21, 1937	Dec. 21, 1937	Jan. 20, 1938	Jan. 27, 1938
Assets	1937	1937	1938	1938
Gold	3,689	3,497	3,567	3,549
Silver and other coins	56	1,464	1,465	1,522
Bills and securities	53	33	33	33
Advances				
LIABILITIES				
Notes in circulation	4,478	4,275	4,324	4,292
Deposits: Govt.	70	52	17	23
Other	802	735	763	835

AUSTRIAN NATIONAL BANK

	Jan. 15, 1937	Dec. 15, 1937	Jan. 15, 1938	Jan. 15, 1938
Assets	1937	1937	1938	1938
Cash reserve: Gold coin and bullion	242.8	243.2	243.2	243.2
Net foreign exchange	99.0	157.7	162.3	160.5
Bills discounted	202.2	186.5	188.9	188.7
Federal debt	620.1	620.1	611.8	611.8
LIABILITIES				
Notes in circulation	898.5	894.0	875.4	845.7
Deposits	332.1	311.4	325.0	355.6

N.B.—5,976.30 schillings = 1 kg. fine gold Dec. 31, 1937, and after.

BANK OF CANADA

	Jan. 20, 1937	Dec. 22, 1937	Jan. 19, 1938	Jan. 19, 1938
Assets	1937	1937	1938	1938
Reserve, of which:	195.8	206.8	199.9	198.5
Gold coin and bullion	179.5	179.8	179.7	179.7
Securities	158.9	188.0	181.5	178.8
LIABILITIES				
Note circulation	128.7	165.8	160.5	158.0
Deposits: Dom. Govt.	24.2	19.2	15.3	17.9
Chartered banks	190.9	196.6	197.4	189.2
Reserves to notes and deposit liabilities	56.6%	53.8%	53.1%	54.0%

NATIONAL BANK OF CZECHOSLOVAKIA.—Million Cz. Kr.

	Jan. 15, 1937	Dec. 15, 1937	Jan. 7, 1938	Jan. 15, 1938
Assets	1937	1937	1938	1938
Gold	2,389	2,615	2,625	2,633
Balance abroad and foreign currencies	437	473	500	510
Discounts and advances	1,903	2,390	2,414	2,203
State note debts	2,021	2,011	2,010	2,010
LIABILITIES				
Bank notes in circula-tion	5,522	6,243	6,299	5,857
Deposits	923	636	674	919

BANK OF DANTZIG

	Jan. 15, 1937	Dec. 15, 1937	Jan. 31, 1938	Jan. 15, 1938
Assets	1937	1937	1938	1938
Gold coin and bullion	29.00	28.12	28.35	28.37
Danzig subd. coin	4.54	3.81	3.18	3.83
Balance abroad and foreign bills	2.95	4.23	4.18	3.76
Discounts	17.41	14.36	14.65	14.75
LIABILITIES				
Notes in circulation	29.30	32.88	36.24	32.06
Deposits on demand	11.75	14.55	11.65	15.46

BANK OF GREECE.—Million drachmae

	Jan. 7, 1937	Dec. 31, 1937	Jan. 31, 1938	Jan. 7, 1938
Assets	1937	1937	1938	1938
Gold and gold exchange	3,557	3,617	3,681	3,661
State gold bonds	3,557	3,617	3,681	3,661
Bills discounted	4.36	6.07	6.18	6.11
Advances	4,482	4,872	5,248	5,197
State debt	3,605	3,856	3,856	3,856
LIABILITIES				
Notes in circulation	6,199	6,504	6,776	6,600
Dep. and current accts.	5,579	5,954	6,290	6,345
Foreign exch. liabilities	201	176	169	171

BANK OF JAPAN

	Jan. 2, 1937	Dec. 25, 1937	Jan. 25, 1938	Jan. 2, 1938
Assets	1937	1937	1938	1938
Coin and bullion: Gold	548.3	801.0	801.0	801.0
Other	28.56	5.4	27.1	24.2
Discounts and advances	962.9	652.3	663.2	657.5
Government bonds	829.1	681.0	1,124.7	1,387.2
Agencies	84.6	96.4	114.1	109.2
LIABILITIES				
Notes issued	1,865.7	1,776.6	2,155.5	2,305.1
Deposits: Government	217.7	198.3	218.7	302.1
Other	129.0	67.4	111.7	132.0

BANK OF LATVIA

	Jan. 20, 1937	Dec. 20, 1937	Jan. 17, 1938	Jan. 17, 1938
Assets	1937	1937	1938	1938
Gold coin and bullion	76.87	77.49	77.55	77.55
Silver coin	16.00	13.43	13.74	13.89
Foreign currency	28.57	43.11	43.22	42.89
Treas. notes and change	11.69	13.29	9.75	9.64
Short-term bills	49.51	48.13	48.71	49.91
Loans against securities	65.98	87.06	87.64	87.70
LIABILITIES				
Notes in circulation	140.62	63.74	59.63	59.10
Deposits & curr. accts.	138.64	141.91	147.65	142.97
Government accounts	62.67	55.01	56.27	61.51

BANK OF LITHUANIA.—Million litas

	Jan. 15, 1937	Dec. 15, 1937	Jan. 15, 1938	Jan. 15, 1938
Assets	1937	1937	1938	1938
Gold	73.10	76.70	79.04	79.06
Silver and other coins	8.02	13.14	12.97	13.52
Foreign currency	4.13	1.76	1.87	1.20
Discounts: (a) Home	84.95	96.38	98.71	94.69
(b) Foreign	3.56	2.74	3.66	2.53
Advances	13.22	16.96	17.04	17.21
LIABILITIES				
Notes in circulation	107.45	118.13	116.56	112.76
Bank notes in circula-tion	44.31	70.03	58.99	74.90
Current accounts	38.62	19.93	32.76	16.89
Deposits				

RESERVE BANK OF INDIA

	Jan. 21, 1937	Dec. 24, 1937	Jan. 21, 1938	Jan. 21, 1938
Assets	1937	1937	1938	1938
Gold coin & bullion	444	444	444	444
Rupee coin	636	627	624	626
Balance abroad	190	37	30	38
Sterling securities	723	803	788	788
Indian Govt. rupee securities	244	274	274	274
Investments	71	61	60	60
LIABILITIES				
Notes in circula-tion:				
India	1,936	1,790	1,808	1,791
Burma	103	97	106	94
Deposits: Govt.	164	224	176	175
Gold and sterling liabilities	57.0%	58.1%	57.9%	57.8%

NETHERLANDS BANK

	Jan. 25, 1937	Dec. 17, 1937	Jan. 17, 1938	Jan. 17, 1938
Assets	1937	1937	1938	1938
Gold	819.6	1,365.8	1,385.8	1,400.8
Silver	19.6	16.7	17.1	18.0
Home bills discounted	23.1	23.4	24.8	4.7
Foreign bills	2.3	5.1	5.2	5.2
Loans and advances in current account	186.6	194.8	201.4	211.1
LIABILITIES				
Notes in circulation	767.1	868.5	860.1	850.8
Deposits: (a) Govt.	127.5	177.8	192.6	192.6
(b) Other	174.1	655.5	590.7	612.5

BANK OF POLAND

	Jan. 10, 1937	Dec. 31, 1937	Jan. 10, 1938	Jan. 10, 1938
Assets	1937	1937	1938	1938
Gold	394.6	434.3	434.9	435.2
For. exch. and balances	31.3	37.6	36.1	37.2
Bills discounted	649.2	557.4	660.9	602.4
Loans against securities	64.1	24.2	24.3	23.9
Treas. bonds discounted	43.3	40.1	24.3	18.6
Securities	134.7	135.2	128.7	129.2
LIABILITIES				
Notes in circulation	986.4	1,013.6	1,059.5	999.6
Sight liabilities:				
(a) Govt.	1.5	39.0	55.5	62.4
(b) Others	272.2	292.7	324.2	314.2

BANK OF PORTUGAL

	Dec. 16, 1937	Nov. 17, 1937	Dec. 15, 1937	Dec. 15, 1937
Assets	1936	1937	1937	1937
Gold	911.6	916.9	917.0	917.0
Balance abroad	593.5	636.8	607.8	592.5
Discounts	342.9	317.5	321.2	318.2
Securities	130.1	124.4	124.4	124.4
Government loans	1044.2	1041.6	1041.6	1041.6
LIABILITIES				
Notes in circulation	2169.5	2118.4	2155.7	2127.9

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Jan. 20, 1938	Jan. 21, 1938	Jan. 22, 1938	Jan. 23, 1938	Jan. 24, 1938	Jan. 25, 1938	Jan. 26, 1938
London—	Old Par	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2
60 days	4-8000	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2
Cables	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2
Demand	8-2397	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2	4-99 1/2
Paris, Fr.	6-63	3-33 1/2	3-33 1/2	3-33 1/2	3-33 1/2	3-33 1/2	3-33 1/2	3-33 1/2
Brussels, Bel.	21-54	16-92	16-90	16-90 1/2	16-90 1/2	16-88 1/2	16-88	16-88
Switz. Id. Fr.	32-67	23-11	23-11 1/2	23-11 1/2	23-11 1/2	23-10	23-10	23-10
Italy, Lira	8-91	5-26 1/4	5-26 1/4	5-26 1/4	5-26 1/4	5-26 1/4	5-26 1/4	5-26 1/4
Berlin, Mk.	40-33	40-28 1/2	40-28	40-28	40-28	40-27	40-27	40-27
Vienna, Sch.	23-82	18-90	18-90	18-90	18-90	18-90	18-90	18-90
Madrid, Pt.	32-67	6-20	6-20	6-20	6-20	6-10	6-10	6-10
Amst'dm, Gldr.	68-06	55-71 1/2	55-72	55-74	55-74	55-71	55-73	55-73
Cop'hgn, Kr.	22-32 1/2	22-32 1/2	22-32 1/2	22-32 1/2	22-32 1/2	22-30	22-32 1/2	22-32 1/2
Oslo, Kr.	55-12 1/2	55-12 1/2	55-12 1/2	55-12 1/2	55-10	55-10	55-12 1/2	55-12 1/2
St'm, Kr.	25-77 1/2	25-77 1/2	25-77 1/2	25-77 1/2	25-75	25-75	25-77 1/2	25-77 1/2
Athens, Dr.	1-29	0-91 1/4	0-91 1/4	0-91 1/4	0-91 1/4	0-91 1/4	0-91 1/4	0-91 1/4
M'cal, Can. \$	169-31	100-00	100-00	100-00	100-00	100-00	100-00	100-00
Y'hama, Yen	84-40	29-07	29-06	29-06	29-06	29-05	29-05	29-05
Shanghai, \$	...	29-67	29-68	29-70	29-70	29-70	29-75	29-75
B. Aires, Peso	...	11-00	11-00	11-00	11-00	11-00	11-00	11-00
Rio, Ms.	11-96	5-83 1/2	5-83 1/2	5-83 1/2	5-83 1/2	5-83 1/2	5-83 1/2	5-83 1/2

Usance: T.T.

* Dollars per £1.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended January 27, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
Gold					
British S. Africa	1,573,400	...	Denmark	225	...
British India	131,806	...	Netherlands	42,350	348,282
Australia	390,367	11,550	France	20,378	138,609
New Zealand	31,033	...	Switzerland	14,479	138,949
Canada	...	211,345	Jugoslavia	200,719	...
Netherlands	...	20,862	Egypt	3,290	...
U.S.A.	179,500	...	Morocco	...	3,380
Total*	2,155,069	433,984	Total*	282,117	649,220
Silver					
British India	31,753	...	Aden and Depend-	...	16,140
Hong Kong	...	2,219,800	Straits Settlements	...	5,448
Australia	54,755	...	Denmark	230	...
Germany	32,910	...	Netherlands	980	...
Belgium	5,315	9,666	Germany	15,935	...
France	2,927	182	France	4,325	...
Other countries	2,412	1,324	Egypt	930	7,356
			U.S.A.	26,430	...
Total	130,072	2,230,972	Total*	54,442	30,430

* Including other countries.

TRANSCAAL GOLD OUTPUT

STATISTICS FOR DECEMBER 1937

(Revenue calculated on basis of £6 19s. 6d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
Anglo-American Corporation						
Brakpan Mines	140,000	...	244,966	137,670	107,326	s. d.
Daggaalonten Mines	130,000	...	266,074	137,180	128,894	...
Spring Mines	151,500	...	301,937	147,842	154,095	...
West Springs	90,000	...	119,828	78,605	41,223	...
Central Mining—Rand Mines						
City Deep	107,000	20,877	145,757	...	19,076	23 8-1
Cons. Main Reef	156,000	28,908	201,648	...	47,120	19 9-7
Crown Mines	354,000	84,991	593,488	...	257,020	19 0-1
Durban Roadpt. Deep	102,000	21,198	147,970	...	33,791	22 4-7
East Rand Prop.	208,000	45,994	321,169	...	98,206	21 5-3
Glenheid Deep	64,000	9,772	68,268	...	16,515	16 2-1
Modderfontein B.	89,000	15,100	105,726	...	41,203	13 9-9
Modderfontein East	112,000	22,003	153,571	...	53,285	17 10-9
New Modderfontein	195,000	36,853	257,663	...	113,010	14 10-0
Nourine Mines	79,000	16,418	114,631	...	22,871	23 2-8
Rose Deep	74,000	12,564	87,785	...	14,315	19 10-3
General Mining						
Van Ryn Gold	63,000	...	58,201	...	7,603	16 5
West Rand Cons.	172,000	...	233,765	...	97,132	16 2

* Revenue from gold based on a price of £6 19s. 6d. per fine ounce.

Transvaal Output, Employment and Working Profit.—Gold output, December, 1937: Witwatersrand, 965,814 fine ounces; outside districts, 28,879 fine ounces; total, 994,693 fine ounces. Value for purposes of declaration, £6 19s. 6d. Total output, November, 1937: 978,271 fine ounces. The number of natives employed at end of December was: Gold mines, 282,681; coal

mines, 16,474; total, 299,155. Total estimated working profit for December, 1937: Witwatersrand, £2,556,536; outside districts, £9,436; total, £2,565,972. Comparable figures for November, 1937: Witwatersrand, £2,612,307; outside districts, £9,605; total, £2,621,912.

SHORTER COMMENTS

(Continued from page 246)

RAILWAYS

Leopoldina Railway Company.—To meet the expense of establishing a minimum wage, the company has been authorised to increase rates for parcels and goods traffic by 10 per cent. as from January 15th.

Benguela Railway Company.—Gross railway receipts: 1937, £385,324; 1936, £254,819. Net railway receipts: 1937, £200,745; 1936, £77,723.

MISCELLANEOUS

John Bolding and Sons.—Net profit for 1937, after tax and N.D.C. (£9,000), depreciation, preference dividend and staff bonus, was £19,471 against £19,574 for 1936. Final dividend 12½ per cent., making 17½ per cent. for year, as before. Carry forward £23,447 against £18,710.

American Telephone and Telegraph.—Revenues for 1937 \$107,369,000, an increase over 1936 of \$448,216. Net operating revenue \$7,097,857 lower at \$18,212,000 but net balance of income showed increase of \$4,934,586 at \$179,761,000. Dividends absorbed

\$168,181,000 against \$168,081,179. Surplus for year \$11,580,000 against \$6,745,235. Net earnings \$9-62 against \$9-36 per share.

Leicester Permanent Building Society.—Total assets end of 1937, £14,658,924 against £13,983,901 at end of 1936. General reserve, £1,000,000 against £835,000. To mark the occasion of the general reserve fund reaching the sum of £1,000,000, special bonus has been declared to the holders of all paid-up shares.

English Clays, Lovering, Pochin and Company.—Profits advanced from £96,745 to £242,536 in year to September 30, 1937. Dividend for year raised from 3 to 4½ per cent. To tax and N.D.C., £53,887 (against £18,048); depreciation, £31,977 (22,007); leasehold, etc., reserve, £15,000 (same); general reserve, £20,000 to £31,604 (£10,000). Carry forward raised from £20,754.

Oswald Tillotson, Ltd.—The capital reorganisation scheme (see *The Economist* of January 8th, page 80) was withdrawn by the board at the general meeting on January 20th. It was stated that the board did not propose to submit an alternative, and a share in the equity would not be conceded to preference shareholders, but

that concrete proposals from the latter would receive consideration.

Southalls (Birmingham).—Net profits for 1937 after tax, fees, depreciation, bad debts, contingencies and staff funds, are £89,346, against £88,202. Final dividend 10 per cent., making 20 per cent., tax free; also 5 per cent. tax free distribution (absorbing £11,700) from profits on sales of investments. To reserve, £40,000 (same); carry forward, £26,439 (£2,546 more).

APPOINTMENTS AND PERSONAL

Mr Ellis Hunter has been appointed deputy chairman and an executive director of Dorman, Long and Company.

Mr F. J. K. Hull has joined the board of the Butterley Company.

Mr N. Yatsushiro has resigned as chief managing director of the Sumitomo Bank, Ltd., and hereafter will act solely as chairman. Mr K. Ohdaira has been appointed chief managing director.

Captain the Right Hon. Lord Cornwallis has been appointed a director of the Royal Insurance Company and also of the Liverpool and London and Globe Insurance Company.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

L. M. & S.—	Gross Receipts, week ended Jan. 23, (£'000)					Aggregate Gross Receipts, 3 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
1937	359	470	277	747	1,066	1,090	1,395	835	2,230	3,320
1938	385	488	318	806	1,191	1,145	1,421	938	2,359	3,504
L. & N. E. (a)—										
1937	242	323	267	590	832	740	955	774	1,729	2,469
1938	258	333	304	637	895	773	961	849	1,810	2,583
Great Western—										
1937	152	182	118	300	452	486	549	356	905	1,391
1938	159	198	130	328	487	488	581	382	963	1,451
Southern—										
1937	247	57	36	83	340	754	167	103	270	1,024
1938	260	59	40	99	359	783	165	110	275	1,058
Total—	1,060	1,032	698	1,730	2,730	3,070	3,066	2,065	5,134	8,204
1938	1,062	1,078	792	1,870	2,932	3,189	3,128	2,279	5,407	8,596

(a) Week ended January 22.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 184	+ 114	+ 60	+ 34
Weekly Figures				
Av. weekly increase, first half 1938	+ 61-33	+ 38-00	+ 20-00	+ 11-33
Latest week compared with 1937	+ 85	+ 63	+ 35	+ 19
Latest week compared with average 1927-30	- 128	- 119	- 67	- 18

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended January 21, (£'000)			Aggregate Gross Receipts 3 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belast & Co. Down—						
1937	1-6	0-3	1-9	4-9	1-2	6-1
1938	1-7	0-3	2-0	5-2	1-1	6-3
Great Northern—						
1937	6-7	8-5	15-2	22-2	24-6	46-8
1938	7-5	8-4	15-9	24-3	23-0	47-3
Great Southern—						
1937	24-9	43-0	67-9	80-4	137-7	218-1
1938	26-8	38-0	64-8	84-5	134-0	218-5

Hungarian State Loan, 1924.—On January 25th the trustees for this loan announced that Treasury bills in respect of untransferred interest, etc., had been presented to the Hungarian Government, but not paid or renewed. The trustees informed the Secretary-General of the League of Nations of these developments. But it is understood that the Government's action was in accordance with the debt agreement proposals of June last which was recommended by the League Loans Committee.

Montenegro 5 per cent. Government Loan, and Serbian 4 per cent. Unified Bonds.—The Yugoslavian Government, finding it impossible to resume full service payments, offers the following terms to holders of these loans: (1) payment in sterling of 45 per cent. of nominal value of coupons; (2) contractual amortisation to be resumed; (3) proposals cover two years to December 31, 1939, in which time permanent settlement to be examined; (4) no more favourable arrangements than these to be made with other foreign holders, unless holders of above loans given right to participate. Council of Foreign Bondholders are of opinion holders would be well advised to accept.

Beans Industries, Ltd.—Profit for year to November 30, 1937, £84,300 (after depreciation, etc., but before tax and N.D.C.), or £59,300 net after setting aside £25,000 for tax and N.D.C. To pension account £5,000. To general reserve £15,000. Ordinary dividend 30 per cent. for year. Carry forward £13,257.

Tanganyika Concessions, Ltd.—A circular has been issued to shareholders stating that a reconstruction scheme entailing the reduction of the nominal value of all classes of shares is being prepared. It is hoped that the scheme will permit of a preference distribution towards the end of the current year. In the future any further improvement should permit of some eventual return to the ordinary shareholders.

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending January 22, 1938, before pooling	£50,100	+ £10,900
Total, 30 weeks to date	16,857,800	+ 57,600
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Gross Aggregate Receipts	
			1937	+ or -	1937	+ or -
INDIAN						

THE WEEK'S COMPANY RESULTS

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. Amount	Ordinary Amount	Rate				
		£	£	£	£	£	%	£	£	£	%
Total, 1938, to Jan. 22	91 Cos.	5,654,258	12,691,052	18,345,310	138,212	7,822,996	...	2,233,321	6,906,871	105,948	...
Banks											
Union Bank of Manchester Financial Land, etc.	Dec. 31	14,513	99,213	113,726	...	56,250	10	42,000	15,476	96,886	10
North Queensland Mortgage, etc.	Sept. 30	3,913	10,281	13,294	7,358	...	...	3,000	2,936	9,499	Nil
Taylor Woodrow Estates ...	Oct. 31	40,560	27,768	68,328	6,000	9,000	6	46,596	6,732	29,183	5
Wemyss Collieries	Nov. 11	14,354	52,910	67,264	19,310	9,750	10	16,509	21,704	46,833	10
Iron, Coal and Steel											
Steel Developments	Dec. 31	4,348	4,300	9,148	...	4,119	5½	...	5,029	4,498	6
Motor Cycle & Aviation	Sept. 30	15,946	213,958	229,904	...	75,000	12½	136,774	18,130	132,185	10
De Havilland Aircraft	Sept. 30	15,946	213,958	229,904	...	75,000	12½	136,774	18,130	132,185	10
Rubber											
Bah Lins	Oct. 31	39,461	72,773	112,234	...	52,682	15	16,672	42,880	41,444	9
Garing (Malacca)	Sept. 30	4,155	5,754	9,909	...	3,819	5	2,000	4,090	1,983	2½
Gedong (Perak)	Oct. 31	1,482	4,109	5,591	...	3,040	5	1,000	1,551	2,104	3
Kuala-Kangsar	Oct. 31	5,528	35,966	41,494	...	26,250	15	7,000	8,244	18,846	9
Padang Langkat	Sept. 30	1,920	13,619	20,539	...	12,758	8	4,175	3,606	8,131	5
Toerangie (Sumatra)	Oct. 31	18,255	36,619	54,874	...	31,260	17½	5,000	18,614	16,931	9
Shops and Stores											
Darnell (J.) and Son	Dec. 31	4,276	22,521	26,797	...	22,500	15	...	4,297	26,011	15
Textiles											
Sparrow, Hardwick and Co.	Dec. 31	16,291	35,076	51,367	14,000	14,000	7	1,500	21,867	27,907	6
Wilkinson and Riddell	Dec. 31	28,018	51,461	79,479	6,500	37,125	11	8,000	27,354	51,514	8½
Tramways and Omnibus											
Tilling & B.A. Traction ...	Dec. 31	138,734	442,099	580,833	20,000	400,000	10	10,000	150,833	367,423 (d)	10
Trusts											
Amalgamated Cotton Trust.	Aug. 28	...	230,165	230,165	47,126	16,732	12½†	163,458	2,849	(a)	(a)
English and New York	Dec. 31	29,566	31,916	61,482	17,156	11,437	5	...	32,889	29,641	4
Greyhound Trust	Dec. 31	45,950	241,237	287,187	104,667	80,000	40	66,667	35,853	223,090	30
London Scottish Invest. ...	Dec. 31	2,446	24,762	27,208	12,416	7,521	4½	3,500	3,771	21,275	3½
Nat. Dom. & Gen. Invest ...	Dec. 31	4,780	9,002	13,782	5,672	2,647	3½	...	5,463	8,821	2½
Omnium Investment	Dec. 31	4,513	48,850	53,363	23,840	16,688	3½	4,718	8,117	37,450	2½
Standard Trust	Dec. 31	31,000	50,906	81,966	25,163	15,300	5	11,597	29,906	43,276	4
Utilities and General Trust.	Dec. 31	9,519	17,999	27,518	9,375	4,687	2½	4,000	9,456	15,450	2
Waterworks											
Cleveland Water	Dec. 31*	8,652	5,014	13,666	...	3,400	10 & 7	...	10,266	4,169	10 & 7
York Waterworks	Dec. 31	18,146	10,035	28,181	2,695	8,092	7	...	17,394	15,611	7
Other Companies											
Beans Industries	Nov. 30	...	84,300	84,300	3,542	22,500	30	45,000	13,258	(a)	(a)
Blundell, Spence and Co. ...	Oct. 31	10,254	27,921	38,175	7,683	20,170	6	...	10,322	28,419	6
Dixor, Ltd.	Dec. 31	...	36,588	36,588	641	8,090 7,031	40½ 37½	19,295	1,531	(a)	(a)
Hall (J. & E.)	Sept. 30	29,293	44,887	74,180	7,200	31,360	7	5,000	30,620	65,195	8½
Larkins (S. C.) and Sons	Dec. 31	30,112	31,965	62,077	2,812	20,625	13½	6,500	32,140	28,379	12½†
London Pavilion	Dec. 31	5,177	13,731	18,908	3,000	7,800	6	3,000	5,108	16,065	7s
Lotus Limited	Dec. 31	16,441	59,141	75,582	18,376	30,615	6	9,834	16,757	76,100	7
Pawsons and Leaf	Dec. 30	30,635	16,448	47,083	...	13,800	5	650	32,633	11,477	3½
Southalls (Birmingham)	Dec. 31	23,393	89,346	112,739	...	46,800	20†	40,000	20,439	88,202	20†
Total, 1938, to Jan. 29	122 Cos.	6,291,536	14,448,426	20,739,962	169,534	8,845,241	...	2,647,004	7,552,372	120,918	...

* For half year.

† Free of income tax.

(a) No comparable figure.

(d) Absorbed £333,333.

(s) Includes special bonus of 1 per cent. paid free of income tax.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS					Baird (Wm.) & Co.	...	...	...	...	Lawrie (Alex.) and Co.	...	...	...	...
Bank of N.S. Wales	6-pa	...	Feb. 21	6-pa	Belfast Ropeworks	...	...	...	...	Linen Thread	...	...	...	...
Canad. of Commerce	2*	...	Mar. 1	2*	Bolding (John)	...	...	...	...	Liverpool Grain	...	...	...	...
Commercial of Sydney	7-pa	...	Jan. 25	6-pa	Birmingham, etc. Tst.	...	...	...	...	London Pavilion	...	...	...	...
Stockholm Enskilda	...	15	...	25	Bradbury Greatorex	...	...	...	...	Lotus, Ltd.	...	...	...	...
TEA & RUBBER					Brewery, etc. Trust	...	...	...	...	McEwan (Wm.) & Co.	...	...	...	...
Assam Co.	2*	...	...	Nil*	British Ind. Trust	...	...	...	...	McIntyre Hoag Ash.	...	...	...	...
Java Produce	3*	...	...	Nil*	British Ind. Trust	...	...	...	...	Newcastle Gas	...	...	...	...
Melmerau Pegoh	2½*	...	Feb. 22	3*	Burnell and Co.	...	...	...	...	Nt. Mt. & N. Zealand	...	...	...	...
Toerangie Rub.	...	17½	...	9	City of B.A. Trans.	...	...	...	...	Nth. Central Wagon	...	...	...	...
MINING					Dainall (J.) and Son	...	...	...	...	Nuttalls Breweries	...	...	...	...
Glyn's Lydenburg	7½*	...	Feb. 23	7*	Deanna St. Tst.	...	...	...	...	Rango Boilers	...	...	...	...
Korongo Gold	...	7½	...	Nil	Equatorial Tst.	...	...	...	...	Rio de Jan. Imps.	...	...	...	...
Malaysian Tin	2½*	...	Feb. 1	2*	Foster Porter and Co.	...	...	...	...	Romney Trust	...	...	...	...
Pengkalen (pref. ord.)	10*	...	Feb. 12	10*	Gas, Light and Coke	...	...	...	...	Sackville Estates	...	...	...	...
Petaling Tin	10*	...	Feb. 8	12*	Genatossan	...	...	...	...	Scot. Cent. Invest.	...	...	...	...
Tekka-Laping	2½*	...	Feb. 5	2½*	Glasgow Stk. Tst.	...	...	...	...	South Mepgn. Gas	...	...	...	...
COMPANIES					Grantham (William)	...	...	...	...	Squirrel Confect.	...	...	...	...
Alders (Lamworth)	10†	15	...	4	Guardian Inv. Tst.	...	...	...	...	Stn. Suburban Gas	...	...	...	...
Amal. Cotton Tst. (1-2)	...	8½	...	Nil	Harvey & Thompson	...	...	...	...	Tor Investment	...	...	...	...
Anglo-Amer. Tel. (def.)	...	11	...	11	Hunter Barr & Co.	...	...	...	...	Tweelton Col.	...	...	...	...
Arctic, Ltd.	20†	27	...	20	Itas, Ltd.	...	...	...	...	Utilities, etc. Tst.	...	...	...	...
					Kay & Co.	...	...	...	...	White (John)	...	...	...	...

(c) Includes 1 per cent. tax free from profit on realisation of investments.

COMMERCIAL BANKING OF SYDNEY.—Interim dividend raised from 6 to 7 per cent. per annum.

DIXOR, LTD.—Final ordinary dividend 22½ per cent., making 37½ per cent. for the first period from April 5th to December 31, 1937.

GAS LIGHT AND COKE COMPANY.—Ordinary dividend £5 12s per cent. per annum. This rate is paid for the ninth successive year. Carry forward reduced from £213,177 to £102,376.

GENATOSSAN, LTD.—Interim dividend reduced from 15 to 10 per cent.

JOHN WHITE (IMPREGNABLE BOOTS).—Final ordinary dividend 7½ per cent., making 12½ per cent., compared with 10 per cent. for 1936.

LOTUS, LTD.—Final dividend on ordinary shares 3½ per cent., making 6 per cent. for year, against 4½, making 7 per cent.

NEW YORK AND GENERAL TRUST.—Dividend of 6½ per cent. and 5 per cent. on the 5 per cent.

† Free of Income Tax.
cumulative preference stock are to be paid, representing arrears to January 3, 1937 and the normal dividend to January 3, 1938, respectively.

TILLING AND BRITISH AUTOMOBILE TRACTION.—Final ordinary dividend 5 per cent., making 10 per cent. for year, but payable on £4,000,000 against £3,333,333.

TOERANGIE RUBBER.—Final ordinary dividend 10 per cent., making 17½ per cent. for year to October 31, 1937, against 9 per cent.

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Mineowners and the Public

PARLIAMENT re-assembled on Tuesday to face a programme of unusual length and interest. The overwhelming preoccupation of foreign affairs, with its swelling accompaniment of defence preparations, has re-asserted itself from the start. Finance, as always at this time of year, will take a large slice of Parliamentary time

inquiry has recommended the bringing about of desirable amalgamations by compulsion. The Samuel Commission in 1926, for example, decided to give the voluntary principle every opportunity to show that it could do what was necessary, and an Act was passed to facilitate the process. But SIR HERBERT (now LORD) SAMUEL was himself one of the most urgent supporters—it might also be said the author—of the compulsory amalgamation clauses of the 1930 Act, so disillusioned was he with the pitifully slow progress of voluntary co-operation. In any case, the principle of compulsory amalgamation was settled in 1930 by a Parliament composed of a Labour and Liberal House of Commons and a Conservative House of Lords. The present Bill does no more than make a second attempt to implement what was the manifest intention of Parliament eight years ago—surely not an excessively rash rate of progression. As for the so-called “safeguards,” they have merely been amended to prevent them from being, as they have been since 1930, absolute barriers in the way of any action being taken. When the mineowners in their published statement by implication bless the 1930 Act with its “safeguards,” they mean that they support the principle of compulsory amalgamation provided that, in practice, no compulsory amalgamations take place. It is an attitude to which, on the lips of less high-minded men, harsh descriptions might be applied.

The questions raised by the mineowners' opposition, however, extend beyond the bounds of the mining industry. The proposals for compulsory amalgamation, as has been pointed out, are only part of a wider whole. The remainder includes the nationalisation of royalties, which will meet a long-standing grievance of the mining industry and eventually reduce its burdens; the quota system, which has brought undoubted advantages to the shareholders in the industry; and the selling schemes, which have been instrumental in raising the price of coal. All these are matters in which the State is using its powers to put money in the pockets of the industry. There is no disposition on the mineowners' part to refuse the benefits of, say, the quotas. But while keeping the benefits of associa-

tion with the State, the industry wishes to repudiate that part of the bargain which is less to its liking. Moreover, coal is not the only industry to take this line. The steel industry, having been helped by tariffs, by Government assistance in negotiations with the international cartel, and by re-armament orders, showed the quality of its gratitude by its selfish refusal to assist in the erection of a steel plant at Jarrow, and by the high-handed attitude it has taken to complaints of excessive prices. The National Farmers' Union have gone even farther, for in addition to making no increased social contribution that can be detected in return for the benefits showered upon them in recent years, they have now taken to abusing the Government's milk policy, compounded as it is of subsidies, direct and concealed, because it does not go far enough for their taste.

It is high time that a stand was taken against a tendency which appears to aim at the conversion of Britain into a feudal baronage of vested interests. There is a serious danger that if a few industries are allowed too blatantly to win their battles against the community the reaction of the people may be a violent and socialistic one, in which the public-spirited industry may go down with the socially arrogant. Bourbonism of the type displayed by the mineowners invites a campaign to end “economic royalism” once and for all. Ever since the American Revolution, “No Taxation Without Representation” has been one of the cardinal principles of democratic government. It is time to evolve its latter-day equivalent in this new field of industrial organisation. No industry should be allowed to make use, for its own profit, of the State's compulsory powers without giving the State in return the right to insist that the industry shall serve not only its own interest but the wider interest of the commonwealth. Compulsory amalgamation of coal mines is a particular application of that broad cardinal principle of economic democracy. We trust that the Government will go no further than the concessions agreed to by MR STANLEY in Thursday's debate and will insist on keeping at least the main outline of the Bill intact.

Five Years of Hitler

THE fifth anniversary of HERR HITLER'S advent to power was celebrated on Sunday by all the performances that are dear to Nazi hearts, with the striking exception of a speech from the mouth of the FUEHRER himself. Preparations had been made to summon the Reichstag, but they were cancelled at the last moment. Why, on this historic occasion, has the oracle of Berchtesgaden been silent? Circumstantial report says that a severe internal crisis in the regime could not be resolved in time. The crisis appears to revolve round the person of the War Minister, FIELD-MARSHAL VON BLOMBERG, but much more important matters than personalities are involved. The constant struggle between the leaders of the Army and industry on the one hand and the Party extremists on the other, is coming once more to a head. The ultimate issue behind the immediate quarrels is, at home, between revolution and evolution; abroad, between peace and war. Which path is HERR HITLER going to choose? And how far may he now himself be at the mercy of forces which he has deliberately conjured up to serve his turn? The best approach to these questions is perhaps to be found in a glance at the first five years' balance sheet of the Third Reich.

In the economic field HERR HITLER had the same good fortune as PRESIDENT ROOSEVELT in the date of his advent to power. He took office at the depth of the depres-

sion; he has risen on the crest of the following wave of recurrent prosperity. There cannot be any question that Germany is far more prosperous than she was five years ago. In 1937 there were 48 per cent. more Germans at work than in 1932; savings banks deposits were 55 per cent. higher; the index of industrial production had more than doubled; steel output had increased by 173 per cent. All these are undeniable facts. But do they prove anything more than that Germany suffered a particularly severe depression? Is the boom HERR HITLER'S merit any more than the previous slump was DR BRUENING'S fault? For, if there is one thing that the figures do not prove, it is that dictatorial methods are preferable to democratic for securing economic progress. If the comparison be made, not with the bottom of the slump in 1932, but with the last year of comparative prosperity in 1929, the number of people employed in Germany has increased by rather less than 6 per cent., compared with over 12 per cent. in Great Britain. Similarly, the official index of industrial production three-quarters of the way through 1937 stood 24 per cent. above the 1929 level in Germany, but 26 per cent. higher in Great Britain. German steel output in 1937 was 6½ per cent. higher than in 1929; but British output was 34½ per cent. greater. Thus the figures establish little more than that Germany has shared in world recovery. The test of HERR HITLER'S economic claims may come if

and when in the world at large recovery is followed by a recession. On the Nazi theory and practice of political economy, the Reich, with her closed system and her artificially wide distribution of employment among her own people, ought at least to escape relatively lightly from another bout of commercial adversity. But this practical test of the Nazi theory has still to come.

The luck which has attended HERR HITLER up to now in the economic field has also smiled on him in politics. Events have proved that the edifice of the peace treaties contained a good deal of jerry-builder's work; and HERR HITLER has found quite a number of unbarred and unbolted doors to burst open, and lath-and-plaster walls to batter down with even an unmailed fist. But is the whole structure equally shoddy? Now that he has re-occupied the Rhineland and de-internationalised the German rivers, could the German bull in the Versailles china-shop go on to tilt at the territorial provisions of the treaty without incurring a grave risk of breaking his horns and perhaps even making acquaintance with the matador's sword? Here is another question with which HERR HITLER is confronted at the end of his first five years.

And then there is something that the Nazi firm's chartered accountants might not know whether to place to profit or to loss. When DR GOEBBELS sings out that “Germany has now recovered her honour,” a Western observer might prefer to put it that HERR HITLER'S Germany to-day is regarded abroad in the same way as KAISER WILHELM'S Germany or NAPOLEON III'S France. In shaking off the *Versailles Diktat* from the neck of the Reich, Nazidom has also shaken down our frail post-war attempt at constructing a just and peaceful international order. In their present frame of mind, the Nazis are glorying in this second act of destruction as lustily as in the first. But what next? The half-hearted imperfections, even the hypocrisies, that can be detected in “The Geneva Institution,” are a fine target for hostile propaganda. But the collapse of the League would not be the grand finale of our international history. A failure to achieve international order by rational and peaceful agreement would merely be the signal for another attempt at solving the international problem by the old—the very old—way of imposing peace by the force of a dominant nation. If the world's affairs are not managed constitutionally by the League—or by a code of international behaviour of which the Covenant is the only prototype—then they can only be governed tyrannically by one gang of Powers or another. And then everyone is bound to ask whether it will be by my gang or by yours. This brutal but unavoidable question is the spur that has goaded all the Powers to-day into a breakneck armaments race. Is this the road that HERR HITLER really wishes to follow to its dead end?

We wonder; because we believe—and here is our ray of hope—that the German people to-day have no more stomach for a great war against adversaries of their own calibre than have the French or the English or the Americans. The strength of this German wish to remain at peace must have been apparent to any Englishman who happened to be travelling in Germany last year at the time of the “Deutschland” affair. The Germans do not want to fight, and HERR HITLER certainly knows it. We believe that the FUEHRER has the will to peace. But a statesman who wills a certain end is perhaps not very likely to reach his goal if he persistently wills the means to that goal's opposite. This is the crux of HERR HITLER'S problem. He cannot secure for his people the inestimable boon of peace without paying the inevitable price for it. Peace cannot be had without sociability; and unhappily it must be said that the impalpable but potent bonds of sympathy that did subsist between the world and the Weimar Republic have been broken, one after another, by the impact of item after item in HERR HITLER'S policy: by his autarky, his militarism, his racialism, his anti-Semitism, his anti-liberalism, and his repressive campaign against both of the Christian Churches. The severance of the moral links with the outside world has been reckless, and it is a huge item to be set on the debit side of the account against HERR HITLER'S claims to have improved upon the position in which Germany found herself before he took the helm.

Is it still in the FUEHRER'S power to reverse the engines if he chooses? Could he, for example, modify his policy of autarky in the direction of the VAN ZEELAND report? Could he relax his persecution of Jews, Marxists, Catholics, Protestants and Liberals? Could he slow down the pace of his re-armament? If he could do at any rate some of these things to an appreciable extent, he could be sure of evoking in the Western countries so prompt and so warm a response that the broken moral links between Germany and the West would at once begin to re-form.

That way lies peace and happiness for all of us; and there are certain good omens. HERR HITLER'S instantaneous success in changing—vastly for the better—the atmosphere of German-Polish relations in 1934 surely shows that he could bring about the same beneficent change in German-Czech relations in 1938. Again, the vast new programme for the rebuilding of Berlin looks like an alternative to arms competition as a means of providing employment. Finally, we may guess that the present plight of Italy and Japan is no inducement to HERR HITLER to follow these associates of his—who are not yet quite his allies—along the treacherous path of aggressive military adventure. Which choice will the FUEHRER make? He can hardly much longer postpone the momentous decision.

Machinery in the Home

SINCE the War “commodious” has largely been displaced by “labour-saving” in the vocabulary of the house agent. Even the smallest modern house or flat has a relatively cheap, constant and reliable supply of gas or electric power, or both. An enormous impetus has consequently been given, in the home, to a process of mechanisation, which was applied to the operations of the workshop and the factory a century or more earlier. Domestic duties, such as the preparation of food, and the waging of war on dust and dirt, and the provision of domestic amenities, afford almost boundless scope for the replacement of human labour by the tireless energy of machines. No small part of the increased leisure enjoyed by housewives of all classes to-day, no less than by their breadwinners, is attributable

to the cheapening of the capital and running costs of a great variety of mechanical and domestic appliances, which has brought many of them within the reach of even the poorest classes of the community. In the present article we propose to examine some of the implications of the changes brought about by the widespread use of such appliances as the vacuum cleaner, the wringing machine, the sewing machine, and the growth of domestic amenities represented by the wireless set and the gramophone.

As early as 1854, a form of sewing machine was used in clothing factories, and mechanical carpet sweepers were fairly common by the end of last century. The domestic “Industrial Revolution,” however, dates largely from the early nineteen-hundreds. The Singer Sewing Machine

Company was marketing its machines for domestic use in 1905. The Gramophone Company, Limited, was registered (as the Gramophone and Typewriter Company, Limited) in 1900. In the earlier types of domestic machinery, motive power was supplied either by the user's hand or foot, or by a metal spring; the application of non-manual power has been largely a post-War development. Comprehensive figures of the output of domestic appliances are, unfortunately, unobtainable, but the statistics in the following table broadly suggest that, while sales of the older types of appliance, like the sewing-machine and the wringing-machine, have shown no sensational increase during the last few years, the output of mechanically operated appliances, such as the vacuum cleaner, the wireless set, the radiogramophone and the small domestic electric motor, has risen by leaps and bounds:—

OUTPUT OF PRINCIPAL HOUSEHOLD APPLIANCES

	(£'000)			
	1930	1933	1934	1935
Sewing machines (1)	3,524	2,693	2,684	2,735
Wringing machines (2)				
(domestic)	854	864	895	931
Refrigerating machinery				
(domestic)	(a)	(a)	397	(a)
Vacuum cleaners.....	524	2,112	2,540	3,119
Wireless sets	5,951	9,745	11,759	12,005
Radiogramophones and electrical reproducers	210	758	2,790	2,455
Fractional h.p. motors	331	575	736	770
Gramophones	2,364	(a)	340	278

(a) Not recorded separately.

(1) Includes boot and shoe-making machinery.

(2) For the most part hand-operated, no distinction being made between these and the electrically-driven types.

The increase in the number of mechanical aids adopted by the housewife in recent years is, in fact, closely associated with the increasing availability of electricity supplies. The number of electricity consumers rose from about 2.6 millions in 1927 to 7.76 millions in 1936. Domestic consumers account for 83 per cent. of the total, so that there is a market of some 6½ million households for the various electrical appliances which have been developed. The use of such appliances has been further stimulated by the introduction of the two-part electrical tariff (see *The Economist* of January 1, 1938, page 4), which makes the current charges of any additional electrical appliances adopted by the householder extremely low; and definitely encourages him to use electricity for as high a proportion as possible of his requirements of heat, light and power.

More particularly, the growth of mechanical aids has been expedited by great improvements in their technical efficiency and a rapid decrease in their prices. The original carpet-sweeper, for instance, cleaned only the surface of a carpet. The modern vacuum cleaner is far more flexible; it combines the functions of beating and sweeping, and it can be used to clean chair covers, furniture and curtains. Between 1930 and 1933, the production of vacuum cleaners rose from 37,550, valued at £524,000, to 247,333, valued at £2,112,000; and the average price fell from £13 19s. to £8 10s. In 1934, over 318,000 were produced at an average price of only £8; and in 1935 the output was 363,874 at an average price of £8 11s. The fall in price between 1930 and 1934 was due to a number of factors, but one of the most important was change in selling methods. In earlier years manufacturers relied almost wholly on door-to-door salesmen; to-day a fairly high proportion of sales is effected through dealers, and selling-costs have been considerably reduced—though there is still room for a good deal of further improvement in that respect.

Sales of refrigerators have advanced less rapidly than those of vacuum cleaners. Whereas vacuum cleaners are nearly all electrically operated, in the case of refrigerators the consumer usually takes a choice between electricity

and gas. In 1936, the total number of electric refrigerators in use was 140,000, of which perhaps 62,000 were installed in households and the remainder were used by commercial concerns, such as cafés, hotels and caterers. Total sales of electric refrigerators to domestic users in that year were about 15,000; but some 13,000 gas refrigerators were supplied to households in London alone, in the area covered by the Gas Light and Coke Company, working in conjunction with the Electrolux Company. Obviously the use of the refrigerator in Great Britain has not as yet passed very far beyond the embryonic stage. The total number of electric refrigerators in use represents less than 2 per cent. of the number of electricity consumers, whereas in the United States of America the proportion is 41.1 per cent. With one exception, however, the smallest refrigerator still costs about £29 to buy. Rapid progress in sales of refrigerators would seem to be contingent in the first place on a considerable cheapening of selling prices by mass production methods, and in the second on success in overcoming the popular misconception that refrigeration is a luxury for the summer months.

Many other novel and ingenious appliances have contributed to the development of the modern labour-saving home. Over 50,000 electric washing machines, for example, have been sold in this country. It is claimed that the purchase and running costs of the smaller models amount to no more than 5s. a week, which in many cases is less than a family's weekly laundry bill. None of these contrivances, however, is of such general importance in the modern household as the wireless set. The value of the output of gramophones fell from £2,364,000 in 1930 to £340,000 in 1934. In the same period, however, the value of radiogramophones produced rose from £210,000 to £2,790,000, and of wireless receiving sets from £5,951,000 to £11,759,000. The value of wireless sets produced in 1935 rose still further to £12,005,000, but there was a slight decline in radiogramophones to £2,455,000.

How near is the market for new radio sets, as distinct from replacements, to saturation point—that boggy of all new industries? This question is greatly agitating the wireless trade at the present time. Some pessimistic commentators have even estimated that, if the existing rate of increase in the number of current wireless licences is maintained, the total available market will have been supplied by the end of this year. On the other hand, experience shows that obsolescence of wireless sets is relatively rapid. In 1934, for example, sales for replacement appear to have exceeded "new" sales; for the estimated output of sets for the home market was 1,727,000, but the number of new wireless licences increased by only 807,000. The future effect on the market of the development of television is still largely an unknown quantity; but it can hardly be decisive until technical progress on the transmitting side has been accompanied by a cheapening of production sufficient to bring the price of televisions within the compass of the middle-class purse. Meanwhile, the industry is likely to remain sensitive at all times to fluctuations in general prosperity and popular purchasing power.

On the whole, there is little evidence that the mechanisation of the home is anywhere near the limit of its expansion. No sooner has one device become fairly general than another novelty appears. The number of households in Great Britain is unlikely to increase significantly, and may even begin to decline in the relatively near future; but all labour-saving appliances are susceptible of improvement in efficiency, design or price, and there is always room for new contrivances. As yet, none even of the most familiar machines has exhausted its market. Machinery in the home is an index of the standard of life no less than of man's inventive ingenuity. Only a marked setback in the national income could arrest its extension.

A Transport Experiment—II

Ulster's Road Monopoly

THE previous article which appeared in *The Economist* last week, described the origins of the Northern Ireland Road Transport Board. The Board does not possess a monopoly of all forms of public transport in Northern Ireland, as the railways continue to operate independently (though their receipts and those of the Board are pooled) and the passenger transport undertaking of the Belfast Corporation is entirely excluded from the scheme. But the Board is unique in that it operates a goods service as well as a passenger service and has a monopoly (except, of course, for private vehicles) in both forms of road transport outside the City of Belfast.

The last article detailed some of the criticisms brought by the superseded road transport operators against the terms on which, and the manner by which, their undertakings were taken over by the Board. One of the criticisms mentioned was that the long delay in publishing any accounts made it impossible to form an estimate of the Board's performance or of the prospects of the various classes of stock issued in compensation for undertakings purchased. The delay was due to the difficulties encountered in preparing the pooling scheme, which was not approved until Christmas Eve, 1937. This obstacle removed, the Board's accounts for its first year to September 30, 1936, have now been published in a most comprehensive form. The former operators, however, have not been alone in making complaints; the public has also made itself heard. What is more, some members of the public have taken action; the statistics both of private cars and of private lorries show increases during the Board's existence larger than can reasonably be explained by trade recovery. This ability to expand private transport is an invaluable check upon any monopoly of public transport, however complete. Indeed, the Board complain that their monopoly is being infringed "either by thinly veiled subterfuge or by defiance" of the Act. Even apart from attempts to evade the Act, it is questionable how far the decision of traders to buy their own vehicles was the product of actual experience of the Board's operation or of possibly exaggerated anticipation. The short time that the Board has been at work, and the still shorter time that its goods services have been in full operation, make the latter alternative the more probable. So far, at least, as passenger services are concerned, the Board can make out a strong reply to public criticism, for the existing services have been retained and the Board has reduced many more fares than it has increased. For example, of fares from Belfast to 590 points in Northern Ireland, 52 per cent. of the single fares and 61 per cent. of the return fares have been reduced, and only 11 per cent. and 13 per cent., respectively, increased.

The criticisms of the Board's goods services appear to have rather more substance. There is no doubt that the withdrawal of individual undertakings with whose managers the local trader or manufacturer was personally acquainted, and the substitution of an impersonal and remote Board, led at least to a belief in the trading community that the transport facilities available to them were being curtailed. These and other complaints led to the appointment by the Government of an Investigation Committee, which reported in September, 1937. The Committee found that there had been "grave deficiencies of administration in several rural areas" in the Board's freight services. They ascribed these deficiencies to "over-centralisation, the lack of knowledge shown by drivers and managers of local conditions and geography, the use of excessively large lorries, and to a general want of familiarity with rural and farming conditions and needs."

It will be noticed that excessive charges are not mentioned, and in spite of its severe strictures the Committee did not suggest that the experiment should be abandoned, but rather that the Board should be allowed a period of four months in which to remedy the defects that had been found to exist. This four-month period has barely yet expired.

The complaints that have been made against the Board seem in the main to be ascribable to its teething troubles. The organisation of a monopoly of road goods transport, in particular, was a matter on which there were no precedents for the Board to follow, and it was also handicapped by a lack of personnel experienced in handling this business on a large scale. It is only reasonable to estimate that with the passage of time, and under the pressure of watchful criticism, the Board will succeed in establishing order out of the chaos that existed at the time it took over.

It is of more fundamental importance to inquire whether the Board has succeeded in accomplishing the wider objects of economy and co-ordination for which it was brought into existence. In the matter of economy the Board has already achieved some results. Both in passenger and goods transport it has proved possible not only to standardise the design of vehicles but also considerably to reduce their numbers. In the passenger field the Board has succeeded in reducing the 700 buses it took over to 480 (of which 125 are new) without any reduction, on balance, in the services provided. The economies in goods transport have been even greater. The Board purchased some 1,420 lorries, and the number now being operated is 580. These economies mean, of course, that a considerably higher average payload is being carried in each vehicle. Since the present vehicles are probably larger, on the average, than those taken over, it does not automatically follow that the margin between costs and receipts has been increased. But the reduction in the number of vehicles is so large, and labour forms so considerable a portion of total expenses, that there is at the least a very strong presumption that efficiency has been increased.

The achievement of a good working ratio, however, would not be the end of the Board's task. Co-ordination implies more than technical efficiency. At present there are four transport services from Belfast to a great many places in Northern Ireland: rail passenger, rail goods, road passenger and road goods; each of these four services could be running with the highest efficiency and there might yet be gross waste in the transport system of the country as a whole. It is in respect of co-ordination that the Board has done—or has had time to do—least since its inception. In passenger traffic, return tickets have been made valid by both road and rail, and joint timetables have been issued. A consolidated scale of rates has also been issued for goods traffic by road. The Board has begun to make considerable use of railway premises for assembling its traffic, the central depot in Belfast, for example, being located at one of the railway stations. The Board also dispatches goods in sealed wagons by rail when this method shows a saving in cost to the Board without a loss of time to the consignor. But there has not yet been a general concerted attempt to direct traffic towards the services best suited to carry it. For example, there would seem to be a *prima facie* case for the abandonment of long-distance road services in exchange for the closing down of unremunerative short branch railways. Co-ordinated action of this sort has presumably been under consideration by the Board, but little of a definite

nature has been done; and, indeed, so long as the Board and the several railways continue their separate existences, with or without the pooling of receipts, it is to be expected that there will be strong resistance to any such complete co-ordination.

In addition to complaints from the public, it is now apparent that the Board's financial results have been unfavourable. Receipts in the first year, including a contribution of £5,850 from the railway companies under the pooling scheme, amounted to £676,731. Working expenses amounted to £717,569. Included in this total is an item of £117,969 for depreciation, against a total capital expenditure of £1,183,575. There was therefore a working loss of £40,838, which was increased to £71,583 by other items, of which the largest was interest on sums due for undertakings acquired but not yet paid for. Finally, the interest on the Board's stock, which has been paid out of capital in accordance with an Act passed for the purpose, brought the debit balance for the year up to £94,048. The issued capital of the Board at the end of the year was £807,278, but there were loans and creditors amounting to a further £462,769. It is therefore impossible to state with any precision the ratio of the loss to the capital of the Board, but the working loss cannot be reckoned, on the most favourable basis, at less than about 3½ per cent. It is rumoured in Belfast that the results of the second year, in which the transitional problems of taking over undertakings were still being encountered, were no more favourable than the first.

The first two years of this ambitious scheme of amalgamation have thus, on the financial as well as the technical side, illustrated the initial difficulties of organising a trans-

port monopoly far more clearly than the benefits claimed for it. It would, however, be very premature to say that the experiment has been a failure. Two years is a very short time to straighten out a position of the complexity of that with which the Board was faced, and it will be prudent to wait for another period at least as long before passing even a provisional judgment on the work of the Board.

The critic would also do well to remember the circumstances in which the Board took over. It is probable that, when the Act was passed, the transport system of Northern Ireland as a whole, road and rail together, was not earning a sufficient revenue to pay fair wages and fair interest and to maintain the capital invested. In the strictest sense it was running at a loss. If this is so, the Board must show not merely the same performance as its predecessors but a considerably greater efficiency if it is to keep up its depreciation and pay the prescribed interest on its capital stock.

In its first two years the Board has undoubtedly disappointed its sponsors. But the difficulties of organisation have been immensely greater than in other experiments of the sort and the Board's third year, which is now in progress, will be the first in which anything like a normal relation between revenue and expenditure can be expected. Given a reasonable mixture of good management and good luck the Board's chief difficulties are behind it and its main achievements ahead. The best service that the Board can now render to its friends both in Northern Ireland and in Great Britain is to put its finances in order and demonstrate the economies that are obtainable from an efficient and effectively co-ordinated transport system.

Topics of the Week

Limiting Air Warfare.—It was revealed by the Foreign Secretary, in the course of a debate in the House of Commons on Wednesday on a Labour motion, that the British Government were preparing to take the initiative in inviting the Powers to conclude an international agreement for the limitation of air warfare, particularly in relation to the bombing of civilian populations. The subject has been under thorough consideration by the different Departments of the Government for some months past, and though no approach has apparently yet been made to other Governments, Mr Eden mentioned that he was confident of French agreement, and that since Herr Hitler had also expressed himself in favour of such an endeavour, German support would also presumably be forthcoming. He added with some significance that although Germany was potentially the greatest military power in Europe, she was also in such a geographical position that she was perhaps more open than any other nation in Europe to air attack. Any such effort is, of course, entirely welcome. It is only realistic at this time of day to have doubts about the extent to which an agreement to outlaw the bombing of civilian populations would actually be observed under the strain of war. But that is no reason at all for failing to make the attempt, or for refraining from putting it on record that at least the democratic Powers realise the appalling consequences of unlimited aggression from the air against the non-combatants of a modern industrial nation, and are prepared to forswear this dreadful weapon.

The Government and the van Zeeland Report.—In the House of Commons, on February 1st, the Prime Minister stated that the time was not ripe for debating the Report of M. van Zeeland on international economic co-operation, or for acting upon it until its recommendations had been further studied and discussed among the Powers concerned. He agreed, however, that primary responsibility for implementing the Report rested with

the British and French Governments, who had initiated M. van Zeeland's world tour. Though he refused to commit the Cabinet to a veto on further import duties or loans to totalitarian States, he suggested that prolonged delay in working out specific lines of action was unlikely. Indeed, the relaxation of the Government's restrictions on foreign lending (discussed below), which was also announced on Tuesday, was claimed by Sir John Simon to be on the lines of M. van Zeeland's proposals.

The Chancellor had already expressed at Leeds on the previous Saturday his gratitude to the Belgian statesman for the recommendations of his Report, which were calculated in Sir John's view to further the British policy of economic appeasement. Whether in fact British policy has been consistently directed to the reduction of obstacles to world trade, as Sir John claimed, may fairly be questioned. There is no doubt, however, that the effect of the van Zeeland Report, coming when the Anglo-American commercial negotiations were in full swing, has been to cause the Government publicly to hoist the colours of freer trade. There may be delays and disappointments, because the world problem is obdurately difficult, but surely there ought not to be outright failure.

Freer Foreign Lending.—"The present position of our exchanges" was described by the Chancellor of the Exchequer last Tuesday as the compelling cause of his decision to widen the mesh of the strainer through which for the last five and a half years all public applications to export British capital have been required to pass. Clearly, this welcome development has taken place in part on political grounds. Indeed, the economic reasons put forward are weak, for the Treasury must be as cognizant as anyone else that the present strength of the sterling exchange is due not to a favourable British

ance of payments but chiefly to movements of more or "hot" money. On the other hand, the announcement was made on the first parliamentary day after the publication of the van Zeeland Report. Would-be capitalists are still "requested" to submit their plans to the Foreign Transactions Advisory Committee, and without Committee's *imprimatur* they will still discover that technical facilities of the market are unavailable. But Committee itself will allow greater latitude to all applications except those on behalf of foreign Governments, foreign local or public authorities or State-controlled organisations. In particular, the Committee will view more sympathetically applications for long-term loans to borrowers domiciled in any part of the British Empire to acquire assets or develop enterprise in foreign countries in transactions involving the purchase and repatriation of large blocks of foreign-owned securities. Subject to the Treasury's power to re-revise a policy which has never had a statutory basis, this week's decision largely spells the end of the "embargo" as a primarily financial and economic weapon. Henceforth, it will be effective mainly in the border-land between finance and politics. And in view of the change in the international scene since "control" was first imposed on June 30, 1932, there may now more to be said for a political than an economic restriction scheme in the capital market.

The Power of the Purse.—The House of Commons voted on Tuesday, as one of its first pieces of business after the recess, an amended Standing Order dealing with the procedure on Bills whose main object is to create a charge upon the public revenue. Hitherto a distinction has been drawn between such Bills, whose introduction has to be preceded by the passage of a money resolution, and Bills in which public expenditure is only subsidiary. The distinction has proved a difficult one to draw in particular cases, but the main objection to the procedure hitherto in force has been that the debate on a money Bill is necessarily confined within the limits defined by the money resolution, and even the most general criticisms of a measure have sometimes been ruled out of order, on the ground that they advocated public expenditure which was not authorised by the money resolution. Henceforth the second reading of such Bills is to be taken before the money resolution. This will preserve the vital principle—upon which the technical success of British parliamentary democracy very largely depends—that expenditure can be proposed only by the Crown. But money Bills nowadays cover so wide a range that a rigid application of the principle would prevent free discussion of many important aspects of the Government's policies, and the change will widen the scope for discussion without opening the door to a loose control of public funds. The reform is a small one, but one of considerable importance, which was rightly welcomed by representatives of all parties.

Defence Policy.—The way of defence is a rock-trewn path for the Government. In the last three years over 30,000 acres of agricultural land have been acquired for service purposes, frequently, it has been alleged, to the possible detriment of food production and rural amenities. As yet there has been no overt subordination of all other interests in this country to the needs of defence. It was accordingly necessary for the Prime Minister to soothe the growing alarm of the Council for the Preservation of Rural England and other peacefully interested bodies and persons by announcing in a letter to Lord Herbert a new procedure, whereby each Defence Department would consider all interests of national importance, aesthetic no less than economic, before selecting sites. Less satisfactory in the context of defence policy was the statement made by Sir Thomas Inskip in the House of Commons on February 1st about the storage of food. His reply to questioning left the impression that no decision concerning the storage of wheat and flour against war-time needs was immediately likely,

and a suspicion that the storage issue might in fact be relegated to a position of dangerous subordination to other parts of Government policy.

In addition, opinion (informed and otherwise) has yet to be persuaded that even if criticisms of the progress of the air programme are exaggerated, they are wholly without foundation. Regulations for local air raid precautions, including evacuation proposals but no general guidance about food supplies, have meanwhile been issued by the Home Office. Although substantial doubt remains about their efficacy in attacks where explosive, incendiary and gas bombs are used together, the regulations seem reasonably adequate in detail, within the limits of declared policy, which exclude the public provision of shelters on the ground that they are prohibitively expensive.

Films and the Bill.—The Parliamentary recess has brought no relief to the situation in the British film industry. When Standing Committee "A" adjourned on Christmas Eve considerable progress had been made with the Government's Film Bill, but the conviction was growing among members of Parliament, the trade and the public that the disease was far more serious than the doctors in attendance had diagnosed. The most important change in the new Bill, by comparison with the existing law, is the introduction of the minimum cost principle for British films intended to satisfy renters' quota. For exhibitors' quota, however, exhibitors are to be able to draw not merely on these films but also on a number of others made regardless of price—some being above and others below the minimum cost standard. It is generally agreed that the future of a film-production industry in this country will be determined by the inducement offered for the making of these "voluntary" films. Primarily, that inducement will be the profit-earning capacity of British pictures, and any other motive can, for all practical purposes, be ignored. "Compulsory" films will not amount to many more than eighty subjects during the next year or two, whereas the actual output of British films in the last full year was over 200 subjects, and the present capacity of the studios and personnel is much nearer 300 subjects. What commercial advantage can be expected from investment in the making of "voluntary" films in the near future?

If the results of the new measure prove disappointing, the Government will not be free from blame. The appointment of the Moyne Committee was generally and justifiably applauded. But why were the Committee's principal recommendations, on the subject of a Films Commission and on finance, rejected or ignored? Nearly a year ago Dr Burgin, speaking for the Board of Trade, exhorted the trade to get together and produce an agreed scheme for the future conduct of the British film industry. "Unless you can prove your capacity to manage yourselves," said the Minister, in effect, "you will be managed from without." Perfunctory efforts were made to align exhibitors, American and British renters, and producers, on a common policy, but without success. If the Government's scheme is the outcome, it would seem that the sword flourished by Dr Burgin last March was never more than a painted lath. There is still time, however, to revive, on the Report stage of the Bill, the principal recommendation of the Moyne Committee for a Films Commission—small in number and having wide powers of inquiry and investigation on its own initiative, but operating in close collaboration with the Board of Trade. It might make some effective effort to reduce the number of imported films which, more than any other cause, is responsible for the failure of the protection which the special quota system was designed to give to British films. There is increasing support, both in the trade and outside, for the view that reciprocity is a fundamental requirement for a British film industry seeking to expand to competitive dimensions. Several schemes designed to achieve this object are known to the authorities.

A Films Commission would be a suitable body for selecting the scheme likely to be most effective in realising this object and the measures for bringing it into force. The same body might then take steps to remove the hostility which now exists in the City to the provision of new financial assistance for film production.

* * *

Piracy Again.—The battle of Teruel is neither lost nor won, but seems to have arrived at another stalemate. The insurgent forces have attempted an out-flanking movement round both sides of the town of Teruel, while the Government have been concentrating on an attempt to take the rebels in the rear and sever their communications with Saragossa. Neither side, however, seems to have been able to press its attack home. Disappointment and frustration on General Franco's part may be read into the continued intensification of air warfare, and especially into the murderous raids on Barcelona, Valencia and other Government towns. Two raids on Barcelona on Sunday morning exacted a heavy death toll among civilians, particularly children, and it is impossible not to draw the conclusion from this terrorism that General Franco is beginning to despair of ever having a friendly Spanish people to rule over. Meanwhile, there has been a recrudescence of submarine piracy. A Dutch steamer was reported sunk on January 12th, and a British steamer reported an unsuccessful attack on January 26th. On Monday of this week the British cargo vessel *Endymion* was torpedoed on the high seas 16 miles from the coast of Government Spain, and sank in four minutes, with the feared loss of eleven lives. The ship was engaged in carrying coal to Cartagena, and it had on board a Swedish control agent of the Non-Intervention Committee, who is one of those missing. This outrage has naturally once more brought to the forefront the whole question of piracy. It is now revealed that the three Nyon powers, Britain, France and Italy, mutually agreed to reduce their patrols at the New Year, but this step is now being reversed, and Mr Eden held a meeting with the French and Italian Ambassadors on Wednesday, at which British proposals for tightening up the measures against the pirates were put forward. It is not the least disturbing part of the whole matter that no explanation has ever been forthcoming of how it has proved possible for the insurgents, who have no Spanish submarines in their possession, to torpedo neutral shipping. Whatever the origin and present nationality of these predatory submarines, however, it is clearly essential both for the safety of commerce and for the prestige of British policy that they should be decisively suppressed. Drastic measures are the more necessary since there have been ominous signs in recent weeks of a recrudescence of the desire on the part of General Franco's Fascist ally to intervene more actively on his behalf. The only way to prevent such a disastrous development is to make it clear that any further interferences with the uneasy international equilibrium in the Western Mediterranean will be met by firm action on the part of the democratic Powers.

* * *

American Naval Re-armament.—President Roosevelt's long-awaited Message to Congress recommending increased naval armaments was delivered on Friday of last week. As Commander-in-Chief of the Army and Navy of the United States, the President declared it to be his duty to report that "our national defence is, in the light of the increasing armaments of other nations, inadequate for the purpose of national security, and requires increase for that reason." His main recommendation was that the naval building programme already authorised be increased by 20 per cent., and this general principle has subsequently been made specific by a Bill to authorise the construction of three battleships, two aircraft carriers, eight cruisers, twenty-five destroyers, nine submarines, one thousand aeroplanes and twenty-two auxiliary vessels. Under the American system, however, Congressional authorisation of a building programme is given for a term of years, and construction does not begin until later and more detailed Appropriation Acts have been passed. Out of this large new

programme the President has asked Congress to appropriate funds this year only for two additional battleships, two new cruisers, and certain experimental construction of new types of small vessels. One significant omission from the announcements was that of the tonnage of the new battleships. The omission is due to the lack of precise news about Japan's building plans. There is strong suspicion, both in Great Britain and in America, that Japan is building battleships of a tonnage in excess of the limit of 35,000 tons laid down in the Washington and London Treaties. For the poorest and weakest of the three large naval Powers to start a new competition in the size, armament and cost of capital ships might seem foolish. But the Japanese Navy had plans for such over-size battleships at the time of the Washington Conference in 1921, and it would be only in accordance with the ways of Admiralties if these old plans were now taken out of the pigeon-holes, dusted off and modernised. Moreover, there is always the possibility that the Japanese Navy may have the ambition to compel the United States to build capital ships larger than could be taken through the Panama Canal. It has proved impossible to obtain either confirmation or denial of these suspicions of Japanese intentions, and it is probable that the details of capital construction, both in Great Britain and in the United States, will be deferred until greater certainty emerges.

* * *

There has been little disagreement in the United States about the necessity for the increased building programme, but a lively debate has arisen on its political implications. It is no secret that there is close technical collaboration between the British and American Navies in the matter of their expansion and re-equipment, and an attempt is being made by the American isolationists to argue that this collaboration has reached a stage of definite commitments on naval support, or of a "tacit alliance." These claims have been roundly denied by the Administration, and there is no reason to believe that there is any substance in them. But the vehemence of the attack and the completeness of the denial that has had to be issued serve as a useful reminder of the strength of the opinion that would resist any attempt to tie the United States, however loosely, to the policies of other Powers. It is easy from the outside to argue that the self-interest of America will compel her sooner or later to align herself with the democracies of the world, but within the United States logic of this kind is opposed by the passionate desire to ignore the world, and confused by the wishful thinking to which it gives rise. We in Great Britain should be the very last to complain of this American attitude, for, making all allowances for different circumstances (of which three thousand miles of ocean are the greatest), America's attitude to the rest of the world bears a strong family resemblance to Great Britain's attitude towards Europe. British policy yields reluctantly to the pressure of realism, and the reluctance is no less, and no less natural, on the other side of the Atlantic.

* * *

General Matsui's Kind Words.—The Japanese do nothing by halves. While with one hand they are stirring up America, they can still find energy for some vigorous pokes with the other hand at the torpid body of John Bull. Is the old boy dead, or is he perchance only sleeping? General Matsui appears to be irresistibly curious to find out. At least, we can hardly account otherwise for his piquant stroke of timing the kind words that he uttered for our British benefit this week so as to coincide with the equally remarkable silence of the Japanese Admiralty in regard to the tonnage of their next batch of capital ships. The effect of this Japanese silence upon the American naval programme is discussed elsewhere. As for General Matsui, he has told us that if Great Britain goes beyond a policy of simply defending her interests in China and makes a determined stand to maintain her political and economic relations with "the Kuomintang"—i.e. with China and with the Chinese Government—then a conflict of a very serious nature may arise between Great Britain and Japan. General Matsui lodges two specific complaints at our door. The Chinese exchange is still bearing up well, and munitions are still reaching the Chinese forces from abroad. So the Japanese

Commander-in-Chief's warning to us amounts to this: if we do not now actively assist Japan in her policy of making it impossible for the lawful Government of China to carry on in the face of Japanese aggression, it will be the worse for us. General Matsui has, of course, to be taken as seriously in 1938 as General Ludendorff had to be taken in 1917; and the German general's achievement in that year is a formidable one for the Japanese general to emulate. Ludendorff achieved the impossible: he brought America and England together as comrades-in-arms against his own country. That is hardly in the picture to-day, yet General Matsui need not quite despair. If the impossible has been achieved once, the thing can perhaps be done a second time. Meanwhile, we have been considerably forewarned of what we have to expect. We can only reply to the general that he may yet succeed in making even the British people turn bellicose if he perseveres with it.

* * *

Marking Time at Geneva.—The sessions of the League Council at Geneva during the past few days have been mainly concerned with two serious items on its agenda: the actual plight of China and the prospective plight of the Jewish citizens of Roumania. There has also been a session of the Committee of Twenty-eight on the "reform" of the Covenant. The common keynote of all these proceedings has been "no change." Neither Jewry nor Mr Wellington Koo has obtained much satisfaction from the Council; on the other hand, on the committee for "reform," the Covenant seems to be standing the racket. This committee reflects to-day a reversal of the positions which the Great Powers and the small countries adopted during the Italo-Abyssinian war. At that stage the small countries were all for carrying out the Covenant, while the British and French Governments, in differing degrees, hung back. The Committee of Twenty-eight was in fact largely created to serve as a smoke-screen to divert public attention while France and Great Britain negotiated with Italy. To-day the smoke is smarting in the eyes and stinging in the throats of the clever men who lit the fire; for the ex-neutrals—having been warned by the fate of Abyssinia what might be their own fate in similar circumstances—have been taking seriously the idea of suspending the operation of Article XVI. This idea has been mooted at Geneva during the past week by Holland and Sweden, with support from Belgium and Poland. The integrity of the Covenant has, however, found an unexpectedly vigorous advocacy this time not only from another group of weaker countries—e.g. China and Spain—who are the victims of aggression at this moment, but also from M. Paul-Boncour on behalf of France and from Lord Cranborne on behalf of the United Kingdom. We may reflect with some bitterness that if only these two Great Powers had acted in 1936 as bravely as they are speaking now, then by this time the policy of aggression would have been shown to be as inexpedient as it is immoral,

* * *

A Turn of the Screw in Greece.—"The dictatorial Metaxas regime abandons its previous measures and enters upon a new period—the period of severity." This is the Greek dictator's reply to the distribution of leaflets criticising his regime and exhorting the Greek people to re-assume their national liberty. Twelve party leaders and three military officers already know the difference between the new chapter of the Metaxas regime and the last. These fifteen critics have been promptly arrested and interned in one of those Aegean islands that were once upon a time the Roman Emperors' favourite dumping-ground for political undesirables. The present autocrat of the Aegean has been no respecter of persons, for his victims on this occasion include the Venezelist M. Sophoulis, the Independent Republican M. Mikhalakopoulos, the Progressive M. Kaphandaris, and the Conservative Monarchist M. Theotokis. Of these "men of the past," three are past Prime Ministers. It can hardly be imagined that this highhandedness is agreeable to the King of the Hellenes, who came to the throne with a mission to compose the long political feud by which Greece has been tearing herself to pieces for the past twenty-three years. The King would certainly have succeeded in this if he had been given a fair chance; and it is unquestionable that his was not merely the better, but in truth the only, way of restoring to his country the domestic peace which she so urgently needs if she is to weather the gathering international storm. Political ills have never been cured by sheer repression in any country—and least of all in so politically minded a country as Greece. We look forward with some apprehension to the period of "mercilessness" which, according to General Metaxas' proclamation, is to follow next if mere "severity" does not do the trick—and if the Greek nation continues to allow his dictatorship to continue.

* * *

Trinidad Riots Report.—The Report of the Royal Commission on the riots that broke out in Trinidad last June reveals a sorry page in British imperial history. A vacillating Governor and his chief official subordinate, who shares the Commission's censure, managed to adopt, it seems, just that policy or mixture of policies best calculated to inflame and prolong the outbreak. But the main value of the report lies in its analysis of the causes of the trouble

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and its proposals for their remedy. The causes, in brief, were the pitifully low living standards of the native proletariat attached to the oil wells and sugar plantations—standards that had been further depressed by a sharp rise in the cost of living—and the complete absence of machinery for collective bargaining. The Commissioners recommend wide and trenchant reforms. These include the establishment of a separate Public Health Division staffed by full-time qualified officers; Government assistance to native labourers' housing, and what is virtually a slum clearance campaign; the improvement of public sanitation; encouragement to land settlement; educational reforms; and the organisation of trade unions under official guidance. British public opinion will press for the vigorous implementation of this candid report, and the writing of a fairer page in the relations between British authority and the native peoples committed to its trust.

Mr de Valera and Partition.—Hopes of a fruitful and far-reaching Anglo-Irish settlement seem to have dwindled a little. Mr Malcolm MacDonald was severely non-committal in his replies in the House on Tuesday. Almost everything depends, it is now clear, on how far the partition problem will be allowed to thwart agreement on economic and defence issues. Mr de Valera's own plan for Irish reunion, disclosed in Press interviews, is hardly the "middle way" likely to secure all-round acceptance. He proposes that Ulster should retain its present local Parliament and powers, but that the reserved powers now exercised by Parliament at Westminster should be transferred to an all-Ireland Parliament, elected by proportional representation. It would be surprising if any such sweeping scheme proved acceptable to Lord Craigavon.

The Dominions and American Trade.—The necessary sub-structure of a far-reaching Anglo-American trade agreement has been consolidated by recent developments that concern the British Dominions. First, the United States Administration has formally announced its intention to seek a new trade treaty with Canada to replace the existing agreement, which expires next January 1st. Secondly, the Australian Government has declared that it will open negotiations with Washington by requesting a trade agreement under the American Act. This follows a welcome *détente* in Australo-American commercial relations. Australia having almost totally abandoned its "trade diversion" policy, the United States has responded in the same spirit by allowing Australia the most-favoured-nation instead of the maximum tariff. Canberra has also announced that a delegation headed by Sir Earle Page will go to London in March to discuss a revision of Australia's

Ottawa pact; an expert party will leave earlier in order to spend time in the United States *en route*, and the whole delegation will probably return from London *via* Washington. The pessimists who deemed imperial preference an insurmountable obstacle to an Anglo-American trade pact may, after all, be proved wide of the mark.

The Population Bill.—The Population (Statistics) Bill met with a welcome on its Committee stage on Tuesday which contrasted strongly with the storms of its first appearance. The change was entirely due to the sweeping amendments which the Minister of Health proposed. These amendments were discussed in *The Economist* of December 11th, and they have the effect of converting the Bill into a much more limited and precise measure. Indeed, it is questionable whether the Minister has not conceded too much to the views of the Bill's opponents and unnecessarily limited the extent to which the collection of information on changes in the population could be developed without further statutory action. This criticism received added justification from the adoption by the Minister of a private amendment limiting the term of the Bill to ten years. It is possible, however, that this may prove a blessing in disguise, as the operation of the Bill in the next ten years may convince even Mr A. P. Herbert that it is possible to ask questions on this subject without outraging public opinion, and a much wider measure may then prove possible.

Movement of Industry.—It still remains to be seen whether the advocates of increased State interference to guide the location of industry for the protection and furtherance of national needs and amenities will succeed in convincing the Royal Commission on the Geographical Distribution of the Industrial Population against the *laissez faire* arguments in support of individual choice. Meanwhile, the evidence submitted to the Royal Commission has broadly revealed a state of affairs which, if not found remediable by State action, offers a gloomy prospect for the immediate future when the evils of unplanned congestion are likely to be intensified. Evidence on behalf of the Ministry of Labour on February 2nd showed that 26 per cent. of the insured population of Great Britain in July, 1937, was resident in London and the Home Counties, compared with 22 per cent. in July, 1923. In fourteen years the insured population of this area has increased 42.7 per cent., or nearly twice as fast as in Great Britain as a whole. This tendency has been largely due to the expansion of comparatively new, light and varied industries, producing mainly for home consumption and only slightly affected by the last depression; and to the drift of these enterprises to the fringes of London in close proximity to the metropolitan market. A movement away from the areas of heavy, depressed, export trades has taken place *pari passu* with this new industrial concentration; and not the least of the obstacles to the prevention of a long drawn-out agony of decline in the Special Areas by the establishment of new industries is this depletion by migration of the more vigorous elements among their experienced industrial population. In London and the Home Counties it is the character rather than the magnitude of the new settlements—the lack of co-ordination between industrial and residential development and the destruction of amenities—which cries out most urgently for redress.

Census of Road Vehicles.—The annual census of mechanically-propelled road vehicles for 1937 shows that during the quarter ended September 30, 1937, there were 2,938,485 vehicles on the road, an increase of 6.1 per cent. over the figure for the previous year. During the year, 486,269 new vehicles were registered, compared with 449,339 in the 12 months ended September, 1936. The following table shows the growth of the number of

vehicles of each kind in recent years:—

Year	Cars Taxed on Horse power	Motor Cycles	Hackney Vehicles		Goods Vehicles	Other Vehicles	Total
			Other than Tram- cars	Tram- cars			
1927	786,610	681,410	95,526	14,413	282,905	39,102	1,899,966
1928	884,645	712,583	95,412	13,945	305,744	40,210	2,052,539
1929	980,886	731,298	97,997	13,880	329,794	41,857	2,195,712
1930	1,056,214	734,319	101,131	13,665	348,441	43,556	2,287,326
1931	1,083,457	626,649	87,464	13,014	360,614	42,524	2,213,722
1932	1,127,681	599,904	84,950	12,468	370,100	44,464	2,239,567
1933	1,203,245	562,656	85,077	12,000	387,487	46,861	2,297,326
1934	1,308,425	548,461	85,129	11,516	413,320	50,057	2,416,908
1935	1,477,378	516,567	85,547	10,872	434,723	55,940	2,581,027
1936	1,642,850	505,779	86,009	10,260	459,227	64,481	2,768,606
1937	1,798,105	487,578	85,766	9,657	478,922	78,457	2,938,485

The fact that the number of vehicles on the road has increased by over 1,000,000 since 1927, and that it continues to increase at the rate of some 500 vehicles per day, lends support to the claim of the Delegation which recently inspected the German motor roads, that it is urgently necessary to modernise British roads. The Delegation's Report stresses two aspects of the present situation on British roads—the continued high rate of mortality and injury from accident, and the restraint upon the natural development of those businesses and industries which are dependent on ample, rapid and safe road transport facilities. It is for the Minister of Transport to decide whether the German example is applicable to Great Britain, or whether the modernisation of our existing system is sufficient. Perhaps the best policy would be a typical British compromise between the two.

Britain and Canada.—The announcement that Canada and the United States would seek a renewal and enlargement of their trade agreement came as no surprise. Concessions by Canada in the British market were indispensable to the consummation of an Anglo-American trade treaty; and she could not sacrifice valuable preferential margins without securing some compensation in American markets. Important classes of Canadian producers have come to regard the preferences secured by the Anglo-Canadian agreement as sheet-anchors of their prosperity. Since 1932 there has been a remarkable expansion of Canada's export trade to Britain. But there has not been a corresponding increase in British exports to Canada, as the following data reveal:—

Fiscal Year ending March 31	Canadian Exports to the U.K.	Exports to Canada from the U.K.
1932	174,043,725	106,371,779
1936	321,556,798	117,874,822
1937	407,996,000	129,534,000

How valuable the Anglo-Canadian agreements have been to certain Canadian producers can be seen below:—

Canadian Exports to the U.K.	Fiscal Year	
	1931-32	1936-37
Wood, manufactured and unmanu- factured	3,252,621	23,626,490
Bacon and hams	1,751,231	27,839,974
Canned salmon	3,646,393	6,969,946
Leather and manufactures of leather...	1,706,827	2,803,000
Canned vegetables and pickles	1,966,655	2,803,000
Fruits—mostly apples	6,194,367	10,452,283*
Copper	3,051,033	25,500,000
Rubber products	1,894,500	4,600,000

* The fruit figures are for the year 1935-36.

The Canadian Government will have to secure from Washington, for Canadian fish, lumber, cattle and other natural products, tariff concessions which can be fairly represented to voters as compensating for any sacrifices of preferential margins that the Anglo-American treaty may involve.

Canada and the United States.—In order to secure tariff concessions, Canada must be prepared to give better terms to the industrial products of the United States. The following table gives some detailed data about trade

between Canada and the United States in 1936-37:—

U.S. Exports to Canada Year ended March 31, 1937 (\$ millions)		Canadian Exports to U.S. Year ended March 31, 1937 (\$ millions)	
Fresh fruits	13.2	Spirits	21.5
Cotton	24.0	Grains and products	43.5
Printed matter	9.6	Livestock	15.0
Lumber	11.0	Fish	12.1
Automobiles	9.6	Newsprint	90.0
Automobile parts	27.2	Pulp	28.6
Farm machinery	10.0	Pulpwood	8.5
Other machinery	27.4	Other lumber	14.2
Steel sheets	10.9	Gold, bullion, etc.	81.0
Electrical apparatus	10.3	Nickel	23.6
Coal	26.0	Chemicals	8.7
Petroleum	31.0		
Chemicals	19.0		
Total*	394.4	Total*	435.0

* Including other items.

The trade agreement of January 1st, 1936, has mutually stimulated Canadian-American commerce:—

Fiscal Year ended March 31	Canadian Exports to United States \$	Canadian Imports from United States \$
1936	335,302,426	319,479,694
1937	435,014,000	394,419,000

These figures show a distinct revival in twelve months.

Oxford Mulcted.—That it is sometimes more blessed to give than to receive can be the consolation for the officials of Oxford University who, after basking in the sunshine of Lord Nuffield's bequests and the comparative success of their own Appeal, are now confronted with the prospect of paying £70,000 to Sugar Beet and Crop Driers, to avoid over ten-fold larger claims arising out of the fraudulent activities of the ex-Director of the University Agricultural Engineering Institute, Mr B. J. Owen. Announcing this settlement on behalf of the University, the Vice-Chancellor repudiated any corporate responsibility for the sale of worthless patents by the ex-Director, who was imprisoned for fraud in 1931. The Vice-Chancellor admitted, however, that the legal position was obscure, and the risks of litigation serious. He suggested that the original claim of £750,000 was directed against the University alone, because the Ministry of Agriculture, on whose advice Mr Owen, previously their own technical adviser, had been appointed to the Institute, could not be sued in tort. The Vice-Chancellor pointed out the difficulty of raising even £70,000 from corporate funds, when the Appeal sums could not be used, but stated that the Ministry of Agriculture would be approached for an *ex gratia* contribution. Oxford's plight is unfortunate, but the taxpayer's responsibility is less evident even than the University's.

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Overseas Correspondence

From Our Special Correspondents

United States

Nervousness Abated

NEW YORK, January 26.—The rather numerous persons who expected a smart rebound in our economy in January have been disappointed. The upturn has been so slight that it is doubtful whether the present level of activity is as high as the average for December. The extremely nervous spirit which characterised the closing weeks of the year, both in the markets and in industry, has, however, largely subsided.

There is a gradual focusing of attention upon a number of critical points. This country has had practically no new issue market for corporate securities since the spring of 1930. For something over seven years, American corporations have, in general, been obliged to live on their capital, except, perhaps, in 1936 and early 1937.

This does not mean that there has been no capital investment in American industry. The investment of depreciation reserves, and (until a year ago) undisturbed corporate profits, has provided a limited stream of capital available to industry outside the issue market. This was somewhat augmented by bank credit, and in some cases by the conversion of working capital into fixed capital.

In this period, it is probable that the actual formation of capital funds was, in the aggregate, relatively small. During several of these years, it is quite probable that there was no net saving in our economy. Furthermore, this seven-year period has seen the expansion of the national debt by some \$20,000 millions, of which perhaps half was contributed from national savings and the remainder from bank credit. Whether this represented a diversion of funds which otherwise would have been available for investment in industry, or simply an activation of funds that would otherwise have remained inert, is purely conjectural.

Absence of New Investment

The absence of new investment is most conspicuous in three fields: railways, public utilities and building. Here again a definition of terms is required. The privately owned utilities have made substantial investments from depreciation reserves and from undistributed profits; and enormous investments have been made by the Government in such Federal electrical projects as the Tennessee Valley Authority, and the Boulder, Bonneville and Grande Coulee dams. In building, there has been an immense amount of public construction of post offices, bridges, playgrounds, etc.; and in 1936 and the first half of 1937 there was a very substantial amount of construction of single-family homes.

But, speaking broadly, neither the railway industry, the corporate utility industry, nor the corporate building industry has appeared in, or had access to, a public market for new capital. Yet it is obvious that the railways are badly in need of renovated or modernised equipment. It is stated on good authority that the utility corporations require new and additional equipment. And the comparatively low level of building statistics over a period of years argues a potential market for new construction.

Several reasons may be advanced for the cessation of the flow of capital into areas where there is concrete evidence of need. One would be the absence of capital formation. It is quite probable that there was no national saving in the years 1930-34; but there is a good deal of statistical evidence of saving in the years 1935-37.

A second suggestion would be that all the national savings were absorbed by the State in those years, so that none or almost none was available for private enterprise. On the whole, the data suggest that there has been some formation of capital funds, now held in the state of inert bank deposits or even in actual currency. The low levels of deposit velocity, and the enormous imports of foreign capital, add some support for this view. The existence of these idle funds suggests that the absence of new investment has been due to the absence of sufficiently attractive and remunerative openings

Decline in Corporate Earnings

At no time in the last seven years has capital invested in building been able to earn sufficient return to justify new investment. At least so far as New York and its vicinity is concerned, the rentals obtainable in office buildings and flats have not covered taxes, operating costs, maintenance and depreciation *plus* anything that could be called an attractive return on the investment.

In the railway industry, during the past seven years, low earnings have been the rule. For most of the period the immediate reason was reduced traffic; in 1937, as traffic recovered, there was first a sweeping reduction of rates and then a sweeping increase in wages. The earnings margin was so narrow that, for example, one major railway that had weathered the great depression, could not stand even four months of slackened traffic. A fair proportion of railway obligations is now selling at about the record low prices of 1932—prices that anticipate additional receiverships in the near future.

In the utility industry, earnings persisted fairly well through the depression. The consumption of the product did not decline so much as in most lines, and recovered rapidly when trade revived. But the combination of rising costs, rising taxes, and reduced rates continuously encroached on the profit margin, and with the current recession in demand, encroached very rapidly. Their position was by no means so vulnerable as the railways; but it was not strong enough to provide any considerable attraction for new capital.

Speaking broadly, American industry was not able to show much in the way of earnings between 1930 and 1934. There were, in the aggregate, small earnings in 1935, moderate earnings in 1936, and good earnings during part of 1937. But at no time during the past seven years has there been any extended period of sustained earnings such as would attract large amounts of new capital into miscellaneous industry.

Money Both Cheap and Dear

In short, American corporate enterprise has been more or less living on its own capital, and such renovations or replacements as it has made have been virtually limited to its own depreciation funds or its working capital. It has had little capacity to attract new capital, because of the decline in earnings.

In this country we have, since early 1930, vigorously pursued a policy of cheap money. Within limits this policy has been extremely successful. Bank credit has never been so cheap as in recent years, and was cheaper than ever in 1937. The yields on Government and municipal securities, and on gilt-edged corporate securities of institutional grade, are now at or near the lowest levels ever recorded in this country; and in some cases at lower levels than have ever been known in any part of the world at any time.

Yet over the same period, new capital for corporate enterprise in general has been procurable only in dribbles, and, when procurable at all, only at an extremely high cost. Some kinds of money have been extremely cheap and extremely plentiful; but so far as corporate enterprise in general is concerned, it has been scarce, and risk-bearing capital has been and is all but unprocurable.

France

Cabinet Confidence

PARIS, February 3.—The Stock Exchange is impatiently asking the new Cabinet what they intend to do for the finances, and the Government have answered by proceeding against a Conservative newspaper for announcing that M. Chautemps intended to ask for plenary power to control money and the exchanges. The sellers of francs are perturbed by this demonstration of *sang-froid* and confidence, which is in direct agreement with the wishes of the country. The franc is firmer.

A liberal monetary policy, budgetary equilibrium, and fidelity to the Tripartite Agreement were the main principles of policy enumerated by the new Minister of Finance in his first broadcast speech. M. Marchandeu explained that the Treasury would have to borrow 28,000 million francs in 1938, a sum representing only 15 per cent. of the national revenue estimated at 200,000 millions. This borrowing must, however, be facilitated by an increase in production, which would in turn increase the revenue of private persons and the fiscal receipts of the State.

Thus the Government is inviting investors to call off their strike and to end the flight of capital. Meanwhile, M. Chautemps, with MM. Frossard and Ramadier, is drawing up the new Charter of Labour with the support of the representatives of the big employers and the Trade Unions. This Charter should normally be brought before Parliament on February 15th, but there may be delays estimated at between fifteen days and one or two months.

The urgent need for an immediate increase in production is emphasised in the annual report of the Bank of France. The report declares that the financial resources of private enterprises are insufficient; that a cheap money policy must be enforced; and that France must seek its salvation in "its own riches and its qualities of labour and saving." The solution of French difficulties lies, the report says, in improving the balance of trade, which in 1937 showed an import surplus of 17,000 million francs—a deficit which lies at the root of the weakness of the franc and involved a heavy loss of gold from the bank in 1937.

A Half-Way House

Meanwhile, M. Bonnet, Minister of State, is holding conferences to consider ways and means of reducing the deficit, while the Bank of France is watching the exchange market more closely than ever. Moreover, it is still felt that this is a Cabinet of transition, a half-way house to the establishment of a Government of National Union. The task of such a Government would be to reinforce the authority of the State, intensify production, notably in the making of armaments, reconstruct France to reassert its independence and to solve peacefully the Franco-German problems. The desire for a National Government is expressed by a financial technician as M. Baudouin, as well as by political leaders like M. Blum and M. Chautemps; but they will first of all reckon with the Communists, who fear the disruption of the Popular Front and the growing influence of the Right.

The Rising Cost of Living

The social situation is still disturbed, and the Government cannot reject outright claims for higher wages fortified by the persistent increase in the cost of living. The index of the price of foodstuffs rose from 193 in August, 1935, to 215 in December, 1935, and in May, 1936, 250 in December, 1936, and nearly 315 in January, 1938. This increase is due to improvements in the prices realised for agricultural products, the drought and bad crops of last summer, and the rise in the price of certain foreign products after the devaluation of the franc. The increase has cancelled the benefits to the workers of their successive increases in wages.

WHOLESALE PRICES

	Jan. 8	Jan. 15	Jan. 22	Jan. 29
General index	608	615	611	612
National products.....	653	655	653	653
Imported products	527	544	535	537
Foodstuffs	622	623	622	620
Industrial products	596	609	601	605

Whatever the outlook, the tendency towards national unity and the hesitation of capital to take flight when financial and economic difficulties have reappeared abroad, prevents the pessimists from making too definite forecasts of the next stage in the course of events.

Germany

Germany and Freer Trade

BERLIN, February 2.—The proposals of M. van Zeeland for the liberation of international trade aroused relatively little interest here. Newspapers, while giving prominence to unfavourable Italian utterances, did not themselves attack the plan, or even sufficiently describe it. But after the failure of so many international initiatives, the proposals are not considered promising, or even realistic.

It must not be inferred that the Reich, were it invited to consult with the other great commercial countries would

answer with a negative. The attitude of official and party Germany is self-contradictory. On the one hand, isolation, industrial, commercial and financial, is propounded as a sound principle, bound entirely to supplant the odious and destructive economic *Liberalismus*. But if this is thrown back at Germany in the form of a charge that Germany is "the chief obstacle to economic collaboration," the imputation is rejected angrily. Germany, it then appears, is burning with zeal for free international trade; and it is the other countries that persist in maintaining obstacles.

Autarky and the Van Zeeland Report

Germany has tied herself up with an economic system which is incompatible with free trade in any form, and which contrasts, therefore, in everything with M. van Zeeland's plans. The German system is indeed a makeshift, the outcome of enforced and piecemeal adaptations to exigencies of the day. But, though not planned or foreseen, it has grown into an interdependent whole. No one of M. van Zeeland's recommendations could be adopted without prejudicing this interdependent whole.

M. van Zeeland finds that tariffs are less injurious than quotas. The German import-rationing system is the quota system in an extreme form and cannot be got rid of. M. van Zeeland stands for the most-favoured-nation system. In Germany that is regarded as a particularly vicious offshoot of *Liberalismus*, and she has proclaimed for preferences. Dr Schacht's New Plan includes official determination of German trade balances with individual countries. That is incompatible with the freedom of commercial payments which M. van Zeeland recommends.

German restrictions on commercial payments are simply restrictions on imports. They are more important than restrictions on debt-service transfers and capital movements; though if capital must be transferred in the shape of goods, it is hard to see how the three can be distinguished. Germany could not restore freedom of transfer for any purpose without a very large loan. She has expressly declared that she will not contract new loans. Nor does she believe that she would get new loans.

Certainly she could give no guarantee that foreign money would not be used for political-military purposes. In practice, it would be difficult to differentiate between uses; and as the present policy of autarky aims at achieving national security in the event of war, no concession on this matter could be readily negotiated.

Five Years' Economic Advance

Although Dr Funk was to take office as Reich Minister of Economy on January 15th, General Goering continues to administer the Department provisionally. General Goering's latest act is to create a Defence Economic Council (*Wehrwirtschaftsrat*) attached to the Reich Economic Chamber.

The Trade Research Institute has published an imposing list of five years' achievements in the economic domain. The number of persons in employment has risen from 12,580,000 to 18,370,000. The gross value of industrial production has advanced from Rm. 37,800 millions to Rm. 75,000-80,000 millions. Steel production has increased from 5,650,000 to 20,000,000 tons. The output of cement has risen from 3,250,000 to 12,500,000 tons. The domestic turnover of machinery has quintupled. The number of dwellings built

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annually has risen from 131,000 to 300,000. The national income has increased from Rm. 45,200 millions to Rm. 68,000 millions; and Reich tax revenue from Rm. 6,650 millions to Rm. 14,000 millions.

There seems little doubt that the expansion will continue. The latest Reich programme is for the development of Berlin on an enormous scale by means of constructions which will not be completed until 1950. The projects include the destruction of four railway termini and their replacement by two new termini; the intersection of the city by a broad north-south thoroughfare; four circular roads; a new underground railway; a new War Ministry building; a central assembly place for a million demonstrators; a vast pleasure lake within the city; and other imposing works.

Apparently no difficulty will be met in finding money. It is indeed expressly declared in another connection that the shortage of labour is the only possible impediment to expansion. The President of the Reich Unemployment Insurance Office foreshadows the introduction of a compulsory working year for women. According to this official, the overcrowding of the learned and scientific professions of which so much was heard, and which led to agitations for a *numerus clausus*, has come to an end. To-day, the demand exceeds the supply.

The Progress of Self-Sufficiency

The statistics for December indicate a slight setback in the outdoor and associated industries. The number of employed workmen was, however, 9.8 per cent. higher than in December, 1936; the number of hours worked 13.9 per cent. higher; and the average time worked daily 7.80 hours. Coal production in 1937 was 184,512,000 tons against 158,380,000 tons in 1936; iron-ore production 8,522,000 tons against 6,651,600 tons; and steel production 19,848,800 tons compared with 19,207,900 tons.

An official report brings out the sharp relative decline compared with before the depression of imports as a factor in Germany's total supplies. In 1928, some 56 per cent. of goods delivered from all quarters came from home industry, over 20 per cent. from home agriculture, and only just over 23 per cent. from imports. In 1937, more than 62 per cent. came from industry, over 21 per cent. from agriculture, and less than 16 per cent. from imports. These are value figures, at the prices of 1928.

Holland

Large-Scale Loan Conversion

AMSTERDAM, January 26.—The Minister of Finance has taken the long-awaited decision to proceed to a large-scale conversion of the State loans. No less than 1,672 million guilders of 4 per cent. loans are to be converted into 3 per cent., and all the outstanding 4 per cent. State loans will then be redeemable. Subscriptions for the new loan open on January 27th, and the issue price is 99½ per cent.

This new 3 per cent. loan, maturing in 38 years, is of an entirely new type, as the rate of interest will become 3½ per cent. in ten years' time. Since the Minister is entitled to redeem the loan at any time before maturity, it is, however, obvious that the investor will benefit by the higher rate of 3½ per cent. only if a general rise in the level of interest rates in the Netherlands sets in in due course. Actually, the chances of higher money rates look fairly remote at present, because there is a surfeit of available funds in the Netherlands capital and money market, and there is no demand for new capital.

The loans coming on to the market are almost exclusively for conversion purposes, since trade and industry show no marked signs of expansion. Indeed, numerous companies have themselves abundant supplies of liquid funds, which are being used to redeem loans and pay off bank credits.

For all these reasons, the new 3 per cent. conversion loan is regarded as having a very good chance of success. Already 623 million guilders have been placed with various State funds, and subscriptions for another 257 million guilders have been assured. On the Bourse, trading is already going on at a premium. Other State loans are also displaying a firm tendency the last few days. The Netherlands Indies 3 per cent. loan, for instance, which was such a failure when issued, is now quoted at a premium of 1½ per cent. over the issue price of 96½ per cent.

Embargo on Foreign Issues Relaxed

Although trading was on a restricted scale, there was, nevertheless, a good investment demand in January for first-

class shares. The urgent need for good investment material provided occasion for the introduction of some foreign securities on the Amsterdam market. Actually, an embargo on foreign issues has been in force for some time. This has not been completely suspended, but the authorities are now far less stringent in enforcing it. As a result, shares in the American Rolling Company, as well as debentures of 16 American companies (including 11 railroads) have been introduced.

On the whole the company reports so far published make a very satisfactory showing, although their views about the future are expressed with some reserve. The dividends declared are mostly in excess of last year's, and in many instances are substantially higher.

Increase in Unemployment

The unemployment returns for December show that the world-wide decline in prosperity has not failed to leave its mark on industrial and commercial affairs in the Netherlands. At the end of December, 437,469 persons were wholly unemployed, an increase of no less than 51,500 compared with the corresponding figure for November. An increase in unemployment is normal in December, but an increase of more than one-eighth is ominous. The number of unemployed is still 17,700 less than at the end of 1936, a fall of 4½ per cent., but this cannot be regarded as a very substantial improvement.

In December imports and exports advanced considerably compared with the corresponding month of 1936, as can be seen from the following figures published by the Central Bureau of Statistics:—

	Value in million guilders (gold and silver excluded)			
	December 1936	December 1937	January-December 1936	January-December 1937
Imports	114	128	1,017	1,551
Exports	80	96	746	1,148

The Netherlands Government have succeeded in renewing the clearing treaty with Germany for 1938.

Surplus of Coal Exports

Expectations that 1937 would be a flourishing year for the Netherlands coal mines have been realised. Output reached the record figure of 14,320,000 tons, an increase of 1½ million tons in a single year.

Until 1936 it was necessary for the Netherlands to import more coal than exported. In 1935 imports exceeded exports by 472,000 tons, but in 1936 this gave place to a small export balance of 98,000 tons, and in 1937 the exports exceeded imports by no less than 555,000 tons.

The balance of exports is not attributable to a decline in imports, which were actually considerably higher in 1937 than in 1935 and 1936. The fact that, in spite of this, the export surplus increased by 450,000 tons indicates that exports of Dutch coal, cokes and patent fuel have grown to a very encouraging extent. Export prices have also improved considerably.

Japan

War-time Expenditure and Control

TOKYO, January 14.—In addition to the defence estimates in the ordinary Budget, submitted to the present session of the Diet convened on Christmas Day, the Army and Navy are demanding some 4,000 million yen more for the China campaign, and this, together with 2,548 million yen previously approved, will bring the total expenditure on this head up to 6,550 million yen (in round figures). This new expenditure is to be financed by fresh taxation to the extent of 200 million yen. Under the taxation scheme a further 20 per cent. levy will be imposed on personal and corporation incomes; the excess profits duty, the stock exchange duty, and the excises on beer, *sake*, sugar, textiles, and petrol will again be increased; the sales tax on luxuries will be extended over a wide variety of articles; and the passenger duty will be reimposed.

War-time State control over trade and industry has lately been further tightened. The amount of exchange transactions requiring licences has been reduced from 1,000 yen to 100 yen. Import restrictions have been extended to wood pulp, crude rubber, and hides, while export embargo has been placed on coal, China-grass, ramie, jute, molybdenum, tungsten and antimony. In order to cope with the shortage of textile materials resulting from the import restrictions, the

Department of Commerce and Industry has published new regulations which provide for compulsory mixing of 20 to 30 per cent. of stable fibre with cotton or woollen goods for domestic consumption. The manufacture of articles containing more than 376/1,000 of gold has been prohibited, and an annual saving of 10 million yen in gold consumption is anticipated. A new Government order requires industrial concerns to furnish the Treasury beforehand with details of their capital expenditure schemes.

Large Import Surplus

The trade returns for 1937 show that the value of imports amounted to 3,783 million yen and of exports to 3,175 million yen. Compared with 1936, imports increased in value by 1,019 million yen, or 37 per cent., and exports by 482 million yen, or 18 per cent. This relatively larger growth in imports is mainly a matter of prices, and decreases in volume are recorded in many cases.

The combined trade returns for 1937 for Korea, Formosa, and the South Sea Mandated Territories show imports of 171.5 million yen and exports of 143 million yen, compared with 164 million yen and 104.6 million yen, respectively, in 1936.

The import surplus for Japan, including her colonies and mandates, amounts in the aggregate to 635.8 million yen, against 130.4 million yen in the preceding year. The excess of imports of merchandise is the largest ever recorded, except for 1924, the year immediately following the great earthquake.

Rising Note Circulation

The note circulation was at a considerably higher level in 1937 than in 1936, but the expansion has been particularly rapid since the outbreak of hostilities, as shown in the following table, which gives comparisons of monthly averages for two years:—

	(In million yen)		
	1937	1936	Increase in 1937
July	1,472	1,309	163
August	1,501	1,298	203
September	1,515	1,274	241
October	1,623	1,382	241
November	1,671	1,344	327
December	1,936	1,562	374

The note issue reached the year's peak at 2,399 million yen on December 30th, but after the turn of the year it began to decline, and was down to the level of 1,700 million yen in the second week of the current month.

Prices Move Upward

Commodity prices took a definitely upward turn during last month. The Bank of Japan's index of wholesale prices for December registered a further rise of 1½ per cent. in the month, and recovered to the level of last May. The net change during the past twelve months was 12.2 per cent., but the percentage variations in the price of individual commodities, compared with a year ago, were considerable, from an increase of 62.8 per cent. in the price of American timber to a decrease of 28 per cent. in the case of American cotton. The major advances were mostly in metals and chemicals.

Canada

The Government and Trade Agreements

OTTAWA, January 15.—The Federal Parliament of Canada reassembles on January 27th, but no heavy programme of legislation is forecast. The Government must now postpone any attempt to deal with the more pressing problems, such as constitutional reform, the debt situation and a programme of social security for the workers, until the Royal Commission on Dominion-Provincial relations produces its report, which is unlikely before the end of 1938.

In the negotiations for a triangular readjustment of trade between Canada, the United Kingdom and the United States, one major difficulty is now being encountered in the recent shift in the balance of trade between Canada and the United States. For twenty-one months before last September Canada had an unbroken monthly export surplus in trade with the United States. But in the last quarter of 1937, when the business recession produced price-cutting in the United States, Canadian importers proceeded to buy large quantities of American goods at bargain prices. In November the value of Canada's imports rose by about 14 million dollars, and imports from the United States represented 11 millions.

Business interests in Canada, adversely affected by this inflow, have demanded that the Ottawa Government should apply its emergency powers of special dumping legislation and, it is understood that they have been applied in the case of certain textile imports. The King Ministry may be compelled both to ask more from, and to offer less to, the United States than originally contemplated.

When he submits his Budget, the Minister of Finance should be able to show that his forecast of a deficit of 35 million dollars for 1937-38 was much too pessimistic. The figures for the first three-quarters of the current fiscal year ended December 31st put the yield of the Federal revenues at 402½ million dollars, compared with 339½ millions in the corresponding period of 1936, while expenditure, ordinary, capital and special, totalled 361½ millions, an increase of only 1½ million dollars. There is, therefore, already an improvement of 61½ million dollars in the Budget position and, although the recession in business will probably cut the gains in revenues during the last quarter of the year, the deficit may not much exceed 20 million dollars.

Albertan Legislation on Trial

The Supreme Court of Canada is now engaged in hearing the arguments about the challenged legislation of the Social Credit Ministry of Alberta. The basic contention of counsel for Alberta was that the lapse of the Imperial power of disallowance of Dominion legislation, as the result of the passage of the Statute of Westminster, had produced as a corollary the lapse of the Federal power of disallowance. The Court reserved judgment on this question and on the right of provincial lieutenant-governors to withhold assent from provincial statutes.

On the legislation to control credit, counsel for the Federal Government argued, from the speeches and writings of Major Douglas and other champions of Social Credit, that it was part of a concerted plan to destroy the existing financial structure of Canada, and therefore illegal. Counsel for Alberta contended that such arguments were irrelevant to the issue of the legal validity of the legislation. Meanwhile the *Financial Post* of Toronto alleges that the policies of the Aberhart Ministry are now dominated by the two English Social Credit experts on the Social Credit Board; and there are rumours of serious dissensions in the Social Credit ranks.

Oversupply of Newsprint

The leaders of the newsprint industry are addressing themselves to the problem of liquidating the oversupply of newsprint. A scheme is being worked out, under which companies with their full output sold and in a position to make deliveries will surrender some orders to assist less fortunate mills and spread employment. Some publishers are also co-operating by taking additional supplies, but it is not expected now that the industry as a whole will be able to operate at more than 75 per cent. of capacity during 1938, or that the operating ratio for the first quarter will be above 55 per cent.

In the week ended January 8th the general business index of the Bureau of Statistics rose 2.8 points. Given below are data of three major components of the index in recent weeks:

Week ending	Car-loadings	Wholesale Prices	Bank Clearings	General Index
Dec. 25, 1937 ...	76.6	82.8	87.7	106.0
Jan. 1, 1938 ...	68.6	83.0	99.5	106.6
Jan. 8, 1938 ...	82.8	83.5	96.2	109.4
Jan. 11, 1938 ...	81.4	80.9	102.6	117.3

The upturn in prices is a healthy sign, and the sharp rise in the price of copper and other base metals will help the mining industry. The primary iron and steel industries, however, report a decline in orders, and the textile plants are planning a curtailment of operations. Retail merchants in Eastern Canada report that price-cutting is rife, and profits are being adversely affected. The last two months have witnessed the usual seasonal increase in unemployment, but the number of people on public relief is smaller in January than it has been since 1930. The employment index of the Bureau for December 1st was 121.6 compared with 110.1 on December 1, 1936.

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Letters to the Editor

England and Eire

TO THE EDITOR OF THE ECONOMIST

SIR,—As a reader of the *Economist* may I express the view that your article on this subject is on the whole fair and temperate. But what exactly has the writer in mind when, in his conclusion, he refers to "matters such as the treatment of the Catholic minority in Northern Ireland"?

So far as I am aware the franchise is the same, the social services are identical, and in the matter of education the position here is at least as good as it is in Great Britain, and some authorities contend better. There are two or three local government areas which the Nationalists might control on a counting of heads, if no regard whatever was had to the immense disparity in rateable valuation. Otherwise they control local government machinery in the areas where they predominate.

The number of their seats in Parliament is approximately the same under a system of single member constituencies as it was under a system of proportional representation with the county as a unit. There is no discriminatory legislation except a measure to combat the physical force party who, it is alleged, are not all Catholics. This legislation, therefore, is not aimed against any religious community.

In view of this, it is to be regretted that the writer was not more explicit and more frank in his definition, if for no other reason than the enlightenment of public opinion in Northern Ireland. Unfortunately, the primary grievance of the Catholic minority is that they are a minority, and the only solution they have in mind is to convert the Protestant majority in Northern Ireland into a minority of all Ireland. On all questions, apart from unity, I can say with confidence that Northern Ireland would welcome a complete agreement and reconciliation between Great Britain and Eire.

Yours faithfully,

ALBERT E. BURNS.

Bangor, Co. Down.

"Stop Me and Buy One"

TO THE EDITOR OF THE ECONOMIST

SIR,—The article entitled "Stop Me and Buy One" in your current issue comments appropriately on recent legal proceedings relating to L.C.C. hawkers' licences. It does not, however, mention another case heard before the same Judge two days later, also relating to the sale of ice-cream from tricycles, with equally ludicrous results, but one which in this

case may have very serious consequences for the retail trade generally. I refer to the appeals brought by a well-known ice-cream company against decisions of several provincial justices in connection with the Shops (Sunday Trading Restriction) Act, 1936.

This latter Act exempts (*inter alia*) ice-cream from its general prohibition of Sunday trading; but requires that employees in such exempted trades may not work on more than three Sundays per month, and must then receive a compensatory whole holiday on a preceding weekday; and further requires employers to keep relevant records of hours worked. These requirements naturally proving irksome to ice-cream traders, they exercised their ingenuity to prove that they were not covered by the Act at all.

Now, the Act refers in the first place to shops, and its provisions are extended "to any place where any retail trade or business is carried on as if that place were a shop." The Eldorado Company argued that this phrase did not cover their box-tricycles. They failed to convince the local Justices, but succeeded in the High Court.

It was fantastic, said the learned Judges, to argue that a box-tricycle, which was a movable, peripatetic apparatus by which sales could be made over a large area, was a "place" within the meaning of section 13. The terms of that section, they said, made it clear that "place" was *not* any place where any retail trade or business was carried on (though this is precisely what it does say).

If the effect of this judgment was merely to make it easier to sell ice-cream on Sundays, nobody need worry much. But unfortunately it may have much wider implications. The phrase which the High Court has newly interpreted runs throughout all the Shops Acts, and in the past it has always been supposed to extend the benefits of these excellent measures to the milkman, coalman and baker's roundsman no less than to the shop assistant.

If now the street trader is to be relieved from all these regulations, the small shopkeeper who is still bound by them will be placed (in more senses than one) in a most difficult position which Parliament certainly never intended. Somebody may, of course, be public-spirited enough to spend thousands of pounds in fighting another test case up to the House of Lords, in the hope (but not the certainty) of securing a contrary ruling. Otherwise, the only solution is for the whole machinery of Parliament to be brought into play to pass an amending Bill. Surely here, as with the other case you mentioned, there is something slightly out of proportion.

Yours faithfully,

DONALD BARBER,

Secretary,

Retail Distributors' Association.

Books and Publications

The Modern State

YEARS ago Mr Lawley became a convinced believer in the virtue and expediency of collective control of economic activity. He undertook the stupendous task of recording and sorting out every modern instance of State interference and international co-operation in social and economic matters; and his astonishingly complete list of State activities and inter-governmental agreements* is an invaluable work of reference. Broadly, Mr Lawley's creed is two-fold: he is convinced that it is impossible for modern Governments to avoid intervening more and more in social and economic affairs; and he believes that this trend is wholly to be welcomed.

He is rightly of the opinion that the world is conspicuously disfigured by poverty, economic insecurity and inequality, and the danger of war. These things are due, in his view, to the competitive use of private property, and the aggressive search for profits at home and abroad, and can

* "The Growth of Collective Economy." By F. E. Lawley. P. S. King. Two Volumes. 35s.

only be abated by restrictions upon the use and power of property, or in the international sphere by mitigation of the economic inequalities among nations by collective agreement.

Fortunately, he thinks, this is already happening. Economic necessity is educating statesmen and public opinion alike. Mr Lawley describes the measures of State control occasioned by the Great War; the tendency of Governments to undertake increasing responsibility for the fate of basic industries; the recent trend of public utility organisation; and the consequences of the development of conscious State policy in monetary and investment matters. Nations are coming together to discuss economic problems, even if they seldom agree to act in concert—largely because of the inequalities between them.

Mr Lawley's argument is not always very discriminating. There is clearly a distinction in fact between State interference to protect private interests and intervention to restrain them. Indeed, Mr Lawley might reflect that the most developed examples of the devices he favours are to be found in those countries where the democracy which he advocates has been destroyed.

It would, however, be unfair to make Mr Lawley the

sponsor of dictatorship. He lays down that public undertakings (for which he shrewdly favours a public utility form) must be not only efficient technically, but also planned in the interests of the whole community. His plan to control existing institutions where capitalist concentration is strongest, to take over key industries, new industries, basic services and all departments of banking and finance, is a Socialist, not a Fascist, programme.

In details Mr Lawley is often shrewd and sound. He argues very cogently that the State is fully capable of bearing the risks of enterprise at present borne by individual *entrepreneurs*. He lays stress upon the need for the State in most cases to assume control of property by the payment of compensation to the owners. He is strongly opposed to methods of violence, and believes that revolutions not based upon the consent of both the middle and working classes are bound to fail. He is a democrat, a Socialist and an optimist.

Unfortunately, he is so anxious to prove that the revolution he desires is already taking place peacefully that he tends to take uncritically the view that "increasing doses of State capitalism must be welcomed as steps towards a real collective economy." Socialism is "just round the corner." His political and economic arguments are too superficial—his simple view of profits as a surplus, and imperialism as competition for surplus values, too ingenuous. He seems to have an insufficiently clear picture of the price-mechanism, the nature of monopoly, the structure of the State and the character of national sovereignty. He does not perceive that autarky, which he condemns, is one expression of the collective action which he tends to approve; or that monopoly and restriction may be dangerous medicines. Nor does he sufficiently examine the implications of fiscal policies. But his collation of facts is an impressive achievement; and in broad outline his thesis is substantially correct.

Shorter Notices

"Unit Trusts and How They Work." By C. L. Rosenheim and C. O. Merriman. Pitman. 87 pages. 7s. 6d.

Within the compass of 62 pages (the rest are occupied by appendices and index) Messrs Rosenheim and Merriman offer a practical treatise on the operation and organisation of unit trusts. They are well qualified for their task; and it has been assisted, at the outset, by a philosophical introduction by Mr W. Piercy, which ably clears their practical ground of the biadweed of controversy. The authors have done much to simplify the maze of fact concerning unit trusts, and the effort of compression in accommodating their discussion to such a relatively limited space is remarkable. But such compression has drawbacks, as well as advantages. It assumes some familiarity with unit trust principles. And it has cramped the discussion at several vital points. A fuller discussion of comparative method for the two distinct types of flexible trusts would have been very welcome. There are, also, one or two rather tantalising statements which might deserve expanded discussion in a subsequent edition. The sale of "at least £200,000 and perhaps as much as £500,000 worth of units," which is regarded as essential before any profit is shown for unit trust managers, appears to be lower than earlier estimates. Perhaps a generous spread of overhead expenses over several trusts has been assumed. As the figures stand they suggest that the formation of unit trusts is more remunerative than some managers have apparently found in experience. Secondly, the report of the Board of Trade Committee does not support the statement that the £20,000 deposit in respect of each open trust, which they recommended, was to be made "simply to guard against the managers being forced to be 'bull' of securities at a time when both security and unit holders are urgent sellers." Finally, would the transfer of securities to a holder of a complete unit in a fixed trust attract full stamp duty, in view of the fact that there is no change in beneficial ownership?

"Milk Investigation Scheme—Cost of Milk Production in England and Wales." Interim Report No. 1. (November 1, 1934 to September 30, 1935). 87 pages. 2s. 6d.

This pamphlet makes a provisional report on a semi-official inquiry into the costs of milk production which was entrusted in 1934 to the Agricultural Economics Research Institute at Oxford. The sample of the farms from which data were collected was not large, but was probably well diversified for the resulting averages to be taken as broadly

accurate. From the large number of interesting details that emerge from the report, the one which will be most frequently selected is the average cost of production in all districts of milk produced for sale at wholesale, without any of the additional requirements of the special quality grades. This figure varies between 8.59d. per gallon in the South Wales region and 10.79d. per gallon in the South-Eastern region, the average being 9.41d. per gallon. The report is strictly confined to costs of production and makes no mention of the price obtainable for milk, or of costs incurred after the milk leaves the farm. It may, however, be added that the average pool price, in the period to which the inquiry relates, varied between 11.7d. in the lowest region and 12.7d. in the highest. The margin between the pool price and the net farm cost of production would therefore seem to range between 2d. and 3d. a gallon, which has to meet transport costs, profits and interest on capital. With reference to the last point, it can be calculated from the report that the average amount of capital invested is about 10d. for each gallon of production per annum. Interest alone will therefore absorb at least 1d. a gallon of the margin. It would be interesting if the investigation could be carried further, so as to make possible a judgment on whether milk production is, or could be, a profitable business. But it is clear from the figures here published that it is only the most efficient dairy farmer who can hope to make more than a bare return out of producing milk.

Books Received

L'Or et la Monnaie. By A. Aftalion. (Paris) Domat-Monchrestien. 121 pages. 25 frs.

Manitoba's Case. A Submission Presented to The Royal Commission on Dominion-Provincial Relations by the Government of the Province of Manitoba. Parts I-IX. (Winnipeg) Jas. L. Cowie, King's Printers. No price stated.

Démocraties en crise: Roosevelt—Van Zeeland—Léon Blum. By Louis R. Franck. (Paris) Editions Rieder. 79 pages. No price stated.

Koerstafels. By J. Hage. (The Hague) Martinus Nijhoff. 240 pages. No price stated.

Russia in Chains. By I. Solonevich. (London) Williams and Norgate. 314 pages. 12s. 6d. net.

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THE BUSINESS WORLD

British Shipbuilding

THE fortunes of the British shipbuilding industry vary with changes in world trade and international political relations. During the past few years the industry has benefited from the gradual revival of world business, which has led to an increase in orders for mercantile tonnage. By a grim paradox, it has also benefited from the deterioration of international relations, which has forced the Government to increase its expenditure on the navy.

The volume of mercantile tonnage under construction rose from 225,000 gross tons at the end of 1932 to 1,125,000 tons at the end of the past year. The volume of work on hand at the end of 1937, nevertheless, was still 435,000 gross tons smaller than eight years earlier. The decline in commercial construction since 1929 has, however, been offset to some extent by an increase in warships under construction in private yards, from 58,000 tons at the end of 1929 to 499,000 tons at the end of 1937. Partly as a result of the expansion of activity and partly because of the reduction of the shipbuilding industry's output capacity, the proportion of idle berths was reduced from 46 per cent. at the end of 1929 to 35 per cent. at the end of September last year. But the number of insured persons employed in the industry last June, at 133,291, was still 16 per cent. smaller than eight years ago. While recovery came late to shipbuilding and is not yet complete, the industry has certainly made substantial progress in recent years, both in the volume of its output and in technical efficiency. The immediate outlook, however, has been clouded by a marked decline in new commercial contracts since last summer, and the moment may be opportune for a re-examination of the influences which shape the course of activity in shipbuilding.

Developments in the shipbuilding industry must be regarded in the light of the special position of the British Empire. An Empire covering something like one-quarter of the earth's land surface requires for its continued existence an enormous merchant fleet and, for its defence, a large navy. It is not surprising that the British shipbuilding industry rose to pre-eminence; for the size of her merchant fleet and navy, added to natural advantages, rendered costs of production cheaper in this country than elsewhere and brought large orders from other countries. For many years before the war Britain regularly constructed more than half the world's output of merchant tonnage as well as most of the warships for countries without productive facilities. Since the war, however, the relative importance of the industry has tended to decline with the growth of economic nationalism. Thus, the proportion of the new mercantile tonnage launched in the United Kingdom declined from 59 per cent. in 1914 to 54 per cent. in 1929. During the last eight years economic

nationalism has been intensified, and Britain's proportion of total launchings has declined to 34 per cent. The fall has been absolute as well as relative; for the gross tonnage launched in this country last year, when world trade had practically regained the volume of 1929, was only 929,000 gross tons, against 1,522,600 tons in 1929, and 1,683,600 tons in 1914. The shipbuilding industry, in short, has taken the brunt of the declining co-operation between the various countries of the world, and, unfortunately, there are no indications of an early reversal of this trend.

These long-term tendencies need to be distinguished from the cyclical factors, which are so strongly in evidence in the shipbuilding industry. Owing to the difficulty of adjusting carrying capacity to changes in world trade, any decline in the demand for shipping services is reflected in a more than proportionate fall in shipping freight rates, and therefore in the value of shipping tonnage. Conversely, during a period of expanding world trade, freight rates and the value of shipping tend to rise inordinately as soon as the world's existing capacity is fully employed. During a period of falling freight rates, shipowners consequently curtail their expenditure on new vessels. On the other hand, a sustained rise in freight rates, when the volume of idle tonnage has fallen to small dimensions, usually produces a rush of new shipbuilding contracts.

The operation of these tendencies is revealed by a series of diagrams on page 321. The first chart shows changes in the total gross tonnage on the United Kingdom register since 1927, as well as in the proportion of the total laid up and in commission. The total tonnage of steam and motor vessels on the United Kingdom register declined from 20.2 million tons at the end of September, 1930, to 17.5 million tons at the end of 1937. In consequence of the decline in world trade, the volume of idle tonnage increased from 590,000 gross tons—3 per cent. of the total tonnage registered at the end of 1929—to 3,556,000 tons, equivalent to 18 per cent. of Britain's total carrying capacity at the end of June, 1932. The tonnage commenced reached its lowest level in the middle of 1933. Between 1933 and 1936, the coincidence of a gradual rise in the tonnage in commission with a reduction in total carrying capacity steadily reduced the volume of idle shipping. By the middle of 1936, unemployed tonnage was not much higher than in the years before the depression. At that point, however, the volume of international trade suddenly took a sharp upward turn and, early in 1937, the reserve capacity fell to negligible proportions.

The implications of these developments are shown graphically in the second diagram, which indicates the trend of *The Economist's* index of freight rates and of the value of a new 7,500-ton cargo steamer, as given in *Fairplay*. Movements of freight rates and of the value of merchant tonnage show a fairly close correlation, though tonnage values have been subject to wider fluctuation than freight rates. Both indices vary closely with changes in idle tonnage and both showed a substantial decline between 1929 and 1932, when the volume of idle tonnage tended to increase. Between 1933 and 1936, both freight rates and shipping values recovered to pre-depression levels; for idle tonnage in the latter year had been reduced to more normal dimensions. But freight rates and shipping values both rose inordinately between the middle of 1936 and 1937 owing to the prevalent fear that the demand for shipping capacity would soon tend to exceed the supply at the current rate of expansion in world trade. As there was scarcely any reserve capacity left in the spring of 1937, and since the supply of tonnage cannot be increased at short notice, this fear was

not unfounded. But the lull in world trade recovery since last summer went far to remove this possibility and produced a sharp reaction in freight rates. At the same time, the proportion of idle tonnage to total capacity again tended to increase.

How these developments were reflected in the volume of new merchant shipping orders is shown in the third diagram. Owing to the decline in world trade and the increase in reserve capacity between 1929 and 1933 the volume of merchant shipping commenced fell almost to zero. Since then there has been a steady improvement, followed by a sharp setback in the second half of last year, when the trend of world trade turned downwards and shipbuilding costs showed a strong upward movement. This diagram, and the chart showing changes in output since 1927, emphasise the relative decline in the proportion of the world's mercantile shipping tonnage constructed in Britain—a tendency which has, unfortunately, been particularly marked during the past two years.

It would seem, therefore, that the prospects of the mercantile shipbuilding industry in this country are not very promising. In the first place, international trade activity appears again to be declining. Secondly, there are no convincing signs of an early check to the long-term decline in the relative importance of the British shipbuilding industry. On the other hand, the volume of idle tonnage is still very small, and any resumption of an upward trend in world trade would be quickly reflected in rising freight rates and new shipbuilding contracts. Nor is there any indication of an improvement in international political relations which would permit a reduction in Britain's naval expenditure. To some extent, therefore, a further increase in warship work may offset any decline in mercantile contracts. Altogether, our survey of changes in the setting of the British shipbuilding industry forcibly illustrates Britain's interest in the furtherance of free commercial intercourse between the countries of the world.

The French Deadlock

By a Correspondent

CABINETS, in France, may come and Cabinets may go, but the economic crisis seems to go on for ever. There have been two drastic devaluations of the franc in the last eighteen months, and every Government has made great efforts to balance the Budget. But the main problem is still unsolved.

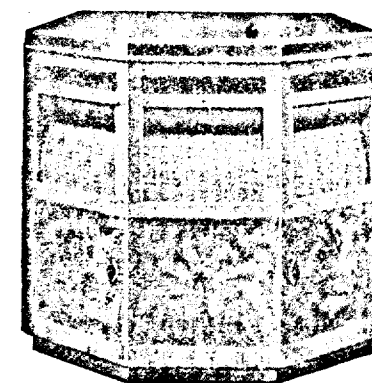
The root trouble of the French economy is the inadequacy of the national income, the estimates of which declined from 243 milliard francs in 1930 to 172 milliards in 1935. In 1936 it was estimated at 189 milliards, and the present level is once again between 230 and 240 milliards. This means that, in terms of money, the national income has recovered by 31 per cent. from its lowest figure. But wholesale prices have risen since 1936 by 75 per cent. and retail prices by just over 40 per cent. It is clear, therefore, that the successive devaluations of the franc (which have halved its gold value) have not provided the expected increase in the volume of production, which still remains almost at the minimum reached during the period of world deflation.

What are the causes of this obstinate paralysis of the economic machine? The explanation most frequently offered is that it is due to the social legislation of the Blum Government, and in particular to the increase in labour costs and the technical effects of the enforcement of the forty-hour week. The changes in wage rates effected by the so-called Matignon Agreements resulted in an average rise in labour costs of between 10 and 20 per cent. Paid holidays added another 4 per cent. to the wage bill, and the forty-hour week another 25 per cent. The total increase in the wage bill by the beginning of 1937 was therefore from 40 to 50 per cent. of the level prevailing before M. Blum's premiership. But that level itself, even before the summer of 1936, was estimated to be between 10 and 15 per cent. higher than competitive costs abroad, so that the first depreciation of the franc by about 30 per cent. in September, 1936, left the currency still from 5 to 15 per cent. overvalued. The disproportion was increased by the fact that wages have been increased by about a further 10 per cent. since last summer, on account of the rising cost of living. The franc has, however, depreciated rapidly and now stands at only half of its former external value. This has at last fully restored the equilibrium of French and international costs. Moreover, in the past twelve months the rise in the wholesale prices of national products and in retail prices has been faster than in wages, which means that the profitability of French industry has been restored. In many industries, dividends are certainly on a definitely higher level than in 1936. Indeed, it is argued that both the working class and the profit-earning class have gained at the expense of those classes whose incomes remained stable or increased less than prices, e.g. rentiers and salaried employees.

Nevertheless, production still hangs fire. The trade unions undoubtedly made a mistake in insisting upon a too rigid application of the forty-hour week. But the last Cabinet's expert committee on production did not accept the 40-hour week as a general explanation of the failure of production. And, in any case, adjustments have now been largely made, and the application of the law itself has been modified. Moreover, even on a forty-hour basis, the demand for labour does not absorb the whole supply. We must therefore look deeper for the explanation of the continued failure of the French national economy to react to any stimulus.

To the economist, the present position of France presents a strange paradox: on the one hand, there is a large-scale

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inflation, arising from the disorderly state of the public finances; but on the other hand there is continuing deflation of the economic structure. It is probable that the State will have to borrow some Frs. 30 milliards during 1938, in addition to its requirements for refunding operations. The increase of the national debt between August 31, 1936, and August 31, 1937, was 24 milliards, and in the two preceding years 17 milliards and 18.5 milliards respectively. Professor Lescure made an estimate some years ago of the total of net savings in France in the years of prosperity after the stabilisation, which he put at between 28 and 30 milliards per annum. This would be a higher proportion of the national income than in the much richer Anglo-Saxon countries, and may be taken as a generous estimate. Net savings must have fallen to a figure rather below than above Frs. 10 milliards before the Blum Government took office. It follows that the deficits of the State are at least as great as, and probably considerably greater than, the total of net savings. Not only have there been no savings in France in recent years available for maintaining the flow of capital into productive industry, but there has been a positive shortage of savings, and a considerable disinvestment of capital.

The position has been further complicated by the state of the currency. A considerable part of the national savings has always been kept in France in the form of bank-notes, and some estimates before the depression put the value of bank-note hoards as high as half the total circulation, or about Frs. 40 milliards. Against these hoards the Bank of France held at the beginning of 1932 over Frs. 90 milliards of gold and foreign exchange (about Frs. 180 milliards at to-day's value of the franc). In the ensuing years, however, there has been an enormous flight of French capital to foreign countries. The gold reserves of France have diminished by 50 milliard Poincaré francs, or 100 milliards of to-day's francs, and of this loss well over half, and perhaps four-fifths, is attributable to the flight of capital.

The circulation, however, has not been in the least diminished as the result of this conversion of hoards into foreign exchange, since it totalled Frs. 92.5 milliards on January 13, 1938. The previously hoarded bank-notes which were turned over to the Bank of France to pay for the gold were reissued by the bank in the form of direct and indirect advances to the State—the direct advances alone amount to not less than Frs. 38 milliards in the last two years. This, then, is the explanation of the puzzling phenomenon of active inflation by the State proceeding *pari passu* with the shrinkage of the national income. As a result of the extraordinary lack of confidence in the political and economic stability of the country, budgetary inflation, instead of providing a stimulus to industrial expansion, has in fact merely provided a means by which capital invested in fixed forms could be liquidated and exported from the country. An excellent example of the process is provided by the Rentes Stabilisation Fund set up after the second devaluation. This fund, which arose out of the writing-up of the Bank of France gold, was used to maintain the value of Rentes on the Bourse. In other words, it purchased

Rentes from private holders and placed in their hands cash which they could take to the Bank of France for conversion into gold. The process has been interrupted, whenever the rise in wages has temporarily run sufficiently far ahead of the rise in retail prices to induce an increase in the volume of consumption by the workers. But as soon as cash balances have been readjusted to the new value of money the disinvestment has started again. France is being stripped of her capital, and the Government deficit is providing the technical means for the process to be carried out.

For a situation of this sort only desperate remedies will avail. The four possibilities are the depreciation of the franc to such a low level as to discourage further exports of capital; the creation of a shortage of cash by a more-than-balanced Budget; exchange restrictions; and restoration of the confidence of capitalists. The first would be an extremely dangerous expedient, as it may be questioned whether there is any level of the franc, in the present circumstances, at which the export of capital would cease—and, even if there were, it might be so low as to have most unfortunate internal and external repercussions. A balanced Budget is out of the question so long as the need for rapid re-armament continues. Exchange control is not likely to be a complete solution, since though it might stop the further export of capital it could hardly, without the most drastic measures, stimulate a return of capital already abroad. But the return of this capital will be badly needed, both to provide the increase in investment—particularly in working capital—which is inevitable if the national income is to be raised, and also to secure the stability of the balance of payments while the heavy imports necessary for such re-equipment are made. In these circumstances there is no excuse for regarding exchange control as anything more than a temporary expedient to cover the initial stages of a fundamentally sound policy. In the last analysis, the matter is one of psychology. In France, as in America, the task is to achieve reforms which industry could in most cases well afford, without frightening capital away. The restoration of confidence in France as a field for investment, and the repatriation of French capital from abroad, are the only measures which can break the deadlock. For this purpose patriotism and clear thinking are required on both sides of the political fence. The Left should by now realise the consequences of the economic policy of the past two years; the capitalists of the Right, on the other hand, must not remain indifferent to the fact that their action is endangering the safety of their country. They must be brought to see that their almost hysterical dislike of the political ideas endorsed by a considerable majority of their countrymen is doing not only their country, but their own ultimate interests, enormous harm. Somehow a bridge must be built between the two sides. The attempt made during the recent crisis by M. Blum to form a National Government, belated as it was, proved still premature, but the creation of some such common basis for reconstruction is the most urgent service that French politicians, trade unionists and capitalists can now render their country.

Cinema Company Shares

THE cinema is one of the hall-marks of our age. In a generation it has produced marked social change and has transformed popular speech and thought. Governments recognise its importance, and the economist takes account of its place in the family budget. The present position of leading cinema company shares, however, suggests that the investor expects to gain but little from this rapid progress.

In the present article we propose to examine the broad investment aspects of the exhibiting side of the industry.

Film production, in the past, has been too undependable, and its financial excesses too notorious, to provide any regular basis for long-term investment. On the other hand, the exhibiting branch of the trade is popularly deemed to be highly profitable, and this view is supported by available facts. Mr Rowson, whose statistical investigations into the film industry are stamped with authority, has estimated that in 1934 every person in the country over the age of fifteen visited the cinema nearly thirty times on the average. The exhibiting industry at that time provided one cinema seat for every nine persons over fifteen. Doubtless these statistics have since been surpassed.

It is evident, however, that the cinema shareholder has not fully participated in the fruits of prosperity. The Gaumont-British ordinary shareholder has received no dividend for the past two years—thanks, mainly, to the company's losses on film productions. A few weeks ago the

new board of directors of Union Cinemas expressly refrained from proposing the adoption of the accounts, on the ground that they could not accept or support the values attributed to the principal assets. The new board also raised serious issues over the policy of the previous management, which had administered the company for only a year. Such facts go far to explain why the market is unresponsive to new cinema issues. The Odeon Theatres 5 per cent. debentures, issued at 99 last July, are now quoted 83-86. And the Associated British Picture Corporation—which is, by general consent, one of the most efficient units in the industry, with a progressive earnings and dividend record in recent years—may well have hoped, originally, to make its recent issue of 1,500,000 5s. ordinary shares to existing holders at a higher price than the 14s. eventually decided upon.

After the latest issue, the Associated British total debenture and share capital will amount to £7,366,688, and its reserve fund to £2,425,000. The Corporation now owns or controls some 500 cinemas—rather more than one-ninth of the total number in the country in 1934, according to Mr Rowson's estimate. The circuit is the largest in the country. In addition, the Corporation owns studios which have paid their way in recent years, together with a renting service which supplies half the country's cinemas.

Although the Corporation's capital resources have been considerably expanded in late years (as recently as March 31, 1935, the total capital of all classes was no higher than £5,450,000) aggregate earnings have also advanced by large strides. Some 15 per cent. was earned for the equity in 1934-35; in the two following years the rate jumped to 33 per cent. and then to 49 per cent., although the dividend was cautiously increased only from 10 per cent. for 1934-35 to 12½ per cent. for 1935-36, and 18 per cent. for 1936-37. The increase in the interim dividend for the current year from 7 per cent. to 10 per cent. was accompanied by the official statement that profits had been fully maintained.

The recent progress of the Corporation has, in fact, been buttressed by a prudent dividend distribution policy, and by expanding and realistic depreciation provisions. Over and above its physical assets, however, the Corporation has obtained two new shareholding interests in the past fifteen months. In October, 1936, the Corporation acquired rights in connection with the Ostrer holdings in Metropolis and Bradford Trust, the agency through which control is exercised over Gaumont-British. The full history of this transaction has yet to be disclosed. But it is evident that the second, and vital, part of the transaction—the acquisition of the "A" (voting) shares—has still to be effected, and legal proceedings are apparently in train. Exactly a year later the directors acquired a large holding of shares in Union Cinemas. In this case also, the precise terms of the transaction, the nature of the holding, and the extent of control, have not been disclosed.

These new responsibilities in part explain the company's need for fresh capital, which, in view of the company's profit-earning record, should have a satisfactory dividend basis, without including the additional earnings which should accrue from its employment. Nevertheless, shareholders may feel some difficulty in framing estimates, at this stage, of the ultimate financial results of the Corporation's two recent acquisitions. In the case of Gaumont-British, the chairman of Associated British has a seat on the board, but does not hold control. In the case of Union Cinemas, it is evident that a capital reconstruction will be required, and that preference dividends must for the present be ruled out. Viewed from the Associated British standpoint, do recent statements about the Union Company's position affect the Associated's purchase arrangements? Will the future profits of the Union Cinemas group, under reorganised management, provide a satisfactory return for Associated British?

We may, perhaps, indulge in some reasoned guesswork on the second point. Apart from its financial stake in Union Cinemas, Associated British has a management contract which, for a circuit of some 200 cinemas, is likely to prove valuable, without entailing, in all probability, any considerable increase in costs by the existing A.B.C. organisation. In addition, the Corporation's renting branch automatically increases its business, even assuming that it supplied some part of Union Cinema's bookings before.

And, finally, the annual income from booking a regular news-reel service to only part of the Union circuit may well be appreciable. Altogether, it may not be fanciful to suggest that these three sources of income may be of the order of some £200,000 per annum.

To put a precise investment valuation on the Corporation's Gaumont-British interest is equally difficult, particularly in view of the fact that a shareholders' committee has lately received sufficient support from dissident shareholders to lodge an application with the Board of Trade for an official inquiry into the affairs of the Gaumont-British Company. At present, therefore, a certain *sub judice* character attaches to the divergence of view which has arisen between certain "general" shareholders and the controlling interest in the management, which enjoys special voting rights on a relatively small direct financial stake. During the past two financial years, special losses of Gaumont-British of £766,809, arising from film production and distribution, have been written off from past profits and reserves. The Corporation has closed down its major production plants, and has divested itself of its distributing organisation, in return for a guaranteed income from General Film Distributors. Critics of this policy have suggested that the ordinary shareholders must resign themselves to prolonged absence from the dividend list, since the Corporation's income from the exhibiting subsidiaries will probably remain stable. The current quotation of 6s. 4½d. for the 10s. suggests that the attitude of shareholders is more resigned than enthusiastic. Just over a year ago, the company's annual meeting was adjourned until the directors had presented a consolidated statement of accounts. The ensuing statement, however, did not afford detailed and comprehensive information about group earnings. Nor did the succeeding year's accounts, presented last October, after a year of substantial changes and financial difficulty, provide a further consolidated statement showing the position at March 31, 1937.

A decision on the question of appointing an official inspector to examine the Corporation's affairs now rests with the Board of Trade. Meanwhile, recent years have seen the rise of a new star in the cinema firmament—namely, Odeon Theatres. This is solely an exhibiting concern, without any production or renting business, though it enjoys the benefit of an arrangement with United Artists in respect of film supplies. It acquired 86 cinemas last July, and has management agreements with 71 further theatres, which each provide an annual fee of £624 per annum and 60 per cent. of net profits. According to a recent report, by June next the circuit will number 300 cinemas, and a year later 400 cinemas. Investors should distinguish, however, between the cinemas of the Odeon circuit which are actually owned by the company, those in respect of which it has management agreements, and others which may fall outside the limited interests of Odeon Theatres in the total circuit.

A circuit of this potential size is, of course, a keen competitor with other cinema organisations, and it is not surprising that merger rumours have already cropped up. Such reports were recently denied by the chairman, Mr Oscar Deutsch. Meanwhile, the company has yet to publish its first accounts. There is a limited public equity interest, but the 5 per cent. debentures, of which £1,800,000 is outstanding, are publicly held. On the prospectus figures, their cover should be reasonably satisfactory. The market value of this stock, however, has fallen, like that of Associated British Properties 4½ per cent. debenture, which was issued in 1936 at par, and now stands at 89½.

Cinema securities, as a whole, are not in large investment demand at the moment, and it is difficult to forecast any early change. New cinema building proceeds apace, and much recent construction has been carried out at high cost. Competition by way of long programmes and price concessions in off-peak hours is keen. Popular feature films are expensive to rent, and the industry may have to adjust itself at some future time to a reduced volume of general purchasing power. It has, moreover, a rival of more than potential importance in the football pools, to which, it is estimated, some £50 millions may be transferred annually from other forms of popular diversion. And a final judgment must obviously await, not so much the passing of the Government's Films Bill, as the publication of detailed official information on the affairs of certain large companies.

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Finance and Banking

Franc Uncertainties.—The franc has remained fairly steady during the past week, with spot sterling quoted on Thursday at Frs. 153, and the three months' rate at Frs. 6½ discount. Moreover, M. Marchandau, the new Finance Minister, announced last Monday the new Government's adherence to the Tripartite Agreement and opposition to exchange restrictions. This implies the continuance of M. Bonnet's policy, and as M. Bonnet now holds no portfolio he is free to collaborate with M. Marchandau. The market, however, is still somewhat anxious about the future of the franc. The fact that last week the French Exchange Fund was borrowing sterling by means of "swap" transactions suggests that its resources are now at an end. Also it has needed to use its borrowed sterling to support the spot rate, and is thus left with forward liabilities which may be uncovered. If this view is correct, recourse may again become necessary to the Bank of France's gold reserves, and the next few returns of the Bank will be carefully watched.

There is also considerable doubt whether France will receive the whole of the Dutch loan of Fl. 150 millions arranged last autumn. The first two tranches have already been floated, but the Dutch market is somewhat disturbed by the trend of recent political and social developments in France, and it is possible that only Fl. 12.5 millions out of the third tranche of Fl. 50 millions will be placed. The French Treasury is thought to have enough funds in sight to carry it on until the middle or end of March, but it is

difficult to say whether any such forecast includes its small margin of unavailed borrowing powers at the Bank of France. This lends point to M. Marchandau's insistence on Monday that the excess of expenditure over receipts is "Financial Public Enemy No. 1." There is no evidence that any large-scale borrowing programme is envisaged, nor is the Paris market in good shape to cope with it. At the moment there is no serious speculation in the franc, nor is there any further flight of funds from France. But the position holds more uncertain features than the calmer market conditions of this week suggest.

Gold and the Dollar.—The past week's developments in the foreign exchange and bullion markets can be viewed in closer conjunction than usual. The weakness of the American dollar and the increase in the premium to which the sterling price of gold has been bid over the dollar shipping parity are directly related phenomena. As far as the price of gold is concerned they have, of course, largely offset each other; for the fall in the price of gold which should have accompanied the depreciation of the dollar in terms of sterling has been avoided by the increase in the premium. This stability of the London price of gold at approximately 139s. 7d. no doubt gives expression to the wishes and policy of the authorities. Their representatives at the daily fixing virtually determine the price at which gold is dealt in, and this week their policy has been to ignore the fluctuations of the dollar to ensure reasonable stability in the sterling price of gold. There has, however, been a more direct and obvious link between the weakness of the dollar and the increased premium on gold in London. The bulk of the purchases of gold, both at and after fixing, have been made against sales of dollars. The largest of these operations have been made on behalf of important American and Continental interests to whom the position of the dollar has once more appeared to be suspect.

Argentine Exchange Developments.—The Argentine Government have reduced the exchange surcharge from 20 to 10 per cent. This surcharge applied to imports from and to those countries with which Argentina had no trade agreement, and less precisely to those with which Argentina's trade balance was passive. Great Britain and several other countries were exempt from the surcharge by virtue of their trade agreements, and were also, by the operation of the system of prior permits, able to sell goods to the Argentine at the official import rate of 16 pesos to the pound instead of the free rate, which up to ten days ago was 17.02 pesos to the pound. The surcharge, however, was applied to the official import rate and not to the free rate. Thus, the effective exchange rate on goods subject to the surcharge was only 20 per cent. on to 16 pesos, that is 19.20 pesos to the pound. During the latter half of 1937 the Argentine-United States trade balance ceased to be passive and became active. There is little doubt that Washington made representation for the reduction of the surcharge, and that the Argentine Government has now responded.

The Argentine central bank, which hitherto had been supporting the peso, this week withdrew its support, and so the free rate promptly rose from 17 to over 18 pesos. Thus while, officially, the lower surcharge of 10 per cent. means that American and other goods can now be imported at a rate of 16 pesos plus 10 per cent., or 17.60 pesos, exchange in practice cannot be purchased at less than 18.30 pesos to the pound. Hence, the assistance to American imports and therefore the indirect effect of the change upon British exports, is less than might be thought; for

Argentine is taking away with one hand much of what she is giving with the other. So far as British trade is concerned, the reduction in the surcharge is a less serious matter than the recent trade agreements with such countries as Holland, Czechoslovakia, Hungary and Italy, for imports from these countries now qualify for prior permit and the official import rate of exchange. On general grounds, however, these new agreements are obviously to be welcomed. It may be added that the Argentine railway remittances are mostly made at an official rate. Hence they are not prejudiced by this week's depreciation of the free rate.

Foreign Bank Deposits.—Lord Wardington, in his address to Lloyds Bank shareholders on January 28th, called attention to an important but hitherto neglected aspect of the "hot money" problem. Much of the foreign money which at times has flowed into this country in large quantities has either been deposited with the British

joint-stock banks or invested in the bill market. In normal times the banks are glad to attract foreign deposits, and they even pay more than the London deposit rate for it. In these days, however, foreign money coming to London is so subject to passing fears on the part of its owners, and therefore so liable to sudden withdrawal, that it becomes a source of embarrassment to the recipient banks. The banks dare not divide it up between loans, investments and discounts in accordance with their ordinary practice, and so feel bound to use it solely in loans to the money market or in buying bills of exchange. With both short loan and discount rates hardly better than ½ per cent. Lord Wardington was eminently right in pointing out that the banks could not afford to pay rates of 1 per cent. or more upon such deposits. He showed that other countries either paid only a nominal rate or imposed a charge for the safe keeping of this money. He might have added that the influx of this money also imposes a charge on the Exchequer, for the gold it brings with it has to be carried by the Exchange Equalisation Account.

MONEY MARKET NOTES

The Bank Return

Currency requirements over the end of the month have caused an expansion of £3.5 millions in the note circulation. The Reserve is reduced by the same amount.

	Feb. 3, 1937	Jan. 19, 1938	Jan. 26, 1938	Feb. 2, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	457.3	475.7	473.2	476.7
Banking Dept.				
Reserve	56.8	51.3	53.8	50.3
Public Depts.	12.2	11.0	13.6	11.4
Bankers' Depts.	96.1	124.4	113.1	111.4
Other Depts.	38.3	36.9	37.3	36.6
Govt. Secs.	80.4	104.4	98.9	98.1
Discounts and Advances	8.5	13.0	10.4	10.5
Other Secs.	18.9	21.8	19.0	18.7
Proportion	38.7%	29.7%	32.7%	31.5%

In the banking department, the withdrawals of currency from the joint-stock banks, as indicated by the increase in the note circulation, have been partly neutralised by a contraction in public deposits. This last movement is due to the Government dividend payments at the beginning of the month. Both bankers' deposits, however, and the total resources of the banking department continue to stand at a high level, compared with a year ago. This is due to the year's increase in Government securities, but it is possible that the reduction in the latter, in evidence during the past fortnight, may continue.

The Money Market

In spite of fairly heavy calling by one of the clearing banks last Thursday, money remains very easy. The continued reduction in tender issues of Treasury bills, due to reserve collection, and the ill-success of the market at recent tenders, means that few bills are available for re-sale to the banks. This week the banks have bought a few March and April Treasury bills at ½ per cent., but they have not been able to fill all their requirements. On Thursday there were a few more bank bills about at ½-¾ per cent., the actual rate depending, among other things, upon the names on the bill.

	Feb. 4, 1937	Jan. 27, 1938	Feb. 3, 1938
Bank Rate	2	2	2
London Deposit Rate	2	2	2
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½	1½-5/8	1½-5/8
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	17½-7½	17½-9½	17½-7½

* Viz. ½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

This week's Treasury bill payments have again been complicated by the calendar. Bills paid for on Monday, January 31st, and also those paid for on Wednesday to Saturday inclusive, are 89-day bills, and the highest price paid for these was £99 17s. 6d. per cent. Only 18 per cent. of the bills applied for at this rate were allotted, so that the market fared badly. May 1st being a Sunday, bills paid for on Tuesday, February 1st, went at £99 17s. 7d. per cent., or a penny higher. The difference in length did not compensate for the extra penny; and so this day's bills were not applied for by the market.

The Bullion Market

There has been a fair demand for gold this week. This has been met out of official supplies, but the authorities have thought it wise to permit an increase in the premium to a fairly wide margin. The reason is that this demand possibly represents a new tendency to switch out of dollars and into gold. So far as the London bullion market is concerned, this demand originates mainly from the holding companies representing foreign fugitive capital. The Swiss National Bank is also reported to be pursuing a similar tendency, but its gold purchases of course are made in official quarters and not in the open market.

Silver has been very steady, apart from a slight relapse on Thursday. There has been some more bear covering, but the market generally has been very quiet. The fact that the London price is still above the American parity

Date	Gold			Silver, price per oz. standard	
	Price per 100 oz.	Prem. or Disc. in	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Jan. 28 ...	139 6	7 pm	272	20½	19½
" 29 ...	139 7	9 pm	255	20½	19½
" 31 ...	139 6	10 pm	363	20½	19½
Feb. 1 ...	139 7	12 pm	562	20½	19½
" 2 ...	139 9	11 pm	458	20½	19½
" 3 ...	139 10	13 pm	583	20½	19½

* Above or below American shipping price.
The New York price of silver remained at 45 cents per ounce -999 fine during the week.

means that it cannot be trusted at its present level, but further covering from India might bring about a fresh temporary increase at any time. On the other hand, an increase in the forward price to over 20d. would at once bring out fresh sellers.

Foreign Exchanges

The tendency to shift out of dollars into gold, mentioned in the Bullion Market Note, led to considerable offerings of dollars, largely from Switzerland and Holland, and at one time sterling rose to \$5.01½. The announcement in the House of Commons on Tuesday evening that the restrictions upon British lending abroad were to be relaxed inspired the thought that there might be more British institutional buying of American securities, and this caused the rate to improve on Wednesday to \$5.00½. By the next day, however, it was back to \$5.01. Possibly in sympathy with the depreciation of the Argentine free rate, referred to in a Financial Note, the Uruguayan peso has depreciated sharply from 24½d. to 20½d. The course of the French franc is referred to in a Financial Note. Other Continental rates show little movement. Swiss francs were bid down from Frs. 21.62½ to Frs. 21.59½ on the weakening of the dollar, while guilders were very steady at Fl. 8.96½. Belgas improved from Bel. 29.63 to Bel. 29.51 on the greater steadiness of the French franc, but have since relapsed to Bel. 29.58½. Three months' belgas similarly narrowed to one cent discount, but have since gone again to three cents discount.

THE
STANDARD BANK
OF SOUTH AFRICA LIMITED

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	£3,000,000
CAPITAL UNCALLED	£7,500,000
	£13,000,000

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THE STANDARD BANK MONTHLY REVIEW is sent post free on application. It gives the latest information on all South, East and Central African matters of Trade and Commercial Interest.

Bankers and Cotton.—The Chairmen of all three Lancashire banks made pregnant comments on the cotton trade at this year's annual general meetings. They were agreed that, taken as a whole, 1937 had been an unusually good year—the best for ten years, according to Sir R. Noton Barclay, chairman of the District Bank. Yet the year began better than it ended; for the collapse of raw cotton prices, which began in the early summer, has caused a substantial contraction in demand, and has had the familiar sequel of unsold stocks and reluctance to take deliveries on high-priced contracts. Sir Noton Barclay made the point that to-day 50 per cent. of Lancashire's output of 4,000 million yards of cotton and rayon fabric was absorbed by the home market. Mr Dewhurst, at the Williams Deacon's meeting, described the proposed scope of the new Enabling Bill, which, in spite of its complexity, he regarded as essential. A strong internal organisation, he believed, did not necessarily stifle our competitive capacity. The machinery for co-ordinating the spinning section and for withdrawing redundant spindles was already in operation, but both Sir Noton Barclay and Sir Richard Holt, the chairman of Martins Bank, admitted that the revival in trade had helped to ameliorate the problem of redundancy.

Swiss Bank Corporation.—During the past year the Swiss banks have had largely to contend with a continued influx of "hot money," practically all of which has come from France. Since last autumn, they have charged a 1 per cent. commission on deposits for less than six months; and have declined to pay interest on deposits for less than nine months. Some indications of this influx of foreign money are to be found in the balance sheet of the Swiss Bank Corporation for December 31st last. During 1937 time de-

posits fell from Frs. 88.0 millions to Frs. 75.8 millions, while current accounts rose from Frs. 654.0 millions to Frs. 772.4 millions. This net increase in deposits was more than balanced by increases in cash from Frs. 310.7 millions to Frs. 368.8 millions, and in sight balances with bankers from Frs. 151.1 millions to Frs. 204.0 millions. There was also a reduction in the bank's advances. In consequence, the bank has increased its liquidity, and this has affected gross earnings to a fractional extent. On the other hand, interest payable on deposits has fallen between 1936 and 1937 from Frs. 14.9 millions to Frs. 12.1 millions. Net profits have risen from Frs. 9.3 millions to Frs. 9.6 millions, and the 1936 dividend of 5 per cent. is to be repeated. Thus the bank has combined slightly higher net earnings with greater liquidity.

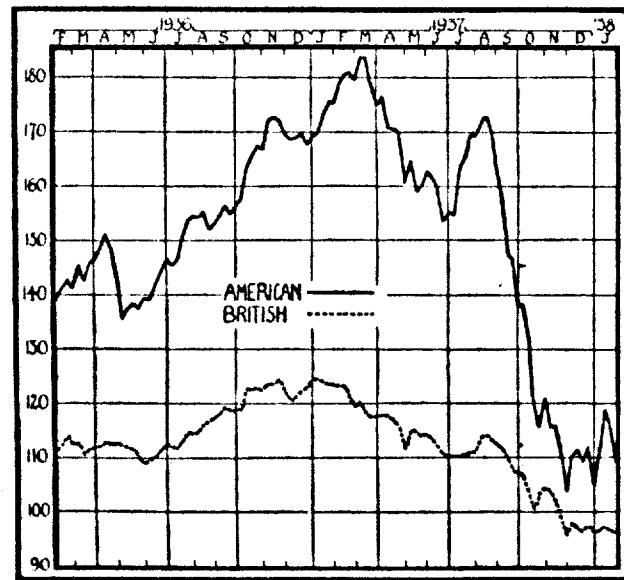
War Risks Restrictions.—On February 1st the long-expected change in the cover given by marine policies came into effect, and henceforward the risk of war and civil war will be covered by marine cargo policies only when the cargo is waterborne. When the goods leave the warehouse they are covered against riots and civil commotions, but not against war. As soon as they are on board the steamer they are covered against riots and civil commotions, *plus* war. When they reach the port of destination they remain so covered either until they are discharged from the steamer, or until 15 days have elapsed from the time of their arrival, whichever first occurs. Thenceforward, they are covered only for riots and civil commotion. If x represents riots and y represents war, this is the formula: Before shipment and after discharge, x applies. Between shipment and discharge, $x + y$ obtains; after discharge, x alone is valid. The new clause is therefore called the "waterborne" clause.

Investment

Course of Share Values.—Since the turn of the year the London market for equity shares has been in a state of uneasy semi-equilibrium, which has brought little profit and less satisfaction to the majority of speculative investors. In the first part of the month there was a slight but perceptible strengthening of the market's undertone,

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS
(July 1, 1935=100)

British: "Financial News" Index of 30 Ordinary Shares
American: "Standard Statistics" Index of 50 Common Stocks



and in the second part a modest but equally perceptible sense of frustration. Some professional speculators ventured to test the market, but, in most cases, reversed their

commitments without going very far. The number of bargains marked in the Stock Exchange lists ranged daily between 5,500 and 7,500, against 10,000 to 12,000 on corresponding days a year ago. The figures afford no exact measure of the difference in the volume of business, but are highly significant. The firmest parts of the "House" have been, on the whole, the markets for gold mining shares and, more particularly, for gilt-edged securities, but in neither market can activity be interpreted as a vote of confidence in industrial prospects as such. All that can be claimed is that the decline which started in January, 1937, has now been arrested for two months, as the annexed chart shows. The curve of American equity prices, given on the same chart, shows that although the decline of values last year was far more precipitous in New York than in London, the net result has not been so very dissimilar, if allowance be made for the characteristically wider fluctuations of the American market. In both centres equity shares lost more in 1937 than they gained in 1936. Both reached a bottom in November, and achieved at least the shadow of recovery before the year ended. And both, after a substantial draught of hope deferred, are still just a little higher to-day than they were in November. London has no windmill-tilting President, but its inability to stage a convincing revival, despite the comfortable words of Ministers and bank chairmen, is not a hopeful sign for a renewed bull market.

Foreign Capital Embargo Relaxed.—Investors, who as a rule are not prone to look gift horses too closely in the mouth, will welcome the Government's decision, announced by the Chancellor on Tuesday, to relax many of the restrictions on the raising of capital for use abroad, which have been in force, altogether, for the last five and a half years. As we suggest in a "Topic of the Week" on page 282, the Government's clemency is certainly politic

and probably political; for its promulgation within a week of the issue of the Van Zeeland Report may well be more than a coincidence. Nevertheless, the decision will be welcomed by the market because, liberally interpreted, it promises to restore conditions of comparative freedom for operations by almost all borrowers who, at the moment, are credit-worthy. Borrowers like the Argentine Government, who were in fact able to come to London under the old regime, should find their task no harder under the new. But Governments, public authorities and State-controlled organisations in countries who are either on the defaulters' list or might use the proceeds of a loan for warlike purposes, have little hope of obtaining long-term financial accommodation from the British investor, apart altogether from the Treasury's continuing ban. The market, on the other hand, has a material interest in the fruits of a more liberal official policy towards company operations abroad. The path will now be made easier for the repatriation of foreign-held blocks of British shares, like the famous Boots deal; and any reputable mining house which wishes to finance a promising foreign-domiciled concern should no longer be driven to adopt round-about means of reconciling its own policy with the Treasury's. Foreign-domiciled and owned (but not State-controlled) companies desirous of floating a share or debenture issue, or obtaining a Stock Exchange quotation in London, will apparently rank lower in the new scale of official consideration, but will receive more sympathetic consideration than before. The "request" that all applications should continue to be filed with the Committee, in order that the Treasury may know what is going on, would seem to involve more than formal registration. In particular cases, "reasons of public policy" may still involve rejection, and in interpreting "public policy" the Committee's original terms of reference may still have force. Experience will show, for example, whether official "latitude" will tend to vary with the extent to which the proceeds of any loan are spent in this country.

Canadian Allotment Questions.—Although this week's discussion of the implications of the scaling down of certain applications for the Canadian 3½ per cent. Conversion Loan may appear disproportionate to the amounts of money actually affected by the decision, the latter certainly raises important questions of principle. Underwriters were called upon to take up practically £4 millions out of the £10 millions of stock issued. Reports that applications to the loan were sufficient to cover the full amount appear to be extravagant, but it is true that those responsible for handling the issue scaled down certain applications from quarters suspected of "stagging," in the interests of "orderly marketing." Once dealings had commenced. The number of applications so reduced was probably not more than half a dozen, and the reduction affected tens rather than hundreds of thousands of pounds of the stock. The fact that the terms of the issue provided a week's interval for conversion applications encouraged the "stag" to exercise a free option on a rising gilt-edged market. We may respect the desire to preserve an orderly market without upholding the method employed. The essence of an underwriting contract is the underwriters' obligation merely to take up an unsubscribed margin of stock. It is not designed to give issuers a double option to allot stock to select subscribers and to decide how much the underwriter shall take up; or to allot stock to subscribers if they like them and to underwriters if they do not. A specific contract affords no room for the exercise of discretion by or of the parties, however sound his judgment. The "stag" is sometimes a market nuisance, whose excesses may annoy the serious investor. On the whole, however, he performs a valuable function by assisting and broadening an inactive market during the period between the issue of a prospectus and the absorption of a new stock by the permanent investor.

Corporation Borrowing Resumed.—After an interval of seven weeks, corporation borrowing has been resumed. The queue of borrowers has stood still while Canada has had her innings. Now comes Bristol's issue of £2 millions of 3½ per cent. stock at 101½. The price is one-half point higher than the last series of issues, and the redemption years, 1961-66, also represent a small extension of average life, as compared, say, with the Coventry issue. The Liverpool loan, offered early in November at 101, now stands at a net premium of about one point on the issue price. Bristol, however, need feel no dissatisfaction with the terms, for although the eager subscription of the loan suggested that an issue at 102 would have "gone," that price might not have been maintained for a series of issues. The present condition of the gilt-edged market indicates that this price should satisfy corporation borrowers, without causing undue market indigestion.

The list of potential visitors to the London market, as we showed on page 238 of last week's issue, is long. These authorities whose first objective is to convert issues carrying 6 per cent. to a lower interest basis, can scarcely be regarded as falling within the context of Lord Wardington's suggestion, at the Lloyds Bank meeting last week, that local government borrowing should be postponed while the finance of the re-armament programme remained a primary need. Lord Wardington foresaw considerable difficulty when millions of pounds of corporation loans matured, and holders desired repayment in cash rather than in conversion stock. History suggests, however, that under normal conditions there is always a prevailing rate of interest at which borrowers with sound credit status can obtain long-term funds. Alternatively, the banks themselves, in the circumstances Lord Wardington has in mind, might be glad to re-lend the swollen deposits of hoarders to local authorities. Investors who feel that control over local authorities' borrowing and spending is desirable, may ask whether it is not already exercised, in reasonable degree, by local electoral opinion and the watchdogs of the public purse in Whitehall.

Wall Street and the S.E.C.—To encourage Wall Street in these dark days is a matter of no mean difficulty. The President essayed the task in his recent conversations with "Big Business," but while he spoke in the pleasant tones appropriate to tea-table discussion, his more outspoken lieutenants were making no secret of their real opinions on the subject of economic royalism. Again, the President, as commander-in-chief of the Navy, has been converted to a large-scale building programme. The proposal, however, is neither as large nor as immediate as Wall Street had hoped. Whence, then, has encouragement come? Singularly enough, from the very quarter which Wall Street has hitherto mistrusted to the point of positive hatred—the Securities and Exchange Commission. Last week, the President of the New York Stock Exchange submitted a report on the question of its own reorganisation, the recommendations of which included the appointment of a paid president and broader representation upon the Board of Governors. It is true that many contentious topics are left over for further investigation, but the report undoubtedly embodies a basis of judicious endeavour to accommodate the views of the Stock Exchange more closely to those of the S.E.C. The decision has practical wisdom, since it may well limit the opportunities for detailed investigation which the S.E.C. has frequently seized in the past. Thus, the function of the S.E.C. might gradually approximate to that of general overseer of the market. The spectacle of the market and the S.E.C. roaring together like sucking doves is welcome, though something more than the mere absence of acrimony is necessary before the market can produce any broad advance in security values.

Foreign Bond Movements.—January produced another reverse for the foreign bondholder. The fall in his holdings, measured by the Municipal and General Securities Company's index of 109 bonds, was of the order of 7½ per cent., from 85.8 to 79.3 (January to June, 1934=100). The most severe falls were recorded in the Near and Far Eastern and South American groups. Both Chinese and Japanese bonds showed comparable losses, while the prolonged absence of any statement of intention by the Brazilian Government regarding the future service of the debt has made an unpleasant impression upon the market. The following table gives last month's depressing record:

PERCENTAGE JANUARY-JUNE, 1934=100.

End of Month	Europe	Near & Far East	South and Central America			Complete Index	Undeveloped Bonds	Defaulted Bonds
			Egypt	States	Provinces			
1937 January ...	(31) 103.6	(31) 116.2	(4) 100.6	(35) 128.5	(11) 131.7	(46) 129.3	(112) 107.3	(54) 128.5
February ...	(30) 102.9	(30) 120.0	(3) 99.6	(34) 131.8	(10) 131.8	(45) 131.8	(111) 107.3	(53) 131.4
March ...	(29) 100.3	(29) 120.8	(2) 97.8	(33) 126.2	(9) 120.1	(44) 124.7	(110) 106.7	(52) 126.0
April ...	(28) 100.9	(28) 120.2	(1) 97.1	(32) 124.7	(8) 122.7	(43) 124.3	(109) 106.6	(51) 125.8
May ...	(27) 101.6	(27) 123.1	(0) 98.3	(31) 124.3	(7) 123.4	(42) 123.4	(108) 106.6	(50) 125.3
June ...	(26) 101.3	(26) 125.5	(0) 98.1	(30) 124.8	(6) 118.2	(41) 123.2	(107) 109.0	(49) 125.1
July ...	(25) 105.9	(25) 117.6	(0) 97.9	(29) 122.4	(5) 117.5	(40) 125.3	(106) 106.3	(48) 128.6
August ...	(24) 103.1	(24) 95.3	(0) 98.5	(28) 122.4	(4) 118.4	(39) 121.4	(105) 99.1	(47) 117.4
September ...	(23) 101.9	(23) 87.2	(0) 99.5	(27) 116.1	(3) 111.8	(38) 115.0	(104) 95.9	(46) 109.7
October ...	(22) 99.0	(22) 88.1	(0) 98.3	(26) 105.1	(2) 108.2	(37) 105.8	(103) 95.5	(45) 101.5
November ...	(21) 97.7	(21) 81.6	(0) 97.9	(25) 82.4	(1) 74.2	(36) 80.4	(102) 88.6	(44) 82.5
December ...	(20) 98.4	(20) 81.6	(0) 98.6	(24) 82.6	(0) 75.0	(35) 80.7	(101) 86.6	(43) 85.0
1938 January ...	(19) 97.9	(19) 71.7	(0) 97.6	(23) 75.5	(0) 67.1	(34) 73.4	(100) 80.2	(42) 78.2

N.B.—Figures in brackets denote number of bonds included.

Pending an announcement regarding the future service of the debt, those Brazilian issues which have hitherto received interest in full have been retained in the "undefaulted" group, which last month suffered no less severely than the defaulted list.

Capital Issues in January.—Although some resumption of public issue activity was evident in the latter part of January, the amount of business was the lowest for some months. Even allowing for two large debenture issues made in January, 1937, our calculations reflect plainly the change that has come over the capital markets within the past year.

The following table gives our usual analysis of new money subscribed in recent months:—

(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	2,499	125	14,093
1935	18,388	1,270	21	19,679
1936	19,195	2,035	58	21,288
1937	18,603	1,842	525	20,970
(New Basis)				
1935	27,233	2,443	97	27,773
1936	37,370	2,823	964	41,157
1937	32,296	5,283	592	38,171
Monthly Total (Old Basis)				
Nov., 1936	Govt. 61,254	Other 11,335		
Nov., 1937	Dr. 150	10,570	1,802	12,222
Dec., 1936	Dr. 50	18,588	2,173	20,764
Dec., 1937	Dr. 350	9,806	2,744	17,050
Jan., 1937	300	23,361	1,214	24,875
Jan., 1938	200	4,197	Nil	4,397
(New Basis)				
Nov., 1936	61,254	26,799	3,955	92,165
Nov., 1937	Dr. 150	13,318	2,897	16,065
Dec., 1936	Dr. 50	101,663	5,519	111,220
Dec., 1937	Dr. 350	12,855	2,744	20,099
Jan., 1937	300	32,778	5,061	38,235
Jan., 1938	200	10,547	1,320	12,097

Roughly half of the total on the "old basis" is attributable to the issues made to shareholders only by Edmundsons Electricity and Associated British Picture.

But our tables take no account of the recent Canadian loan, involving some £10½ millions nominal, since it was made for conversion purposes only.

Company Notes

Gas Company Results.—Although the Gas Light and Coke Company reports a record revenue of £13,573,409 for 1937, our table and chart below show that the ordinary dividend of 5.6 per cent. (paid for the ninth successive year) was slightly short-earned. Gas companies generally found it impossible last year to offset the effects of rising costs, particularly for coal, and recent increases in prices may not cover their full effects in 1938. The Gas Light and Coke accounts illustrate another significant operating feature. Towards last year's increase of £537,791 in total revenue, gas revenue contributed only £100,562, while sales of residual products increased by no less than £366,615 and rentals by £66,729. The growing importance of residual products has been wisely recognised and fostered by the companies in recent years, but in the case of Gas Light and Coke rising costs, both of manufacture and distribution, have absorbed the lion's share of the resultant increase in revenue, as our table shows:—

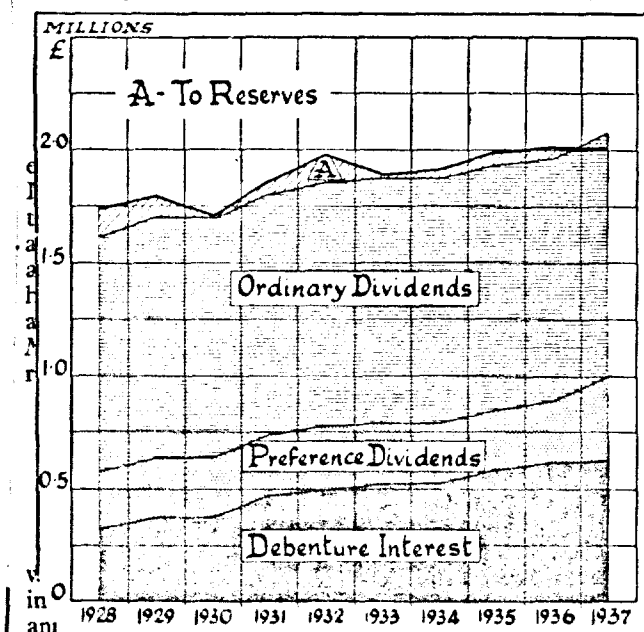
Years to December 31

	1935	1936	1937
Revenue:			
Sales of gas	8,403,295	8,725,012	8,825,575
Residual products	2,119,280	2,410,630	2,777,245
Rentals	1,661,922	1,829,835	1,896,564
Total revenue (inc. misc.)	12,236,807	13,035,618	13,573,409
Expenses:			
Manufacture	4,931,914	5,418,432	5,919,440
Distribution	3,423,196	3,668,924	3,816,700
All other charges and int.	2,446,908	2,492,970	2,448,346
Prof. & 3½% max. ord. div.	270,084	270,084	382,321
Ordinary stock:—			
Earned	1,164,705	1,185,208	1,006,602
Paid	1,080,733	1,079,104	1,077,401
Earned %	6.2	6.3	5.2
Paid %	5½	5½	5½
Redemption fund	40,000	40,000	40,000
Carry forward†	202,624	213,178	102,376

† After crediting Treasury grants of £19,012 in 1935, £3,777 in 1936, and £336 in 1937; and after charging issue expenses of £43,428, £59,327 and £339, respectively.

In the annexed chart we show the amount and the distribution of the company's earnings since 1929:—

GAS LIGHT AND COKE PROFITS—1928-37



The effect of the sale of residuals upon net revenue is the subject of comment in the South Metropolitan Gas report. Admittedly the directors to defer any increase in the price of gas until this year. Although the company's gas revenue

was reduced (as we show on page 328) net revenue was actually £50,321 higher at £560,249, owing to economies in distribution and other expenses.

Gas Light and Coke Position.—Significant changes in the Gas Light and Coke balance sheet suggest that the recent preference issue has been fully absorbed in financing the large extension of hire-purchase business in appliances. Debtors are up from £6,843,212 to £8,865,263 largely for this reason, while cash holdings are sharply reduced and a temporary bank loan of £550,000 has been arranged. It seems probable that the new preference capital has yet to become fully remunerative, but meanwhile the company is operating under difficult cost conditions. Stockholders may, perhaps, find some significance in the fact that the basic selling price of gas has been increased to 9d. A rough calculation, based on the company's sliding-scale arrangement, suggests that this price affords sufficient saving to consumers to permit the maintenance of the 5.6 per cent. dividend with some reasonable margin. In the last resort, however, the payment of the dividend is dependent upon profits actually earned. The present cost position would thus seem to make it difficult to guarantee the stable dividend record for which the gas industry has been famed in the past. Gas Light and Coke ordinary stock stands at 24s. 7½d., to yield £4 13s. per cent., and South Metropolitan, whose dividend was reduced in 1936, at 108½, to yield £5 4s. per cent.

Thomas Tilling Finance.—The disclosure of increased profits by this road transport holding company is satisfactory, but the chief interest aroused by the report lies in balance-sheet changes. The 10 per cent. cash dividend has been maintained, and a capital bonus of 25 per cent. has been declared—the third bonus distribution in four years. When the ordinary capital has been thus increased to £4,120,000, it will be nearly eight times larger than in 1930. The bonus will require £824,000, of which £500,000 will be obtained by capitalising the remaining balance of the Special Capital Reserve Fund. General reserve, however, at present amounts to only £58,793, after the writing down of London Transport "C" stock to market values. This reserve will ultimately stand at £1,000,000, for the directors propose to write up the book value of the holding of 1,933,142 Tilling and British Automobile Traction shares by £1,164,362 to £2,020,105, equivalent to £1 0s. 11d. per share. From this sum the balance of £324,000 required for the capital bonus will be found. The latest bonus distribution is thus, in essence, a capital "write-up," since the special reserve itself represented a surplus arising from the transfer of assets to London Transport. The trend of disclosed revenues is shown in the following table and chart:—

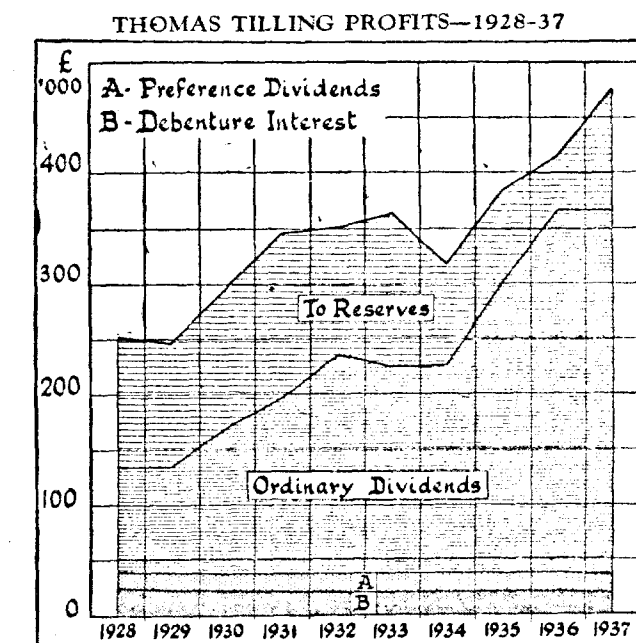
Years to December 31

	1935	1936	1937
Profit	388,005	428,752	480,147
Fees and interest	24,553	24,142	23,748
Prof. dividend	16,500	16,500	16,500
Ordinary shares:—			
Earned	346,952	388,110	439,899
Paid	263,675	329,600	329,600
Earned %	14.1	12.3	14.5
Paid %	10*	10	10*
General reserve	101,393	50,000†	100,845†
Carry-forward	176,436	184,946	194,400

* Also 25 per cent. capital bonus. † Also transferred direct to this reserve: £138,890 in 1936 and £1,164,362 in 1937.

The margin between disclosed ordinary earnings and cash dividends has tended to contract in recent years, but, as our table shows, the company's recent record provides adequate cover for the present increase in capital. The prospects of continued expansion, however, must surely be restricted by the Road Traffic Acts, under which the organisation and

operations of road transport are crystallising. On the costs side changes are likely to be upwards rather than downwards. These considerations, allied to the "pyramid"



structure of which Thomas Tilling is the apex, suggest that the yield of £4 5s. 6d. on the £1 ordinary shares at 59s. 6d. is no more than adequate.

Oxford Electric Preference Questions.—The recent arrangements for the sale of this undertaking appear to involve wider issues than the mere amalgamation of two electricity companies. The Wessex Electricity Company (a subsidiary of Edmundsons Electricity) had offered to buy the Oxford Electric undertaking, another subsidiary, upon terms to include payment of £239,298. Acceptance of the Wessex offer was urged by the Oxford Electric directors, although the City of Oxford shortly after made an alternative offer, the price being £300,000 (or 40s. per ordinary share). The parent company subsequently undertook that by acceptance of the Wessex proposals the Oxford Electric shareholders should receive 6d. per share more than under the City of Oxford proposals. Moreover, it was explained by Lord Meston at last Friday's meeting that examination of the offers showed that the Wessex offer was slightly better. Finally, the resolution in favour of the Wessex offer was passed on a poll by 260,425 votes to 23,300, though it had been lost on a show of hands. But the main interest of the transaction arises from the position of the Oxford Electric 6 per cent. preference shareholders, whose £1 shares are dealt in at around 25s. In the event of liquidation, these shares are repayable at par, and the Chairman was asked on behalf of the Public Trustee to explain the position, and to say if the shares would be repaid at par or if some more equitable offer would be made. It was also urged by another speaker that if Edmundsons would prefer to accept an independent assessment for the preference shares, they might wait until conditions for other undertakings were settled in the forthcoming Bill. To these contentions, the chairman replied that it was impossible and premature to make definite statements, though he reminded preference shareholders of the

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FOR ALL CLASSES OF INSURANCE

conditions laid down by the articles of association. Preference shareholders, it appears, are still in doubt about their position in the deal, and will remain so unless and until liquidation is proposed. Since these circumstances may also arise if large-scale electricity amalgamations result from the forthcoming Bill, electricity preference shareholders must remain in uneasy doubt.

"Chartered" Progress.—The results of the British South Africa Company for the year to September last fully reflect the benefits of high copper prices and expanding production. The company's total revenue increased from £697,361 to £956,162. Dividends from mining and other interests increased from £325,550 to £897,102, profits on sales of investments from £246,134 to £266,973, and mining royalties from £115,942 to the substantial figure of £296,015. Net profits, after providing for a sharp increase in taxation, amount to £686,650 against £521,514, and the dividend of 2s. on the 15s. shares is covered with a margin of £20,487. Apart from its profits on share dealings, "Chartered" enjoys three principal sources of income connected with the Rhodesian copper mining industry. Its direct holdings in Rhodesian mining are valued at £2,840,417—slightly over one-third of the portfolio. The copper companies have resumed restriction, and are now operating at 105 per cent. of standard quotas. We have recently suggested, however, that if this rate is maintained, and if the average price of copper is in the neighbourhood of £42½-£45 per ton for the current year, the earnings of the leading producers will not be markedly changed compared with last year, allowing for the fact that Mufulira has increased its output this year. Secondly, "Chartered" draws royalties on copper produced, which vary according to the price of copper, and are pivoted on a price of £55, up to which the royalty amounts to £2 per ton. Since substantially higher prices were recorded last year, it appears that even if the Rhodesian output is maintained—as it should be, on a rough estimate—"Chartered's" royalty income will be lower in 1937-38.

Finally, there remain the important railway interests. Their financial position has been strengthened by last year's debenture conversion, and their operating position by the long-term agreement with the copper companies and the Government. During the year to September last, Rhodesia Railways' net earnings were substantially increased from £1,117,408 to £1,932,662. The sum of

£863,688 realised on net revenue account was transferred to reserve, raising the fund to £1,675,657. Under the terms of the railway legislation, an ordinary dividend may be paid, since the reserve now exceeds one year's debenture interest, and it is expected that a distribution will be made in respect of the current year. Whether this distribution will pass *via* the Rhodesia Railways Trust to "Chartered" during the current year, and whether it will offset the probable fall in royalty income, remains to be seen. The balance of probabilities suggest that investors should be prepared for some reduction in profits this year, though the decline may not be substantial. The 15s. shares stand at 30s. 3d.

Other Company Results.—Our usual analysis of profit and loss accounts, appearing on page 327, covers over forty-five companies in all. A number of investment trust reports are included, but the week's results include a considerable variety of miscellaneous industrials. The reports are discussed on page 327 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue commencing on page 317. Lord Warrington's survey at the *Lloyds Bank* meeting is discussed in Notes on pages 299 and 301. Major-General Sir John H. Davidson, after referring to the *Union Bank of Australia* centenary, discussed the crippling effect of taxation in New Zealand. He showed how the levy amounted finally to between 16s. and 17s. in the £ of net profits. Addressing *Sun Life Assurance Society* members, Sir William H. Goschen reported a record expansion in renewable premium income, and, in view of the considerable fall in capital values, he expressed satisfaction that a valuation of their own assets showed a depreciation of under 2 per cent. Mr E. V. Pearce, presiding at the *British Tin Investment Corporation* meeting, explained that the company's policy was to recommend for distribution all that had been earned. After discussing the difficulties of the tin industry, he expressed the view that a buffer stock would be beneficial. Reviewing the results of *Padang Langkat Rubber Estates*, Mr H. A. Barrett reported that the gross average price realised had been 9d. per lb., compared with 7.49d. for the previous year. At the *Governments Stock and Other Securities Investment* meeting, Mr J. S. Austen expressed satisfaction that the trust's portfolio showed a depreciation about equal to the fall of the "Banker's Magazine" index.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
FEBRUARY 8 FEBRUARY 10

THE market reports have made poor reading this week—the last of the three-week account. There has been some rallying demand for Kaffir shares, fed by Cape and Paris buying, and the fixed-interest sections, under the lead of gilt-edged, remain firm. But of industrial pointers there are none, nor has Wall Street provided any incentive to the transatlantic section. An account which few market observers relished from the start has thus reached a dull, non-committal and faintly depressed conclusion.

Gilt-edged securities opened with a suggestion of dullness which was not significant, although it marked the temporary withdrawal of support. Further progress was recorded after this initial phase, however, and undated stocks took the lead in mid-week. The new

Canadian scrip opened nervously, possibly as a result of the unusual procedure followed at the allotment (described on page 301). The resumption of corporation borrowing had no effect on the strength of the newer scrips.

Among *foreign bonds*, the recent firmness in the Brazilian market was at first maintained, but Mr Eden's statement that negotiations for a new debt settlement have not begun produced a sharp reaction on Wednesday evening. Japanese issues reacted on the increasing budget burden of the China "incident," but recovered somewhat later, while the reports of internal tension in Germany depressed Young and Dawes loans.

More encouraging dividend hopes stimulated the *home rail market*, but it proved widely out in its estimate of the week's traffic gain, and a trickle of small selling caused small losses on Wednesday. The weak peso and discouraging crop estimates had a depres-

sing effect upon Argentine rail stocks.

Uncertain conditions prevailed among *industrial shares*, for the end of a long account never attracts new buying. In consequence, a small volume of liquidation was sufficient to produce a sequence of ragged price lists. Continued uncertainty regarding the cartel discussions and the future of steel prices affected steel shares, and Dorman Long were additionally affected by the short strike. A more cheerful note was struck by this market on Thursday, but it resulted largely from professional covering. Coal shares received no support, the market being affected by the publicity given to Part II of the Coal Bill.

Electricity supply shares remained satisfactory, and there were buyers for certain motor shares, including Atkinson-Oates. Thomas Tilling also rose on the accounts (discussed on page 303) and reached 59s. 6d. on Thursday. Engineering shares remained uneasy and dull. The year's brewing figures failed to stimulate interest in the share market, while tobacco issues received little investment support. Store and

provision shares were also a dull market. Despite the odd confusion regarding the France Fenwick dividend, the shares made headway on balance, but the shipping group generally showed only a partial recovery after a poor opening. Prices of the miscellaneous industrial leaders were broadly maintained, or where changed showed small fractional losses.

Small business was again reported in the *oil share market*. There were fractional gains in Royal Dutch and Anglo-Iranian in mid-week, but otherwise business was insufficient to prevent small fractional losses. Trinidad Consolidated provided an early feature on the contract with Trinidad Leaseholds. Leading *rubber shares* showed greater steadiness, though business was small. After a quiet opening, interest in the *Kaffir market* developed, and although demand was not of the urgent variety, most prices responded fairly well. Interest even in this market was not maintained, however, and while business was steady in mid-week, the public showed no sign of resuming its feed. A general set-back spread from Kaffirs throughout the mining share market on Thursday. East Geduld were prominent on the record January profits. West African issues remained reasonably firm after a modest improvement, and in the Rhodesian copper market Roan alone stood out with an early rise before joining the rest of the market in idleness. The reduction of the Burma Corporation interim had little effect upon the shares.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargain†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Jan. 28	5,855	10,260	95.3	130.5
Jan. 31	7,315	11,510	94.8	130.6
Feb. 1	6,350	10,500	94.2	130.7
Feb. 2	6,745	10,275	94.1	130.7
Feb. 3	6,665	11,650	94.0	130.9
1938 High...	...	...	97.2	130.9
Low ...	...	...	Jan. 12 94.0	Feb. 3 129.2
			Feb. 3	Jan. 3

* Approx. total recorded in S.E. List. † July 1, 1935 = 100. ‡ 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 151 industrial ordinary share prices stood at 72.5 on Tuesday last (February 1), a full point below the level of a week ago of 73.5, while a month ago the index stood at 73.4. The corresponding yields are 4.93, 4.85 and 4.86 per cent., respectively. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Jan. 4, 1938	Jan. 25, 1938	Feb. 1, 1938	
Insurance (10)...	119.9	120.8	120.1	121.5
Building mats. (6)...	86.3	84.9	83.6	87.1
Coal (9)...	105.4	102.7	99.0	106.7
Elec. mfg. (12)...	129.2	128.7	127.5	129.7
Iron and st. (17)...	65.5	64.3	62.4	66.4
Home rails (4)...	71.0	67.7	68.8	71.0
Stores, etc. (18)...	64.3	66.4	64.6	66.4

Group	Yields %			Prices 1938 Low
	Jan. 4, 1938	Jan. 25, 1938	Feb. 1, 1938	
Insurance	3.50	3.47	3.49	119.9
Building mats.	6.73	6.87	6.98	83.6
Coal	4.95	4.97	5.17	99.0
Elec. manuf.	4.43	4.44	4.48	127.5
Iron and steel	6.19	6.29	6.50	62.4
Home rails	3.03	3.16	3.08	67.2
Stores, etc.	4.62	4.52	4.61	64.3

New York

After Wall Street's depressing series of losses, the two-dollar gains at the beginning of the week suggested to many operators that the tide might at last be on the turn. By mid-week, it was plain that the earlier rises had flattered the amount of general market interest and had, in fact, been accompanied by a diminishing volume. A reduction in steel operations, according to *Iron Age's* estimates, from 32½ per cent. to 31 per cent. of capacity, disappointed the holders of steel issues who began to resign themselves to the prospect of continued operations at a low level. Nor was any advantage gained from the evidence of a *modus vivendi* between the Stock Exchange and the S.E.C. (described on page 301). Special selling of American Telephone was reported, but there was a distinct improvement in speculative rail bonds. A few gains in the building and gold mining lists were also reported. Generally, however, the market is flat and deflated in spirit. It finds the February economic outlook clouded, and while

SWISS BANK CORPORATION

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BIENNE, CHIASSO, HERISAU, LE LOCLE, NYON, AIGLE, BISCHOFSPHIL, LES PONTS, MORGES, RORSCHACH, ZOFINGEN

Chairman of Board of Directors: MAX STAEHELIN

London Office: 99 Gresham St., E.C.2

West End Branch: 11c REGENT STREET, WATERLOO PLACE, S.W.1

BALANCE SHEET 31st DECEMBER, 1937

LIABILITIES		ASSETS	
	S. Fcs.		S. Fcs.
Share Capital	160,000,000	Cash	377,543,081
Reserves	32,000,000	Bank and Bankers	297,887,155
Sight Deposits	946,555,203	Bills Receivable	210,938,065
Time Deposits	176,386,504	Short Advances	7,651,329
Fixed Deposits (Obligations)	156,961,628	Advances to Customers, etc.	469,957,380
Acceptances	31,277,843	Government and other Securities	124,118,934
Profit	9,574,185	Syndicates	6,367,965
		Bank Premises and other Property	18,291,454
	S. Fcs. 1,512,755,363		S. Fcs. 1,512,755,363

PROFIT AND LOSS ACCOUNT for the year ended 31st DECEMBER, 1937

DR.		CR.	
	S. Fcs.		S. Fcs.
Interest Paid	12,119,788	Balance from 1936	1,298,913
General Expenses, allocation to Pension Fund, Taxes, etc.	25,687,821	Interest received	24,165,551
Provision for bad and doubtful debts	4,416,546	Discounts	8,871,374
Net profit available	9,574,185	Commissions	11,746,304
	S. Fcs. 51,798,340	Coupons, Foreign Monies, etc.	5,716,198
			S. Fcs. 51,798,340

At the General Meeting to be held on the 25th February, 1938, the Board of Directors will propose to pay a dividend of 5 per cent. (same as for 1936) and to carry forward Frs. 1,574,184.

still optimistic regarding the longer term, most operators wisely continue to hold their hand.

New York Prices

Close Latest Jan. Feb. 1938 1938
Close Latest Jan. Feb. 1938 1938

1. Rails & Transport			
Arch. Transp.	34	33	
Balt. & Ohio	84	84	
B.M.T.	94	92	
Can. Pacific	74	62	
Ches. & Ohio	324	324	
G.N. Ry. Pk.	204	194	
Illinois Cent.	94	94	
N.Y. Central	154	154	
Northern Pac.	104	104	
Pennsylv. R.	204	21	
Southern Pac.	164	164	
Southern Ry.	104	104	
Union Pac.	74	74	
Greyhound	9	8	

2. Utilities and Communications			
Am. W. Works	94	84	
C. & S. W.	14	12	
Con. Edison	214	214	
Ed. Gas & El.	74	74	
El. Bond & Sh.	7	6	
Nat. Pow. & Lt.	64	64	
N. American	174	164	
Pac. Gas & El.	26	26	
Pac. Lightng	354	37	
Pub. Serv. N. Y.	314	304	
Stan. Gas & El.	34	34	
United Corp.	24	24	
Un. Gas Imp.	94	94	
Amer. Tel.	144	131	
Internat. Tel.	74	64	
West. Union	244	234	
Radio	6	6	
B. Br. Tel.	454	404	

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):—

WEEKLY AVERAGES					
1938					
	Low	High	Jan. 19, 1938	Jan. 26, 1938	Feb. 2, 1938
347 Ind'l. ...	91.0	101.5	99.0	93.8	93.0
32 Rails ...	27.5	31.4	29.6	27.7	27.5
40 Utilities ...	71.5	78.8	75.7	73.6	71.5
419 Stocks ...	78.9	86.4	84.0	79.8	78.9
Av. yield %*	8.35	7.61	7.85	8.33	8.35
High	Low				

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Jan. 27	Jan. 28	Jan. 29	Jan. 31	Feb. 1	Feb. 2
104.4	103.4	103.0	104.8	106.8	105.2

High: 116.9 January 11th. Low: 101.9 January 3, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Jan. 27	1,210	9,090	246
Jan. 28	1,180	7,230	199
Jan. 29	430	3,530	76
Jan. 31	760	5,900	108
Feb. 1	690	7,590	143
Feb. 2	580	6,460	109

* Two hour session

Paris

Owing to the political crisis and the weakness of the franc, January was an unsatisfactory and agitated month for the Bourse. Activity continued at such a low ebb that quotations were not very sensitive to outside events, and movements have not been extensive. The year started well with noticeable professional activity in Kaffirs, and a firmer tendency in Rentes on the passing of the Budget. Weakness in the franc, following on the heels of renewed labour troubles, brought on a steady deterioration towards the middle of the month. The Bourse's nerves having been thoroughly unsettled in advance by alarmist rumours, M. Chautemps' resignation was finally received with comparative calm, especially as the market had been reassured by the undertaking not to impose exchange control. The interregnum naturally compelled the Bourse to adopt a waiting attitude, and a slight revival was checked by profit-taking by small speculators on M. Chautemps' re-acceptance of office. The tone has since been irregular and heavy. Internationalism came into prominence owing to the weakness in the franc, but have not recently run so true to form in responding to exchange movements. They were depressed in mid-month by a high contango rate, and at other times by adverse foreign news.

	Dec. 29, 1937	Feb. 2, 1938		Dec. 29, 1937	Feb. 2, 1938
3%, Rentes	69.55	69.50	Reunis ...	490	457
4%, Rts '17	67.25	66.25	Rio Tinto	2,800	2,590
Banque de			R. Dutch...	59,150	61,200
France ...	6,180	5,940	Mex. Eagle	92	93
Credit			Chartered	224	250
Lyonnais	1,370	1,332	Ford	62	57
Suez Canal	25,080	25,330	De Beers...	1,747	1,794
Wag. Lits ..	85	73	"Johnnies"	480	509

Berlin

January opened actively with a sharp upward movement in which all groups participated, except potash issues. The market then turned dull and prices sagged until the end of the month. The flotation of the Reich Loan was an unfavourable influence to a sustained advance, and Wall Street's weakness also disappointed the market. The initial buying was concentrated on steels, which had been neglected for some time, commercial banks and shipping shares. The subsequent decline was slow and irregular, and the volume of trading was so small that exaggerated price changes resulted. In the second week breweries were in demand. Later, in expectation of certain annual company reports, the market adopted a waiting attitude. Speculative forecasts of the General Electricity dividend led to sharp fluctuations in these shares. In the last days of the month prices moved irregularly, automotive, building, and textile issues being favoured. On the whole month shipping shares gained,

Hamburg-Südamerika rising by around eight points. All the leading commercial banks also rose, the biggest rises being shown by Deutsche and Commerz-und Privat. Reichsbank closed a little higher. Bonds were generally firm.

	Dec. 29, 1937	Feb. 2, 1938		Dec. 29, 1937	Feb. 2, 1938
Reichs- bank ...	208.75	211.50	Nord. Lloyd...	81.00	82.50
D.D.			A.E.G....	118.00	117.50
Bank ...	124.50	127.00	Siemens & H....	204.25	214.00
Dresd- ner ...	113.25	114.25	Stahl- werke...	112.25	113.60
I.G. Far- benind.	156.50	161.60	Hamburg- Amer.	79.50	81.40

Amsterdam

Though January was not entirely uneventful, conditions remained very quiet. The volume of business remained small, and the frequent shifting of sentiment (chiefly in sympathy with Wall Street) was not reflected in large price movements. But despite day-to-day irregularity, quotations ended the month a little better on balance, even if below the best. Towards mid-January, events in France were watched with some anxiety, the consequence being a slowing down of activity rather than any actual effect on prices. Interest in domestic issues tended to revive once France's political crisis had been settled. Rubber share prices at first responded well to the quota reduction, but soon fell back into neglect when the commodity price failed to improve. Late in the month, disappointment was increased by renewed weakness in New York. The new conversion bonds, however, helped the market by opening at 1/2 premium. This large-scale conversion, which involved some Fls. 1,672 millions of 4 per cent. loans, was one of the chief events of the month, and has the unusual feature of prescribing that the rate of interest shall be raised from 3 to 3 1/2 per cent. ten years hence. The end of January was very quiet, and members devoted the 31st to national rejoicing, no official quotations being made.

	Dec. 29, 1937	Feb. 2, 1938		Dec. 29, 1937	Feb. 2, 1938
2½% Dutch	82½	86	A. K. U. ...	438½	371½
5½% Ger.	233½	24½	Ford Motor	261	277½
Philips Lp.	281	304	Dei B. To.	234	239½
Neth. Ship	116½	116½	Ryl. Dutch	375½	359½
Lever Bros.	142½	147½	Hand. Am.	429½	434½
& Unilever					

* Without transfer certificate.

Canada

Canadian stock markets, which continued stagnant up to the end of 1937, began the New Year with a burst of activity and in the first week most prices improved. Industrial, utility and bank stocks recorded the largest weekly rise since May, 1937. But though the latter part of January was not unsatisfactory, much of the impetus was lost by mid-month. Consolidated Smelters and International Nickel led the upward movement, but building materials, oil, machinery and equipment issues also showed strength. Food and textile stocks, however, remained sluggish and the pulp and paper stocks did not respond until the second week. Trading was more active than for several months and the healthier tone of the market was largely attributed to the belief that improvement in the United States was in sight. In the mining market, senior gold stocks were very strong, but there was a smaller rise in other mining securities. Base metals, however, which were strong about the middle of the

month, weakened later, although the upward trend of gold stocks persisted. A light turnover was reported in bonds, but the market was firm and comfortably absorbed the new issue of \$50 millions of Canadian National bonds. The price of newsprint and other corporation bonds has lately strengthened.

Dec. Feb.		Dec. Feb.			
29, 1937	2, 1938	29, 1937	2, 1938		
Bell Tel.	163	163	Dom. Glass	98 1/2	100
Can. Car.	84	95 1/2	Int. Petrol	28	30
Do. pref.	184	20 1/2	Brazil Trac.	12 1/2	11 1/2
Power Corp.	134	134	Brit. Col.	33 1/2	32 1/2
Don. Mines	54 1/2	58 1/2	Power "A"	5	5
Hollinger	12 1/2	13 1/2	Do. "B"	5	5
McIntyre	39 1/2	44 1/2	Can. Cement	9 1/2	10 1/2
R. of Canada	59	59	Int. Nickel	44	48 1/2
R. of Mont.	200	202	Massey Harris	6 1/2	6 1/2
Bk. of Nova Scotia	205	300	Montreal Lt.	29	30
R. Bk. of Can.	182	184 1/2	Quebec Pow.	16 1/2	17
C. Bk. of Shawinigan	168	167	Water	19	19
Com. Pac.	7 1/2	7	Steel Co. of Canada	65	63
Cock. Plow	8	8 1/2			

Capital Issues

APART from the Bristol Corporation issue, which is discussed in a Note on page 301, the only other public issue of the week is that of £1,500,000 London Power Company Debenture stock at 99, redeemable 1952-72. This security ranks among the highest of its class. The company, whose undertaking will be transferred to the Joint Electricity Authority in 1971, supplies electricity in bulk to constituent companies, which are bound, if called upon, to make up any deficiency in the London Power revenues to meet all charges, including sinking fund. The stock thus enjoys high security for the non-trustee investor, although its maximum life is somewhat long. The last big issue of this kind was of £2,000,000 Kent Electric Power 3 1/2 per cent. debenture stock, issued in November at 96, which now stands at 2 premium. Statements for information only have been published by Churchill and Sim, and by the Burton-upon-Trent Corporation. The latter is placing, at 100 1/2 net, £250,000 3 1/2 per cent. stock, redeemable only at a fixed date, May 15, 1963. The population statistics show that the issue misses trustee status by only 515 inhabitants.

CAPITAL ISSUE TOTALS

Week ending Feb. 5	Nominal Capital	Conversions	New Money
To the Public	3,500,000	£	3,515,000
To Shareholders	1,462,657	929,274	880,149
By S. E. Introduction	200,000	...	186,000
By Permission to Deal	758,516	...	1,415,701
Sav. Certs. w/e Jan. 29	50,000	...	...

Year to date—		Including Conversions	Excluding Conversions
		£	£
1938 (New Basis)	28,923,375	18,144,101	
1937 (New Basis)	63,846,175	56,800,093	
1938 (Old Basis)	19,671,595	8,892,321	
1937 (Old Basis)	35,434,215	28,538,033	

Destination (Excluding Conversions)		U.K.	Brit. Emp. excl. U.K.	Foreign Countries
Year to date		£	£	£
1938 (New Basis)	15,765,577	2,328,419	30,105	
1937 (New Basis)	46,731,337	9,972,756	86,000	
1938 (Old Basis)	8,892,321	Nil	Nil	
1937 (Old Basis)	26,703,584	1,834,449	Nil	

Nature of New Borrowing (Excluding Conversions)		Deb.	Pref.	Ord.
Year to date—		£	£	£
1938 (New Basis)	6,788,713	1,413,658	9,942,730	
1937 (New Basis)	19,300,795	6,566,136	30,855,162	
1938 (Old Basis)	4,042,500	582,500	4,267,321	
1937 (Old Basis)	33,455,887	5,219,702	14,273,246	

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

London Power Company.—Issue of £1,500,000 3 1/2 per cent. debenture stock at 99. Ranks with existing stocks. Redeemable at par July, 1972, or from 1952 on notice. Supplies constituent companies. Output, B.O.T. units: 1936, 1,829,387,475; 1936, 2,161,743,639; 1937, 2,313,727,560. Capital expenditure, £21,921,191. Undertaking to be transferred to Joint Electricity Authority in 1971. Profits before interest and depreciation: 1935, £1,462,652; 1936, £1,510,195; 1937, £1,586,386. Net: 1935, £3,000; 1936, £18,000; 1937, £13,000. Maximum dividend, 6 per cent. Lists closed 9.5 a.m. February 3rd. Heavily oversubscribed.

Bristol Corporation.—Issue of £2,000,000 3 1/2 per cent. stock at 101 1/2. Redeemable at par October, 1966, or from 1961 on notice. A trustee stock. Proceeds to repay loans. Estimated population, 414,500; rateable value, £3,282,590; rates, 11s. 6d. Total assets and outlay, £37,823,881 (of which £17,300,332 trading and £7,840,503 housing); net loan debt, £22,160,335. Docks and electricity revenue, £738,356; rents, £320,000. Lists closed February 3rd. Total subscriptions exceeded £58,000,000.

CONVERSIONS AND REPAYMENTS

Adelaide Electric Supply.—The company is repaying at par plus interest the £929,274 of 5 1/2 per cent. redeemable consolidated debenture stock (English stock). Holders may convert into an equal amount of 4 1/2 per cent. consolidated debenture stock (English stock), and will receive £1 15s. per cent. (English) on March 1st, in addition to the half-year's interest. Closing date for conversions is February 22nd.

STOCK EXCHANGE INTRODUCTIONS

Burton-on-Trent, County Borough of.—Issue of £250,000 3 1/2 per cent. stock purchased at 100 1/2 net by Messrs Cohen, Laming, Hoare, who pay expenses. Redeemable at par, May, 1963. Of proceeds, £45,396 for electricity, health and housing; balance in repayment of short-term loans. Census Population, 49,485; rateable value, £299,380; rates, 12s. 7d. Net out-

standing debt, £1,648,645 (of which £1,266,782 productive).

Churchill and Sim, Ltd.—Capital, 100,000 £1 ordinary and 200,000 5 1/2 per cent. cumulative £1 preference shares. Timber agents and brokers; established 1813. Net profits, years: 1935, £72,872; 1936, £62,419; 1937, £94,602. Assets and investments (including £50,000 goodwill), £140,418, purchased for £156,622 (goodwill £50,000) cash. Vendors take 50,000 preference shares at par and directors all ordinary shares at par. Messrs Cazenove Akroyds and Greenwood and Co. take 150,000 preference shares at par.

Continental and Industrial Trust.—Particulars of £200,000 3 1/2 per cent. redeemable debenture stock. Secured by floating charge ranking with existing charge securing £1,000,000 4 1/2 per cent. debenture stock. Borrowing limited to capital plus reserves. Redeemable at par September, 1965, or from 1955 on notice. J. Henry Schröder and Company take issue at 93 less 1/2 per cent.

ISSUES TO SHAREHOLDERS ONLY

National Bank of Scotland.—Issue of 400,000 £1 "A" shares at 24s. The shares receive a non-cumulative 5 per cent. dividend, or same as on consolidated capital stock if dividend on latter under 5 per cent. List closes February 8th.

Greyhound Racing Association Trust.—To finance capital expenditure an issue of 2,666,667 1s. ordinary shares at 3s. is being made to ordinary shareholders (one new for two held).

BONUS SHARES

Thomas Tilling Ltd.—This company is making a bonus share distribution on ordinary shares of 25 per cent. Capital to be increased to £4,500,000 by creation of £750,000 £1 ordinary shares. Surplus of £1,164,362 arises from the holding in Tilling and British Automobile, and is placed to general reserve. Against this, the holding in Transport "C" stock has been written down to market value. General reserve now £1,000,000 after taking £324,000 and £500,000 (whole of capital reserve) for the bonus.

THE BANKER

Contents of the FEBRUARY issue include:

THE BRITISH BANK BALANCE SHEETS

HITLER'S FIVE YEARS

By W. G. J. KNOP

SILVER AGAIN

By H. C. G. SLATER

INTEREST ON FOREIGN DEPOSITS

By PAUL EINZIG

ROUMANIA:

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The Publisher, 20, Bishopsgate, London, E.C.2

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Feb. 2, inclusive				Prices, Year 1938 Jan. 1 to Feb. 2, inclusive				Prices, Year 1938 Jan. 1 to Feb. 2, inclusive				Prices, Year 1938 Jan. 1 to Feb. 2, inclusive			
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Industry and Trade

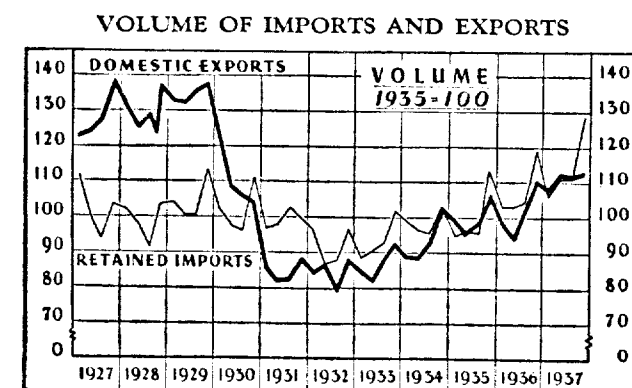
New Tinplate Negotiations.—The recent decline in the export demand for tinplates has caused uneasiness in the International Tinplate Cartel and controversy about the price policy to be followed. The Cartel of July, 1934—which includes American producers as well as British, German, French, Italian and a Norwegian mill—has succeeded in reducing competition in spite of unfavourable circumstances. A number of countries, which had been large importers of tinplates, have increased their production, and some have even started exporting. The unfavourable effect of these developments on the tinplate markets was mitigated by an increase in the demand brought about by the movement in many countries towards storing food for war-time. Last year the expansion of world demand caused a sharp rise in prices which came to a standstill last October. Since then there has been a revival of competition and the output of British mills has declined from 80 per cent. to 60 per cent. of capacity. British producers favour a maintenance of present prices in world markets. This is not surprising when it is remembered that, in spite of an increase in home consumption, the British tinplate mills exported last year one-half of their output, whereas in other countries this proportion was much lower, that of the United States being 15 per cent. Moreover, the capacity of the industry in this country will be considerably increased by the erection of a modern strip mill at Ebbw Vale. For the old style mills, the extension of capacity may give rise to difficult problems. But it will strengthen the international bargaining position of the British industry.

Short Time in the Cotton Trade.—A meeting was held in Manchester this week of representatives of fifty cotton-spinning companies engaged on the production of medium American welt yarns. It was announced that the ballot on the proposal to close the mills two weeks during February had shown "a percentage" in favour, but the extent of support for the scheme was not stated. It was decided that the firms who had voted in favour of organised short time should be asked to implement this policy, but it is understood that this movement has not met with the response expected. Owing to the shortage of juvenile labour the owners of some mills are afraid to close, lest their operatives should go to other mills which continue to run. Nevertheless, curtailment of spinning output is now considerable. For the second week in succession all the ring mills (numbering over twenty) of the Lancashire Cotton Corporation have been closed. There are irregular stoppages in the weaving branch and in Lancashire as a whole, and it is broadly estimated that machinery is running at less than 60 per cent. of capacity. An important factor is the existence of heavy stocks of piece-goods, which is partly the result of the refusal of buyers to take deliveries. During the last few days, however, rather better advices have been received from the home trade section and sales show signs of improving. Prices are being fairly well maintained, partly owing to the legalised price agreements prevailing in the spinning section.

Oil Developments.—The coincidence of the seasonal decline in gasoline consumption with the maintenance of an unduly high level of operations in the United States has resulted in an excessive accumulation of stocks, while the slowing-down in industrial activity has diminished the demand for heavy industrial fuels. Prices, in consequence, have fallen in most parts of the United States, and this has given rise to the belief that the general position of the oil industry has seriously deteriorated. Although gasoline and heavy fuel stocks in the United States—particularly the former—are at the moment excessive, this does not

necessarily imply that it is already beyond the oil industry's ability to correct the situation by restricting operations. Undoubtedly, fairly drastic steps are called for. Crude oil production at present is only 10 per cent. below the peak level reached in August last year, while refinery runs-to-stills are similarly only about 8 per cent. below their maximum of last summer. So far as oil markets outside the United States are concerned, the position remains generally favourable, although a certain slowing down in demand is to be observed. There are no indications of over-supply in the more important consuming countries. The competition formerly experienced from Russian and Roumanian oil has practically disappeared. Demand remains high, and even a moderate improvement in the general position would leave the leading companies favourably placed.

Volume of Overseas Trade.—The accompanying diagram shows the trend of the quarterly volume of retained imports and domestic exports during the past eleven years, on the basis of the indices calculated by the Board of Trade. Since the present indices, based on 1935, have not been recalculated for the previous years, the new indices have been linked on to the earlier series based on 1930. While this method somewhat affects comparability, the general trend of the volume of our imports and

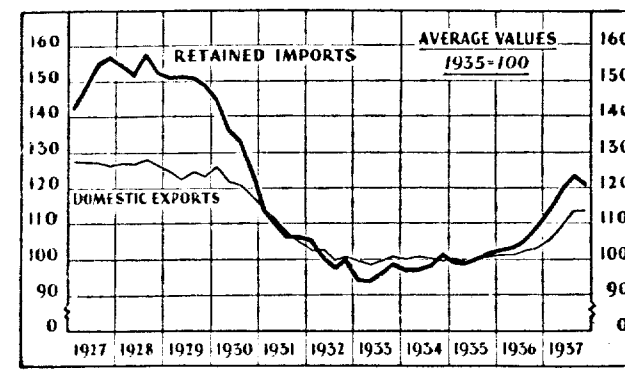


exports is, nevertheless, shown clearly by the diagram. The decline in exports between 1929 and 1932 was considerably more marked than the reduction in imports during this period. And, since the volume of exports has risen no faster than imports since 1932, they are still substantially lower than in the years before the depression. Imports, on the other hand, have risen considerably above the pre-depression level—a consequence of the sustained expansion of the home market and, more recently, of the exigencies of the re-armament programme. The latest movements of the export index are less encouraging, for, as will be seen on the diagram, it failed to show a rise in the third and fourth quarters, when shipments normally show a strong seasonal expansion. The gradual improvement in the volume of exports, in fact, appears to have been arrested, at least temporarily, by the recession in world economic activity.

The Terms of Trade.—It is interesting to compare changes in the volume of imports and exports with variations in their average prices. We have, therefore, prepared a second diagram, showing the trend of import and export prices since 1927. The quarterly indices are those of the Board of Trade. In contrast to movements in volume during the depression, the fall in average prices between 1929 and 1933 has been most marked in the case of imports. Since imports consist largely of foodstuffs and raw

materials, while exports comprise mainly finished goods, this tendency is scarcely surprising. It enabled this country to continue importing its requirements of foodstuffs and raw materials without any increase in the unfavourable balance of trade. Indeed, the excess of the total value of imports over exports actually declined from £381 millions in 1929 to £258 millions in 1933. While the average value

AVERAGE VALUE OF IMPORTS AND EXPORTS



of exports remained almost unchanged between 1932 and 1936, the rise in import prices until the middle of that year was comparatively small. Between the third quarters of 1936 and 1937, however, when British and world economic activity was rapidly expanding, both import and export prices showed a rapid increase which was most marked in the case of imports. The terms of trade thus changed to the disadvantage of Britain, which contributed to the enormous increase in the total value of the excess of imports over exports between 1935 and 1937. During the last quarter of 1937, however, the downward trend of world trade caused a decline in average import prices, while those of exports remained virtually unchanged, an indication that the terms of trade have again changed in favour of Britain.

Depression in the Herring Industry.—Despite two and a half years' work by the Herring Industry Board, the immediate outlook for Britain's herring industry is still unpromising. At a time when fuel and other costs have been gradually rising, demand for the industry's products has recently shown a steady decline. Overseas countries provide the principal market for British-caught herrings, and they have lately been importing considerably less than in former years. Total exports—which consist largely of cured herring—fell from 3,768,000 cwts. in 1936 to 3,161,000 cwts. in 1937. Germany, which is still the industry's principal foreign customer, purchased considerably smaller quantities last year, and shipments to Russia were drastically curtailed. In consequence, the curers are reported to have no less than 171,000 barrels of herrings of last year's cure still on their hands. A surplus of no more than 100,000 barrels has hitherto been regarded as a serious handicap, and it is feared that the high level of present stocks will be reflected in a severe curtailment of demand in the forthcoming season. Unemployment among herring fishermen is already high, and the financial position of the industry is precarious. In Scotland almost one-half of the drifters now in use are obsolescent, and many are said to be scarcely seaworthy. In view of the industry's position it is hardly surprising that criticism of the Herring Industry Board is becoming more insistent. But the main problem is to find means of increasing the export demand for the industry's products; and this is perhaps a matter which concerns the Government as much as the Herring Board.

Steadier Freight Rates.—After the collapse in the last quarter of 1937, when *The Economist* index of shipping rates showed a decline of no less than 25 per cent., the freight markets showed greater steadiness in the past

month. *The Economist* index for January, given below, showed only a fractional decline in that month:—

The Economist INDEX OF FREIGHT RATES
(1898-1913=100)

	Average, 1913	Jan., 1937	Oct., 1937	Nov., 1937	Dec., 1937	Jan., 1938
European waters.....	110.0	135.5	181.3	164.2	140.8	124.6
North America.....	113.1	117.2	143.5	130.2	118.0	118.5
South America.....	123.4	141.8	148.6	125.0	109.4	110.6
India.....	106.3	130.7	177.9	161.9	141.2	142.6
Far East and Pacific.....	117.4	140.5	171.5	149.1	127.1	128.6
Australia.....	127.9	147.8	158.8	146.3	121.7	130.0
Total.....	116.3	135.6	163.6	146.1	126.4	125.8
1913 = 100.....	100.0	116.5	140.7	125.6	108.6	107.9

But, as the next table shows, movements of rates on the principal trade routes have shown considerable divergences:—

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade.....	114.0	-12.0	South America:—		
Bay—outwards.....	121.1	-27.5	Outwards.....	68.6	-2.7
Bay—homewards.....	171.0	-27.4	Homewards.....	152.6	-0.4
Mediterranean.....	83.2	-2.3	India—outwards.....	109.8	-12.3
Outwards.....	144.7	-15.8	India—homewards.....	175.4	+34.2
Homewards.....	118.5	+0.5	Far East, etc.....	128.6	+1.5
North America.....			Australia.....	130.0	+8.3

The trend of freight rates, however, appears to be still downwards. The long-term factors which have influenced the position of the shipping industry are discussed on page 294.

Tin Production and Consumption.—With the publication last week-end of the January bulletin of the Tin Research and Development Council it is possible to trace, with tolerable accuracy, developments in the tin position in 1937. Although complete statistics for December are not yet available, production in that month is estimated at 26,000 tons, bringing the 1937 total to 206,000 tons—which, as the following table shows, is the highest yearly aggregate ever recorded. World consumption last year is provisionally estimated at 181,000 tons, and visible supplies consequently show an increase; but it is likely that when full data are available consumption will prove to have been appreciably greater. Spot tin averaged £242 per ton on the London market last year, against £205 in 1936 and £225 in 1935. Fluctuations were, however, considerable. The monthly average rose to a peak of £283 in March and had fallen to £191 in December, against £232 a year earlier. At present the cash price is about £180 per ton. The weakness of the market in recent months has

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been mainly due to the collapse of American demand.

WORLD TIN STATISTICS

(Long Tons)

	Production	Consumption	Visible Supply and Carry-over (a)	Av. Price (b) London
1926	143,300	146,700	17,567	291.15
1927	158,900	150,900	17,060	289.07
1928	179,900	170,700	24,938	227.23
1929	192,600	183,800	32,449	203.94
1930	176,000	168,100	46,623	142.64
1931	148,400	141,900	59,247	118.11
1932	99,200	105,100	55,903	136.10
1933	91,000	132,500	29,135	194.82
1934	115,200	123,100	17,107	230.36
1935	147,100	149,300	13,841	224.87
1936	180,000	160,200	22,695	204.63
1937	206,000(p)	181,500(p)	25,711	242.33

(a) End of the year. (b) £ per ton for standard, cash. (p) Provisional.

Although the European statistical position is not unwieldy, any sustained improvement in prices here must wait upon the recovery of business in the United States.

Wholesale Prices React.—The firmer tendency of wholesale prices noticeable at the New Year has now been followed by a fresh decline, which brings both the British and American index number to new low levels. Looking back, however, over the past two months as a whole, the complete *Economist* British index number has only fallen by 1.1 per cent., and the primary product index by 0.7 per cent., compared with declines of 5.6 and 9.0 per cent., respectively, for the two months to December 1st. Thus in spite of the recent decline, there is an appearance of greater stability. In the United States, on the other hand, this new stability only became apparent in January, and even here there has been a slight recession during the past fortnight. French prices continue to rise in sympathy with the fresh weakness of the franc.

INDUSTRIAL REPORTS

WHILE current activity remains at a high level in the heavy industries, the position of the textile trades continues to deteriorate. Most reports from industrial centres, however, are unanimous in drawing attention to the decline in new business. Even in the iron and steel industry the volume of new transactions remains limited. Current consumption of iron and steel remains as high as ever, but, as output is steadily increasing, some producers have recently been able to begin replenishing their stocks. The output of coal continues well above last year's level, but new export business has been unsatisfactory in a number of districts. Activity in the cotton and wool textile trades appears to be shrinking, and in Lancashire the position is becoming serious. In the House of Commons, on Wednesday, Miss Horsburgh urged strongly that the plight of the Dundee jute trade should be relieved by provisions for a curtailment of India's exports to this country in the new Anglo-Indian Trade Agreement.

Coal

Cardiff.—The Cardiff coal market is practically unchanged. During the past few days there have been many idle tips at the principal docks, but it is expected that there will be an improvement when the gales have abated and normal shipping movements can be resumed. Last week exports were 67,000 tons greater than in the corre-

sponding period last year, while for the four weeks ended January 30th they show a gain of 90,000 tons. Practically the whole output is covered by contracts, and the collieries are well occupied. Prices are nominally unchanged. The South Wales Miners' Federation decided on Monday to apply for a 10 per cent. increase in wages, and the owners are meeting next Monday to determine what recommendation they shall make under the provisions of the Conciliation Board Agreement authorising either side to review the wage position at the end of each year. It is anticipated that the audit for the three months ended last January will show a considerable increase in profits over the previous three months.

Newcastle - on - Tyne.—The forward coal market in the North-East remains quiet, but the prompt position is satisfactory. Durham collieries producing gas and coking coals are fully occupied for several weeks ahead, and while the pressure of demand for steam coal has been reduced, production nevertheless proceeds steadily. The Northumberland steam collieries are comfortably employed in the meantime, but new business lags as foreign consumers are taking no interest in the market. The market in patent oven coke is now very quiet, and prices in both the home and foreign sections are easing.

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)	American (dollar)					
1936								
Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
Jan. 27th 1937	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31st	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5
Apr. 28th	142.0	183.5	183.5	165.4	135.6	120.5	128.7	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th	139.5	165.9	176.8	165.7	134.1	...	134.2	97.5
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 8th	137.4	165.1	166.9	165.3	132.2	136.7	135.9	97.7
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6
Oct. 6th	135.1	159.7	153.7	165.5	130.2	139.9	140.5	97.4
Oct. 20th	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3
Nov. 3rd	131.9	152.7	147.2	165.5	127.4	136.5	141.9	97.3
Nov. 17th	129.7	147.3	141.6	164.5	124.8	134.5	142.9	97.0
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 15th	127.8	146.7	137.5	164.5	121.6	134.7	143.9	96.9
Dec. 29th 1937	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
Jan. 5th 1938	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9
Jan. 19th	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9
Feb. 2nd	126.1	144.4	135.4	164.5	120.5*	138.3*	...	96.9*

* These figures relate to January 26th. † Monthly average.

The index numbers for the groups composing the index are given below, with comparative figures for a fortnight ago, a year ago and also for September 18, 1931:—

	The Economist Index (1927 = 100)			
	Sept. 18, 1931	Jan. 27, 1937	Jan. 19, 1938	Feb. 2, 1938
Cereals and meat...	64.5	88.3	90.9	88.9
Other foods	62.2	67.8	62.4	61.4
Textiles	43.7	69.2	58.4	57.8
Minerals	67.4	97.2	95.8	94.7
Miscellaneous	65.8	82.2	79.8	79.3
Complete index	60.4	81.0	77.2	76.2
1913 = 100	83.1	111.4	106.2	104.8
1924 = 100	52.2	70.0	66.7	65.8

The group indices show that the past fortnight's fall in British prices was very general. The complete index is now 1.3 per cent. lower than it was a year ago.

Glasgow.—The position in the Scottish coal market is not uniformly satisfactory. Home business proceeds on steady lines, with industrial, public utility and domestic requirements active; but new export demand has contracted to very small proportions. Quieter general trade conditions on the Continent, mild weather and the heavy buying of several months ago have combined to produce an accumulation of fairly heavy stocks at importing depots abroad, and in cases where new business could be arranged the high level of prices tends to retard progress. As a result supplies are now more plentiful, and in Fife and the Lothians, the areas depending mainly on shipping business, the prices of steam coal and treble and double nuts have been shaded further this week by about 1s. per ton.

Sheffield.—Owing to the sustained home demand, the market in most descriptions of coal is strong. Industrial needs are the mainstay of the industry. The call for small fuel is very strong. Gas coal is sold freely under contract, and the household market is showing improvement. The popular grades are somewhat scarce, and prices remain firm. Furnace and foundry coke is rather quieter than of late, but gas coke is in good demand. Blast-furnace qualities are around 30s. per ton, and large selected patent oven

and graded coke for works and central heating sell at 30s. to 34s. per ton on rail at ovens. On the export market there is very little change in the demand for either prompt or forward delivery. Very little new business is being arranged, and shippers are not very sanguine about the success of recent quotations. There is, however, an inquiry for 65,000 tons of sized coal from the Montevideo electricity works.

COAL OUTPUT AND EMPLOYMENT

District	Week ended January 15, 1938		Week ended January 22, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland...	307.0	45.4	306.7	45.5
Durham	711.7	117.4	716.9	117.4
Yorkshire	998.9	142.4	991.0	142.5
Lancs. Cheshire and N. Wales	362.8	69.0	366.4	69.0
Derby, Notts & Leicester	776.7	98.0	765.9	98.3
Staffs, Salop & Warwick	434.2	67.6	434.5	67.6
South Wales and Monmouths	826.4	137.3	835.1	136.5
Other English districts*	127.2	22.5	126.3	22.5
Scotland	661.2	91.6	665.7	91.3
Total ...	5,206.1	791.2	5,208.5	790.6

* Including Cumberland, Westmorland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that current activity remains at a high level, although the volume of new business is still rather small. Consumers have recently shown more inclination to cover themselves forward. The steelworks have enough work in hand to keep them busy for some months to come and are being subjected to considerable pressure from users for delivery.

In the pig iron section adequate supplies are now reaching all the consuming branches of the industry. New business remains limited, but buyers have taken rather more interest in the market of late. No transactions have been reported in foreign foundry iron for a considerable period, although a certain amount is arriving against old contracts.

There is little stringency now in the semi-finished steel market, and most of the consuming works are able to operate at capacity. The British works producing this material are, however, still hard pressed to meet all their customers' requirements.

In the finished steel section there is considerable pressure on the part of consumers to obtain delivery against contracts and in many cases the works are heavily in arrears. The position in this respect, however, seems to be gradually improving. Export business remains quiet, but inquiry from several overseas markets appears to have increased since the beginning of the year.

Sheffield.—So far as steel is concerned the market is as firm as ever, but iron prices have tended to decline. Consumption of both forge and foundry iron is on a big scale, but deliveries are much more regular and adequate, and there is now no talk of a shortage. Production is at capacity, and

if the full make is not purchased, producers are quite content to be able to put something into stock. Not very much forward business has been done this week, users being well covered for the next few months, and are in the market only for odd parcels to meet additional needs. Consumers are experiencing less difficulty in placing contracts for East and West Coast hematite, but available quantities of special grades are below users' requirements. Bar iron continues in good request, common and market bars being the best features.

Although production of basic steel billets is being continually expanded, it is still insufficient to meet demand. Acid billets also continue in active request. Wire rods and strip make a good showing, business being substantial, and the call for structural steel remains at a high level.

Glasgow.—Production continues on an intensive scale and the tonnage of orders on books is such as to ensure many months of great activity. There is a strong demand for all classes of steel, but at the moment the greatest pressure seems to be for the heavier material. Within the past few weeks the number of vessels placed with Clyde shipbuilders has been small, but there is still much work on hand at the yards. Marine engineering firms in this area are also exceedingly busy and plant is constantly employed.

In the sheet trade new business has not been very plentiful recently and makers have been able to reduce the accumulation of orders on books. At the same time there are many inquiries on the market and makers look for an early improvement in the position as regards new orders. Things are rather quiet in the tube trade and it is not possible to keep all plant employed. In practically all trades supplies of raw material are now more satisfactory.

Cardiff.—Quiet conditions continue in the tinplate trade. In the week ended January 22nd the output was only at 61.40 per cent. of capacity. Production has declined mainly owing to a diminished foreign demand, but at 7,590 tons exports were about 2,000 tons greater than in the preceding week, but 350 tons less than a year ago. Prices are unaltered, but the general position of the export trade was to be reviewed at a meeting of the International Cartel to be held in Paris at the end of the week. The reduced demand of the tinplate works is reacting on the steel bar market, but the inland demand is still very active and the output of pig iron and ingot steel has been well maintained.

Textiles

Cotton (Manchester).—There has been no improvement in the market. Inquiry has been fair, but the limited business done has consisted of relatively small lots. Spinners continue to struggle against adverse conditions. Loud complaints have been met with from producers of American qualities and curtailment of output is now on a large scale. The ballot of the owners of 50 mills spinning medium American weft yarns on the proposal that all production should be stopped for two weeks during February has been indecisive.

Many firms, however, will restrict output during the month by 50 per cent. No relief has come to producers of Egyptian yarns and the stoppage of spindles in the Bolton district tends to increase.

In the cloth section there has been a fair amount of testing of prices, but buyers have not been any more disposed to increase the size of their orders and practically all the sales have been of retail dimensions. Demand for India has tended to fall off. Very little has been done for Egypt and West Africa. Irregular operations have been reported in printed and dyed sorts for the outlets of Central and South America. Some makers have done more business for the Dominions, especially South Africa and Australia. Reports from the home trade have been rather more encouraging. Conditions in Lancashire weaving districts remain very unsatisfactory, the stoppage of looms being on a considerable scale.

RAW COTTON delivered to Spinners (Million bales)

Variety	Week ended		Total Deliveries	
	Jan. 21, 1938	Jan. 28, 1938	Aug. 1, 1936-1937	Aug. 1, 1937-Jan. 28, 1938
American	27.7	24.9	604	664.8
Brazilian	4.6	3.8	189	177.6
Peruvian, etc.	2.9	2.1	83	68.2
Egyptian	2.9	6.0	195	173.6
Sudan Sakel	1.7	2.2	76	87.0
East Indian	8.9	8.0	203	151.8
Other countries	2.7	3.1	108	102.6
Total	51.4	50.1	1,458	1,425.8

Wool (Bradford).—Manufacturing conditions are not very satisfactory, many mills running only three days per week, and consumption is lower than in any year since 1932. During the past week some firms have sold rather more piece-goods, but what is needed is a restoration of confidence throughout the entire textile trade, which would soon be expressed in more liberal purchases by piece-goods buyers in particular, thus leading to a larger consumption. Prices for both merinos and crossbreds are at a very usable level, and this should stimulate trade in every section.

THE COMMODITY MARKETS

In the absence of better news from the United States, the easier tendency of the prices of sensitive primary products continued during the past week.

Apart from copper, the prices of non-ferrous metals showed a slight improvement. Rubber prices, however, were marked down again in spite of the drastic curtailment of exports during the second quarter of this year announced last week. The majority of vegetable oils were also marked down. Raw cotton prices are scarcely changed on the week, but the slight improvement in wool prices at the beginning of the London auctions was not maintained at the close. The market in wheat remained steady, but raw sugar prices experienced a slump.

The downward trend of commodity prices in the United States is reflected in the decline in Moody's index of staple commodities from 150.4 (Decem-

ber 31, 1931 = 100) to 148.6 during the week ended last Wednesday. A month ago the index stood at 149.3 and a year ago at 205.6.

Metals

Copper.—After an early fall, prices recovered, to close on Wednesday showing a net loss of only 7s. 6d. per ton on the week. The dullness of demand had induced the American producers to lower their domestic price to 10 cents per lb. on January 28th, but a steady tone has since prevailed. Meanwhile, in London a considerable amount of forward buying on consumers' account has recently been noticeable, but supplies have been sufficient to prevent a stronger price rally.

Rhodesian production in 1937 amounted, according to information published early this week by the British South Africa Company, to 208,187 tons, against 142,340 and 143,500 tons, respectively, in the two preceding years. Last year's production was an all-time record. In December, however, the effects of the re-imposition of output restriction were discernible and production, at 16,265 tons, fell below the corresponding figure for 1936.

Tin.—After falling to the lowest level for over a year, prices recovered and closed on Wednesday showing a net gain on the week of £1 per ton. As with copper, these fluctuations are a reflection of the movement of United States demand. Meanwhile, according to Messrs. A. Strauss and Company, world visible supplies, at 23,254 tons, showed a decline of 987 tons last month. Allowing for a rise of 294 tons in the Arnhem carry-over, the net reduction in world stocks was 693 tons. New supplies fell from 10,636 tons in December to 7,425 tons in January, while deliveries rose from 9,015 to 10,157 tons. Smaller shipments from the Straits and negligible exports from Banka (D.E.I.) were the factors mainly responsible for last month's fall in supplies. Shipments from Banka are likely to show a considerable increase in February and deliveries will have to be maintained at a high level if stocks are not to increase. The annual statistics are discussed in a Note in our Industry and Trade Section.

Lead and Spelter.—The markets were featureless and both metals closed on Wednesday with a fractional net gain. It is reported from Czechoslovakia that the producers have applied to the Government for an increased import duty on spelter, to enable the Czech mines to resume production; but it is considered unlikely that the request will be granted.

Owing to its important armaments industry Czechoslovakia is a zinc consumer of growing significance.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
January 21	11,000	300	1,300	2,050
" 24	2,600	270	1,900	850
" 25	3,200	275	1,700	1,050
" 26	1,500	325	850	1,200
" 27	1,250	500	750	650
" 28	2,200	400	1,600	1,100
" 31	1,100	200	1,650	1,500
February 1	2,050	340	1,200	1,150
" 2	1,200	240	1,350	875

U.K. STOCKS

	Jan. 22, 1938	Jan. 29, 1938
Copper (Br. official w'houses):	Tons	Tons
Refined	11,614	10,464
Rough	22,243	21,996
Tin (London and Liverpool):	2,511	2,449

Grains

The steadiness of the wheat markets, to which attention was drawn last week, has again been evident. Prices show little alteration compared with those ruling a week earlier and trading has been quiet. The flour market has, however, been slow and quotations have moved in buyers' favour. Demand for maize was rather dull and prices were accordingly reduced. The Argentine Government's first forecast estimates the area planted to maize at 14,696,000 acres, against 16,040,000 last season. Meanwhile, business in imported feeding barley has been extremely dull and quotations for the leading descriptions are nominal.

WORLD SHIPMENTS OF WHEAT AND FLOUR (000 Quarters)

	Week ended		Season to	
	Jan. 22, 1938	Jan. 29, 1938	Jan. 28, 1937	Jan. 29, 1938
From—				
N. America.....	479	451	16,821	12,534
Argentina and Uruguay.....	313	274	6,839	3,017
Australia.....	308	398	5,398	5,350
Russia.....	95	58	11	4,145
Danube and dist.....	84	156	6,368	4,373
India.....	22	...	926	945
Other Countries.....	3	3	759	340
Total.....	1,304	1,340	37,122	30,704
To—				
U.K.....	401	461	10,224	8,433
" Orders.....	263	308	7,436	6,215
France.....	6	15	680	402
Belgium.....	118	79	2,553	2,903
Holland.....	93	34	1,040	1,875
Italy.....	15	6	3,388	580
Greece.....	49	34	1,017	914
Scandinavia.....	6	26	1,000	776
Austria, etc.....	46	59	1,115	1,098
Other European Countries.....	49	56	419	1,840
Ex-European Countries.....	258	262	8,250	5,708
Total.....	1,304	1,340	37,122	30,704

Source: The Corn Trade News.

SALES OF BRITISH CEREALS

	Week ended	
	Jan. 22, 1938	Jan. 29, 1938
Wheat.....cwt.	243,820	315,373
Barley.....cwt.	156,049	135,748
Oats.....cwt.	46,183	53,421

Other Foods

Provisions and Meat.—Danish bacon sold at slightly higher prices on the London Provision Exchange this week, but other sorts were in quiet request at unchanged rates. Hams were steady. The butter market opened firm and Colonial makes were marked up in price. Subsequently a rather quieter tone was evident and Danish showed a net fall on the week. Colonial cheeses also rose in price in a firm market, but other makes were unchanged. A firm tendency prevailed at the London Egg Exchange this week and eggs were generally dearer on shorter supplies. Trading in meat at Smithfield Market was featureless and prices were generally unaltered, except in the case of lamb, which was slightly dearer.

Colonial Produce.—An event of some importance was the decision of the Pepper Sales Control committee to raise the spot price of White Muntok in bond to 4d. per lb. (4½d. duty paid), an increase of ½d. per lb. over recent levels. Lampong, in bond, rose from 2½d. to 2½d. per lb. Raw sugar, on the other hand, was a weak market and prices showed a considerable decline. At this week's tea auctions some low-grade Indian sorts were rather irregular, but the tone generally was firm. The quality of the Ceylon grades on offer showed an improvement and there was brisk bidding for the finer teas at higher prices. The markets in cocoa and coffee were quiet, with prices showing little alteration.

Fruit.—Business at Covent Garden was rather less active, says *The Fruit-grower*, and prices generally showed a rather easier tendency. Apples were in steady demand, but were slightly cheaper on account of heavier imports. South African pears had a fair reception, but Californian were easier. Limited supplies of hothouse grapes sold well. South African plums were a

prominent feature, while peaches and nectarines from the same source sold steadily at unchanged rates. Oranges were a steady trade at rather firmer prices, while grapefruit was less plentiful. Lemons were in only moderate demand and were inclined cheaper.

Vegetables.—Most lines of vegetables sold well at Covent Garden during the past week. Forced asparagus, according to *The Fruit-grower*, was cheaper owing to increasing supplies. Beans were well maintained and cucumbers were firm on limited supplies. Lettuce and forced marrows maintained the recent level of prices. Forced rhubarb was more abundant and was cheaper, and mushrooms were also reduced. New carrots and new turnips put in an appearance. Cabbages and savoy were cheap, but cauliflowers sold rather better. Onions remained dear, while parsnips showed little alteration. The potato trade at the various London markets was rather dull for the time of year and prices in some instances showed a rather easier tendency.

OTHER FOODS: STATISTICS

	Week ended	
	Jan. 22, 1938	Jan. 29, 1938
BACON:		
Arrivals in London (bales):		
Danish.....	14,319	14,082
Canadian.....	8,176	7,599
Dutch.....	1,575	1,568
Lithuanian.....	1,222	1,109
Polish.....	2,783	2,620
COCOA:		
Movements in Lond. (bags):		
Landed.....	6,892	4,893
D/d for home consumption.....	12,824	7,336
Exports.....	920	214
Stocks, end of week.....	118,492	115,835
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed.....	732	5
" D/d for home consn.....	87	155
" Exports.....	2,506	2,356
Stocks, end of week.....	2,506	2,356
Central and S. American:		
Landed.....	3,064	3,404
D/d for home consumption.....	2,354	2,010
Exports.....	767	546
Stocks, end of week.....	59,943	60,791
Other kinds—Landed.....	14,606	12,315
" D/d for home consn.....	4,627	4,057
" Exports.....	582	525
Stocks end of week.....	74,468	82,191
MEAT:		
Supplies at Smithfield (tons):		
Total.....	9,287	9,014
Beef and veal.....	4,703	4,761
Mutton and lamb.....	2,839	2,586
Pork and bacon.....	1,069	953
Poultry, etc.....	676	714
PEPPER:		
Movements in Lond. (tons):		
Black—Landed.....	3	5
" Delivered.....	18	18
Stocks, end of week.....	1,959	1,954
White—Landed.....	16	4
" Delivered.....	52	24
Stocks, end of week.....	10,983	10,963
SUGAR:		
Movements, London and Liverpool (tons):		
Imports.....	26,090	8,456
Deliveries.....	14,576	14,114
Stocks, end of week.....	283,226	277,508
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India.....	45,134	44,781
S. India.....	8,262	8,279
Ceylon.....	24,437	23,802
Java.....	3,673	3,698
Sumatra.....	929	491
Africa.....	1,890	3,649
Total.....	84,325	84,700

* Week ended January 20 and 27 respectively.

Miscellaneous Commodities

Wool (Bradford).—Interest was centred on the sales in London which finished last Thursday as creditably as could be expected. Details of the quantities disposed of are not yet available,

but the purchases of the home and Continental trades have been up to the usual standard, the activity of Russia undoubtedly swelling the Continental total. The operations of the latter country during the first week certainly helped to establish a higher level of prices than expected, and it was regrettable that Russian buying did not continue throughout the entire series, for during the latter half of the auctions prices slightly receded, and at the finish were mostly 5 per cent. below the highest point.

Buying on the part of both the home and Continental trades has been steady and consistent throughout, the reasonableness of the raw material no doubt accounting for the operations of the home trade in particular. At the moment a big weight of wool is being submitted, particularly at overseas markets, and there is now very little difference between prices ruling in Coleman Street, Australia, New Zealand and South Africa. There has been an excellent display of both merinos and cross-breeds throughout the entire series, and the nature of the offerings has no doubt contributed towards the improvement in demand. The new clip wools catalogued have been mostly well grown, of good length, and average condition—characteristics which always stimulate buying. The carry-over is not more than was expected, and the wools will be available for future series.

Rubber.—As with metals, the market has tended to fluctuate in sympathy with Wall Street. After continuing to decline until Monday, prices scored a recovery and closed on Wednesday showing a net loss of about ½d. on the week. If the output quota is maintained at 60 per cent. for the remainder of the year, shipments in 1938 should amount to 920,000 tons, while a tentative estimate by Messrs. Symington and Wilson puts consumption this year at 990,000 tons. Thus world stocks may decline by 70,000 tons in 1938.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Jan. 22, 1938	Jan. 29, 1938
Landed.....tons	2,513	1,920
Delivered.....tons	1,419	1,235
Stocks, end of week.....tons	60,845	61,530

Furs.—The general series of winter fur sales opened at the sales rooms of the Hudson's Bay Company on Monday last. The attendance was good and London, Paris and Leipzig merchants bought fairly freely: New York buyers also secured some parcels. Prices were about maintained at recent levels, but were well below those of October.

LLOYDS BANK

LIMITED

Head Office: 71 Lombard Street, London, E.C.3



Chairman

THE RT. HON. LORD WARDINGTON

Deputy Chairman

SIR AUSTIN E. HARRIS, K.B.E.

Vice-Chairman

FRANCIS A. BEANE

Chief General Manager

G. F. ABELL

Joint General Managers

W. G. JOHNS, D.S.O., R. A. WILSON, SYDNEY PARKES, S. P. CHERRINGTON

Statement of Accounts

31st December, 1937

LIABILITIES

	£
Paid-up Capital.....	15,810,252
Reserve Fund.....	9,500,000
Current, Deposit, and other Accounts.....	411,276,045
Acceptances.....	3,609,820
Endorsements, Guarantees, and other Obligations.....	24,902,145

ASSETS

Cash in hand, and with the Bank of England	43,841,442
Balances with and Cheques on other Banks in the British Isles.....	17,441,844
Money at Call and Short Notice.....	24,541,244
Balances with Banks Abroad.....	2,625,042
Bills Discounted.....	43,017,115
Investments at or under Market Value	114,002,646
Investments in Subsidiary and Auxiliary Companies:—	
The National Bank of Scotland Ltd.....	2,925,118
Lloyds & National Provincial Foreign Bank Ltd.....	600,000
Indian Premises Company Ltd.....	54,502
Loans and Advances.....	170,844,025
Other Assets and Accounts.....	9,164,531
Bank Premises.....	7,528,788
Liabilities of Customers for Acceptances, &c.....	28,511,965

Offices throughout England and Wales, and others in India and Burma

AMERICAN WHOLESALE PRICES

	Jan. 26 1938	Feb. 2 1938		Jan. 26 1938	Feb. 2 1938		Jan. 26 1938	Feb. 2 1938
GRAINS (per bushel)—	Cents	Cents	METALS (per lb.)—cont.	Cents	Cents	MISCELLANEOUS (per lb.)—cont.	Cents	Cents
Wheat, Chicago, May.....	93½	93½	Tin, N.Y., Straits spot.....	40 62½	41 00	Cotton, Am. Mid., Feb.....	8 42	8 40
Winnipeg, May.....	123½	126	Lead, N.Y., Spot.....	4 90	4 90	Lard, Chicago..... Mar.....	8 70	8 47½
Maize, Chicago, May.....	60¼	58½	Spelter, East St. Louis, spot.....	5 00	5 00	Petroleum, Mid-cont. crude 33 deg. to 33 90, at well, per barrel.....	116	116
Oats, Chicago, May.....	31¼	31				Rubber, N.Y., smk. sheet spot.....	14½	14½
Rye, Chicago, May.....	71½	74½	MISCELLANEOUS (per lb.)—			Do..... Mar.....	14½	14½
Barley, Winnipeg, May.....	63½	64½	Cocoa, N.Y., Acra, March.....	5 32	5 26	Sugar, N.Y., Cuban Cent., 96 deg., spot.....	3 20	3 16
			Coffee, N.Y., cash.....	5½	5½			
METALS (per lb.)—			Rio, No. 7.....	8½	8½			
Copper, N.Y., Domestic spot.....	9 72½	9 72½	Santos, No. 4.....	8 54	8 52			
Producers' export.....	10 00	9 52½	Cotton, N.Y., Am. mid., spot.....					

BRITISH WHOLESALE PRICES

	Jan. 26, 1938	Feb. 2, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	59 3	59 3
Eng. Gaz. av. per cwt.	8 4	8 4
Lav. March, per cental	7 7	7 7
Flour, per 250 lbs.—		
Strait, d d London	37 6	36 6
Manitoba, ex store	39 6	39 6
Barley, Eng. Gaz. av.	13 3	13 0
Oats,	8 6	8 7
Maize, La Plata, landed, 480 lb.	34 0	33 6
Do, January		
Rice, No. 2 Burma, per cwt.	8 3	8 3
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 8	4 8
Argentine chilled hinds	4 5	4 6
Mutton, per 8 lbs.—		
English wethers	4 8	4 8
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 8	4 8
Pork, English, per 8 lbs.	6 10	6 8
BACON (per cwt.)—		
English	98 0	98 0
Danish	96 0	96 0
Dutch	92 0	92 0
Irish	99 0	99 0
HAMS (per cwt.)—		
Canadian	86 0	86 0
United States	85 0	85 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	105 0	107 0
New Zealand	106 0	108 0
Danish	128 0	126 0
CHEESE (per cwt.)—		
Canadian	73 0	75 0
New Zealand	68 6	68 6
English Cheddars	96 0	96 0
Dutch	65 0	65 0
COCOA (per cwt.)—		
Accra, i.f.	27 0	27 0
Trinidad	45 0	45 0
Grenada	40 0	40 0
COFFEE (per cwt.)—		
Santos supr. c. & f.	32 6	32 0
Costa Rica, medium to good	52 0	52 0
Kenya, medium	44 0	45 0
EGGS (per 120)—		
English (15-15½ lb.)	16 0	17 0
Danish (15½ lb.)	12 6	13 3
FRUIT—		
Oranges, Jaffa boxes	8 6	8 3
" Brazilian boxes	14 3	15 0
Lemons, Malaga cases	...	...
" Sicilian boxes	10 0	10 3
Apples, Amer. (var.) barrels	14 6	14 6
" (var.) boxes	7 6	8 0
Grapes, Almeria barrels	11 0	11 0
Grapefruit, Jaffa	9 6	12 6
LARD (per cwt.)—		
Irish, finest bladders	44 0	64 0
U.S.	51 0	50 0
PEPPER, per lb.—		
Black Lampung (in Bond)	0 2½	0 2½
White Muntok	0 3½	0 4
POTATOES (per cwt.)—		
King Edward	6 6	6 6
SUGAR (per cwt.)—		
Centrifugal, 96, prpt. shupm., c.i.f. U.K. Cont.	6 0	5 4½
Refined—London—		
Yellow Crystals	19 4½	19 0
Cubes	23 7½	23 3

* January 20 and 27 respectively.
and do not include the Government tax.

	Jan. 26, 1938	Feb. 2, 1938
SUGAR (per cwt.)—cont.		
Crushed	22 0	21 6
Granulated	19 9	19 4½
Home Grown	19 7½	19 3
TEA (Auction Average) (per lb.)—		
N. India	14 15	14 22
S. India	14 23	14 38
Ceylon	15 68	15 87
Java	12 22	12 53
Sumatra	11 45	11 71
Africa	13 05	13 25
Total	14 45	14 55
TOBACCO (per lb.)—		
Virginia stemmed and un-	0 8	0 8
stemmed, common to fine	2 6	2 6
Rhodesian stemmed and un-	0 9	0 9
stemmed	1 10	1 10
Nyasaland stemmed and un-	0 7	0 7
stemmed	1 4	1 4
East Indian stemmed and un-	0 7	0 7
stemmed	1 10	1 10
TEXTILES		
COTTON (per lb.)—		
Raw, Mid.-American	4 99	4 89
" Sakellaridis, F.G.F.	8 39	8 29
" Giza, F.G.F.	7 56	7 46
Yarns, 32's Twist	10 54	10 53
" 40's Twist	10 54	10 53
" 60's Twist (Egyptian)	17 54	17 54
Cloth, 32 in. Printers, 116 yds.	18 3	18 2
" 36 in. Shirtings, 75 yds.	24 9	24 8
" 38 in. ditto, 38 yds.	10 7	10 6½
" 39 in. ditto, 37½ yds.	9 7	9 6½
" 16 x 15, 84 lb.	6 9	6 8
FLAX (per ton)—		
Livonian ZK	69 10	69 10
Pernau HD	71 0	71 0
Slanetz Medium, 1st sort	85 0	85 0
HEMP (per ton)—		
Italian P.C.	69 0	69 0
Manilla, Feb.-Apr. "12"	28 0	28 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B., Jan.-Feb.	£18/12/6	£19/0/0
Daisee 2.3 c.i.f. Dundee, Jan.-Feb.	£17/15/0	£18/0/0
SISAL, African, Feb.-Apr.	£15/10/10	£15/10/10
SILK (per lb.)—		
Canton	7 9	7 9
Japan	6 6	6 6
Bengal, gd. red.-vio. to fine	7 3	7 3
Italian, raw, fr. Milan	8 0	7 6
WOOL (per lb.)—		
English, Southdown, greasy	16½	16½
English, Lincoln hog, washed	14½	14½
Queensland, scd. super combg.	25	25
N.S.W. greasy, super combg.	14	14
N.Z., greasy, half-bred 50-56	14	13
" Crossbred 40-44	13	12
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	22 6	22 6
Durham, best gas, f.o.b. Tyne	22 0	22 0
Sheffield, best house, at pits	24 0	24 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d.d.	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tin plates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	40 3 9	39 16 3
Three months	40 7 6	40 13 3
Tin—		
Standard cash	181 0 0	182 0 0
Three months	182 0 0	182 5 0
Lead, soft foreign—		
Cash	15 3 9	15 15 0
Spot	15 15 0	15 16 3
Spelter, G.O.B.—		
Aluminium, ingots and bars	14 13 9	14 15 0
" rolling billets	14 15 0	14 17 6
Nickel, home and export	180 0 0	180 0 0
Antimony, Chinese	67 0 0	67 0 0
Wolfram, Chinese per unit	70 0 0	70 0 0
Platinum, refined per oz.	7 0 0	7 0 0
Quicksilver per 76 lbs.	12 17 0	12 17 0

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—

	Jan. 26, 1938	Feb. 2, 1938
GOLD, per fine ounce	139 7½	139 9
SILVER (per ounce)—		
Cash	1 8½	1 8½
MISCELLANEOUS		
CEMENT, best Eng. Portland, d'd site, London area, each, or paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s.	per ton
1 and up to 4-ton loads	44s.	per ton
CHEMICALS—		
Acid, citric, per lb., less 5%	1 0½	1 0½
" Nitric	0 2	0 2
" Oxalic, net	0 5	0 5
" Tartaric, English, less 5%	1 1	1 1
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb.	20 0 0	20 0 0
" Sulphate	7 11 0	7 12 6
Arsenic, lump	35 0 0	35 0 0
Borax, gran.	13 6	13 6
" powder	15 0	15 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4	0 4
Sulphate	10 0	10 0
Soda Bicarb.	11 0	11 0
Crystals	5 0	5 0
Sulphate of Copper	18 15 0	19 0 0
COPRA (per ton)—		
S.D. Straits, c.i.f.	12/18/9	13/1/3
HIDES (per lb.)—		
Wet salted, Australian	0 5½	0 5½
West Indian	0 4½	0 4½
Cape	0 5½	0 5½
Dry and Drysalted Cape	0 7½	0 7½
Market Hides, Manchester—		
Best heavy ox and heifer	0 5½	0 5½
Best cow	0 4½	0 4½
Best calf	0 7½	0 7½
INDIGO (per lb.)—		
Bengal, gd. red.-vio. to fine	5 6	5 6
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	2 2	2 2
Bark Tanned Sole	3 4	3 4
Shoulders from DS Hides	0 9½	0 9½
" Eng. or WS do.	1 8	1 8
Bellies from DS do.	0 5	0 5
" Eng. or WS do.	0 6	0 6
Dressing Hides	1 10	1 10
Ro. Eng. Calf, 20/35 lb. per doz	3 6	3 6
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit, No. 1, London	1 6	1 6
Petroleum, Amer. rfd. brl. Lond.	0 10½	0 10½
Fuel oil, in bulk, for contracts, ex instal. Thames	0 3½	0 3½
Diesel	0 4½	0 4½
ROSIN (per ton)—		
American	16 5 0	15 15 0
RUBBER (per lb.)—		
St. ribbed smoked sheet	8 4	8 4
Fine hard Para	0 7	0 6½
SHELLAC (per cwt.)—		
TN Orange	42 0	41 0
TALLOW (per cwt.)—		
London town	20 0	20 0
TIMBER—		
Swedish u/s 3 x 8 per std.	22 0 0	22 10 0
" 2½ x 7	20 0 0	20 0 0
" 2 x 4	23 10 0	23 10 0
Canadian Spruce, Dis.	11 0 0	11 0 0
Pitchpine	35 0 0	35 0 0
Rio Deals	0 7	0 7
Teak	0 12 0	0 12 0
Honduras Mahogany logs c. ft.	0 6 0	0 6 0
English Oak Planks	0 7 0	0 7 0
VEGETABLE OILS (per ton net)—		
Linseed, naked	27 15 0	27 7 6
Rape, refined	36 10 0	36 0 0
Cotton-seed, crude	19 5 0	18 10 0
Coconut, crude	18 2 6	18 0 0
Palm	16 15 0	16 2 6
Oil Cakes, Linseed, Eng.	10 0 0	10 0 0
Oil Seeds, Linseed—		
La Plata, Feb.	12 16 3	12 13 9
Calcutta	15 0 0	14 17 6
Turpentine	34 9	32 9

COMPANY MEETINGS

LLOYDS BANK LIMITED

A SATISFACTORY YEAR

NATION'S SOUND TRADE POSITION

IMPORTANCE OF EXPORT TRADE

NEED FOR FREER MOVEMENT

LORD WARDINGTON ON THE OUTLOOK

The eightieth ordinary general meeting of the shareholders was held, on the 28th 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,—I regret that I have to report the death of the senior member of our board, Mr Charles E. Barnett, shortly after our last annual meeting. He was a partner in the old banking house of Barnetts, Hoares, Hanburys and Lloyd, which became amalgamated with Lloyds Bank in 1884. He was a link between the very different conditions prevailing in the latter half of last century and those which confront us now. He saw the assets of this Bank grow from a figure of £10,975,635, when he first joined the board, to the sum of £465,000,000, which was the total in our 1936 balance sheet, the last one he ever saw. It is tempting to dwell on the many changes which took place in banking during the fifty-three years of his directorship of this Bank. Many of them are most interesting and will readily recur to you, but this is hardly the time or place to enumerate them. Throughout his long, active and useful life he was closely identified with the City, both as banker, and for many years as chairman of the Alliance Insurance Company, of which his father had been a director before him, and his grandfather one of the original directors. He had also been president of the Corporation of Foreign Bondholders. In all these positions he worthily upheld the traditions of the City, and gained the respect and affection of all with whom he came into contact.

BALANCE SHEET

Our report and balance sheet which we present to you to-day, and which I presume you will, as usual, take as read, show some very interesting but no very remarkable changes.

Reserve Fund.—To take the liabilities side first, you will see that the reserve fund is now £9,500,000 as compared with £9,000,000 in 1936, the result of the re-transfer which we have again made of half a million from our internal funds. We did the same last year, and there only remains a further £500,000 which, when it is re-transferred, will restore to the published reserve the whole of the £2,500,000 which you will remember we took in 1931 from that account to supplement our internal investment reserve fund. This was a precautionary measure, as I reminded you last year, of which we never had the necessity to make use.

DEPOSITS

Our current, deposit and other accounts stand at £410,000,000, but if it had not been for the unexpected receipt in the last week of the year of some large sums, the increase of £4,000,000 would have disappeared, and our deposits would have been below those of last year.

The question as to whether we should make any special endeavours to increase the amount of our deposits has given us a certain amount of preoccupation. Although it would seem to be illogical to estimate the importance of any business by the size of its liabilities, there is no doubt that size has a certain attraction, and it is not unnatural to look with admiration at figures which indicate a great business, and there is the risk that any falling off in these figures may involve the loss of public esteem. However, latterly, we have been actuated by other considerations, and our guiding principle has been to refrain from bidding for deposits by offering higher rates than we thought were economically justified.

Our principal concern was in connection with foreign deposits, that is to say, that large amount of floating capital seeking a temporary home, either with the object of obtaining a safe asylum or a higher return. Money of this character is very unreliable, and is

apt to be withdrawn at the shortest possible notice when any scare occurs. For this reason it is essential to keep such a deposit in a liquid form, so that it can be readily returned when called for. Short-term methods of employing this money during last year have only been able to command a rate of about a half per cent., the rate of allotment for three months Treasury bills, for instance, during the past half-year averaging no more than 1½. 4d. per cent. We considered, therefore, that to allow a foreign deposit 1 per cent. or more must result in a loss to the Bank. It can, of course, be argued that only a portion of such deposits is likely to be withdrawn at any one time, and that it would be a perfectly sound proposition to treat them as we do our home deposits, that is to say, to keep the usual proportions in cash, Treasury bills, loans, gilt-edged securities, etc., but for the reason given we felt that such an argument was not economically sound if applied to anything in the nature of nervous foreign money.

INFLOW OF FUGITIVE MONEY

There seems to me to be another reason, and an important national one, why the inflow of fugitive money into this country should not be encouraged. Nearly every other country has refused to give anything for it but a purely nominal rate. Some refuse to give any interest at all, and even charge for its safe keeping, and it seems to me to be sound business to follow the example of those countries and not to run the risk of putting the stability of our country's exchange to the serious inconvenience which would arise if deposits of this nature and in considerable volume were suddenly withdrawn and sent to other countries, which for the moment appeared a more attractive asylum.

Another undesirable result appears to have followed from an undue competition for foreign deposits. A greater demand for bills was a natural consequence, and the discount market has again suffered from an inability to extract a living wage from the low rate applied to the discount of bills. The discount market is an essential part of London's financial equipment, and of great importance in the composition of its intricate and delicate activities. It is highly desirable that it should be allowed an opportunity to live, and though the excessively low rates—to some extent artificial—which have ruled during recent years may be an advantage to the Treasury, and indirectly therefore to the taxpayer, yet these advantages would be dearly bought if they were to mean the extinction of the London bill market as we know it to-day, and consequently the greatly diminished attractiveness of the London bill, if its marketability were threatened.

There are no other items on the liabilities side to which I wish to draw your particular attention.

INVESTMENTS

On the assets side the account under the heading of investments calls for some comment. There has not been much change in the amount, the total being £2,000,000 less than it was last year, but because investments occupy a far more important place than formerly in the utilisation of our assets, I want to take a little time in speaking of our investment policy.

To illustrate the change which has taken place over a period of years I should like to call attention to the following figures:—

	1913	1919	1937
Average percentage of—			
Loans to total deposits	54.6	33.8	39.2
Investments to total deposits	12.1	20.9	28.0
Bills to total deposits	11.5	21.8	12.8

A point worth notice is that we have exchanged a considerable proportion of our commercial, private and other borrowers for the Government as borrowers, and it therefore behoves us to see that we

have an investment portfolio with scientifically graduated maturities as evenly spread as possible, especially so inasmuch as it is not the habit of Governments in these modern times to repay their loans finally. It is therefore open to argument whether, in the interest of liquidity, the present position can be said to be as satisfactory to the depositors and shareholders as a wide variety of borrowers, many of whom require advances only for seasonal purposes.

We have been able roughly to preserve our usual proportion between short-term and medium-term Government redeemable securities. Your directors have adopted this as a sound and essential principle in view of the fact that our liabilities are almost entirely repayable on demand or at short notice. The added importance which we pay to the investment policy is necessitated by the fact that the good trade which this country is now enjoying has not, except gradually through the year, influenced to the extent which might reasonably have been expected the sum total of our advances to industry. The reasons for this are many and complicated, and would require considerable time to explain in detail. The fact remains, however, that advances are below normal in relation to our deposits, and that investments are above normal. The weight of money in the country, and the importance of keeping money at the lowest possible cost, in view of the Government's heavy expenditure programme, make it difficult to see in the immediate future a return to the normal ratio of past years of advances to deposits. With this fact in mind a constant scrutiny of our investments has been carried out, and advantage has been taken continuously of any anomalies which have existed in market values between comparable securities.

LOCAL GOVERNMENT BORROWINGS

One of the features of the internal finance of the country at the present time which gives food for serious thought is the ever increasing demand for loans by local government authorities. Indeed, the competition to borrow has been so great that, but for the careful nursing of the market by the Treasury and the Bank of England, interest rates on local government loans would be higher than they are at present. The word "economy" has ceased to retain its old-time meaning. The protagonist in the cause of economy has been entirely eliminated. The word "economy" now means "wise spending." Wise spending from a local government point of view often means expenditure on whatever happens to be the current "fashion."

At a time when the primary need of defending the country is the subject of heavy additional borrowing—and taxation—by the Central Government, surely a large part of the borrowing by local governments could be postponed. The greater part of this borrowing requires to be sanctioned by the Central Government. That sanction is invariably given, and so the burden of debts mounts higher and higher. Local rates are continuously increasing, and, what is more to the point, the quinquennial valuation always seems to produce a higher assessment—never a lower. It is true that a large proportion of local government debt is described as productive. One cannot help feeling that such enterprises would be more productive in private hands. This has so often been proved when local authorities have attempted house building by direct labour. It is also true that there are some local governments who run their finances well. It is, however, the fact that nearly all local government public loans are immediately renewed at maturity, and, in the majority of cases, opportunity is taken to increase the amount required. Here are some figures showing the growth of local government debt:—

1914	...	...	£562,630,600
1920	...	...	£555,145,000
*1935	...	...	£1,421,501,979

* Latest available figure.

One can foresee a position of considerable difficulty when local government obligations, running into many millions of pounds, mature, and holders desire to be repaid in cash rather than convert into new issues.

LOANS AND ADVANCES

The next item of importance amongst our assets is our loans and advances. It is true that it shows an increase compared with last year of over £21,000,000, and the percentage to deposits has risen from 36.7 per cent. to 41.5 per cent., but I ought to point out that a large part of this increase only occurred during the latter end of the year, and the average throughout the year was 39.2 per cent. If the present figure continues throughout this year our profit and loss account ought to benefit.

From a study of the customary analysis of our advances we see that there has been a large increase of £9,000,000 under the omnibus heading of "Personal and Professional"; an increase of £2,000,000

under "Engineering"; while "Oils and Fats" borrowed £1,055,000 more, and "Public Utilities" £885,000 more. On the other hand, "Banking, Insurance and Finance" required £3,242,000 less, and "Shipping and Shipbuilding" £1,900,000 less. The other differences are comparatively small.

PROFIT AND LOSS

Our profit and loss account shows the satisfactory increase of £88,000, all the more satisfactory because it is arrived at after making the new provision for National Defence Contribution, and after providing a substantial sum towards our superannuation fund.

Incidentally, I may mention that we propose next year to simplify the unnecessarily cumbersome form of our profit and loss statement, especially that appearing in our report. It can, I think, be taken for granted that our profit figure has only been arrived at after debiting all such ordinary expenses as salaries, pensions, taxes, and the usual allocation to staff funds, without enumerating all these items separately.

Some of you may have hoped that these figures might have prompted us to recommend an increased dividend, but I think on reflection that you will agree with me that there are a sufficient number of factors entirely outside our control which render it desirable not to do anything which suggests that the signals are yet standing at "All Clear." I feel, too, that the staff might legitimately consider that they have a first claim on any increased profits for the restoration of those reductions in the annual increases which they have suffered in recent years.

TRADE OUTLOOK

In reviewing the situation last year I had the temerity to utter a word of caution, and to suggest that we ought to take every care to ensure against the activity of our internal trade degenerating into anything which could possibly be called a boom, and that in the second place we should look forward to the time when the chief causes of our internal activity had come to an end and take all possible measures to fill the gap with increased foreign trade.

The events of the past year have, I think, justified what may have appeared to be an unnecessarily cautious attitude on my part. It frequently appears to be the fate of a banker to be in opposition to the existing trend of public opinion, and if last year, when everything seemed rosy, I had my doubts as to the future, so again now, when talk of a recession in trade is somewhat loud and insistent, I see no reason in the fundamentals of our commercial position to apprehend any serious set-back.

There are many factors, especially in the political sphere, which are on the lap of the gods. Of these I am not able to speak with any particular knowledge or assurance, but trade in itself in this country appears to me to be generally sound. This does not mean that it is not wise to look forward to a time when it may be less active. This is always true wisdom in any circumstances, but it is the height of unwisdom to hasten such a time by creating an unfavourable psychological atmosphere in which the very thing we wish to avoid is artificially nurtured.

IMPORTANCE OF EXPORT TRADE

Bearing all these things in mind I should like to urge the importance of doing all that is possible not only to keep, but to increase the volume of our export trade. For this reason I welcome the steps which have been taken in this direction, slow moving though they are, and I think the Government are to be congratulated for following up the Tripartite Agreement by endeavouring to arrange a Trade Agreement between the British Commonwealth and the United States of America, remembering that a large proportion of the trade of the world is accounted for by transactions between these countries, and for their co-operation with Monsieur van Zeeland in his inquiry as to the best methods of removing those obstacles which continue to obstruct the flow of international trade.

Whatever steps may be taken as a result of his report, there can be no doubt of the necessity for securing a greater freedom of movement of goods between all nations. I referred at some little length to this point in my address to you last year, and I urged the importance to us as a great exporting country of taking every measure possible to see that our export markets were maintained. To-day this advice seems to me to be more than ever necessary, and it would be fatal to let our general activity in trade, for which our re-armament programme may be increasingly responsible during the current year, shut our eyes to the necessity of preserving and increasing our overseas markets. It is so easy to lose them. It is so difficult, once lost, to regain them. The overseas trade figures for 1937 add point to these remarks. Our adverse visible trade balance, with exports

of £596,761,000 and imports of £1,029,065,000, is no less than £432,304,000.

ADVERSE TRADE BALANCES

In normal years it is easy to exaggerate the significance of an adverse trade balance. In the first place it is partly rectified by invisible exports, though any precise figure in regard to them is largely a matter of conjecture. Secondly, there is usually a natural lag between the arrival here of imports of raw materials and the subsequent export of goods manufactured from them, and therefore a true balance of trade cannot be accurately struck on any arbitrarily chosen date. But in present circumstances, when so much of our imports of raw materials are being used for the manufacture of armaments, they cannot form the usual basis for subsequent exports, and our final balance of trade for 1937 must inevitably, even after making all allowances, throw exceptional strain on our exchange position.

Chairmen of the big banks have, I see, drawn attention to the importance of our export trade, and the necessity for its preservation, both from the point of view of maintaining employment in the future, and of off-setting the large amount of our imports. I gladly add my testimony to what has been so ably stated on this very material point.

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 29, 1938."

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 re-appointed auditors for the year 1938.

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.

UNION BANK OF AUSTRALIA, LIMITED

CRIPPLING EFFECT OF TAXATION

The annual meeting of the Union Bank of Australia, Limited, was held, on the 31st ultimo, in London, Major-General Sir John H. Davidson, K.C.M.G., C.B., D.S.O. (the chairman), presiding.

The Chairman, in moving the adoption of the report and accounts, said that the bank celebrated its centenary on September 1st last, and during that long span of one hundred years it had consistently provided service for the community, confidence for its depositors, and the unbroken payment of dividends—a record of which they might justifiably be proud. In order to mark the centenary in a practical way, the board had authorised a bonus of 7½ per cent. of their annual salaries to all members of the staff in London, Australia and New Zealand, and a bonus to shareholders of 2 per cent., less tax, had also been declared.

A subject to which he wished to draw particular attention was the heavy and rising expenditure. Taxation in Australia was very heavy, but in New Zealand it was altogether crippling. In the Dominion the basis of taxation had really no relation to profits earned. The total assets and liabilities in New Zealand were added together and a profit of 1½ per cent. was arbitrarily assessed on this aggregate figure. This assumed profit was subjected now to an income tax of 7s. 6d. in the £. The resulting levy, plus land tax, and after allowing for all tax deductions, amounted to between 16s. and 17s. in the £ of the net profits. It was, therefore, no exaggeration to describe the effect of this taxation as crippling, and there would be no justification for remaining in New Zealand did they not feel a sense of responsibility towards the country itself, and had faith in the justice of the Government. While the tax remained at a moderate level, there remained a moderate profit, but the raising of the tax to 7s. 6d. by the present Government removed all chance of securing a reasonable return.

The subject of the taxation of the banks had for some time past been under the review of a committee which was set up by the Government to deal with taxation in general. They now awaited the decision of the New Zealand Government.

Gross profits were up by £69,808, but this had been largely offset by additional expenditure, which had increased by £56,272. It was gratifying that it was possible to declare a final dividend of 4 per cent., making 7 per cent., less tax, for the year.

The report was unanimously adopted.

SUN LIFE ASSURANCE SOCIETY

NEW BUSINESS—£22,000,000

SIR WILLIAM GOSCHEN'S REVIEW

The annual general meeting of the Sun Life Assurance Society was held, on the 1st instant, at the Chief Office, 63 Threadneedle Street, London, E.C.

The Hon. Sir William H. Goschen, K.B.E., chairman of the Society, in the course of his speech, said: Gentlemen,—The report is, as usual, very brief, but in it and in the pages that follow is condensed the story of a year's achievements of which we may well be proud.

To judge from the amount of space devoted in the Press to new business figures, they are the standard by which the public seems to measure the success of an assurance company. We need fear no criticism on that score, as last year we established, for the second year in succession, a new business record, the actual completions being 33,500 new assurances for sums assured exceeding £22 millions. The result of the succession of increases in new business is a record expansion in the renewable premium income, which now exceeds £4½ millions. From new business and increased income one passes naturally to expenses, and there also I am able to report success. For the third year in succession the expense ratio shows a decrease, in spite of the great volume of new business and of certain exceptional expenses which we have had to meet in 1937.

Such a successful year's work has brought a large addition to the funds. The total funds have increased during the year by over £2,250,000, and now stands at more than £43 millions.

You will observe from the life assurance revenue account that claims by death amounted to £1,071,000 and claims by maturity to £1,535,000, each showing an increase of about £100,000. An investigation has been made into the mortality experience for the year and the results are extremely favourable.

The annuity and sinking fund accounts do not call for any special comment, and the small remaining accident business follows its normal course.

BALANCE SHEET

Turning to the balance sheet, I need not spend any time on the liabilities side. So far as our assets are concerned their general character remains unchanged. Our investments on the Continent of Europe, other than in Norway and Denmark, are insignificant in amount, and I am pleased to be able to tell you that over 92 per cent. of the Society's assets are situated in the British Empire.

As you are aware, the year has been characterised by considerable depreciation in the capital value of Stock Exchange securities. In a year which has seen a fall of 12 per cent. in the value of Consols, of 5 per cent. in debentures, and of 20 per cent. in ordinary shares, it is reassuring to find from a valuation of our own assets that the depreciation suffered during the year, was less than 2 per cent. I think, therefore, that we can safely claim that we have come through a very difficult investment year with relatively less depreciation than might have been expected. I may also say that the market value of the Society's assets exceeds their balance-sheet value by a very considerable sum, which, with the amount carried forward at the last valuation, would suffice to cover a depreciation of many times that experienced last year.

I can think of no more convincing proof of the security afforded by an assurance company such as your Society than this evidence that our assets have suffered so small a depreciation in a year of general investment instability.

As you will have noticed, I have confined my remarks entirely to the Society's business, without embarking upon any examination of general conditions or venturing upon any prophecies. We have every reason to be satisfied with the result of our activities in the year 1937 and to look forward to another successful year in 1938.

RETIREMENT OF MR G. M. SEARLE

There is one point of domestic interest that I should like to refer to, and that is the approaching retirement in the month of June of Mr G. M. Searle after a service of practically fifty years. Mr Searle joined the staff as a boy writer in 1888, and reached the important position of joint secretary which he has held for ten years. Mr Searle has rendered very devoted service to the Society, and we wish him every happiness in his retirement. (Hear, hear!)

I should also like to take this opportunity of congratulating very warmly our general manager, Mr Riethel, his immediate assistants in the management, and the whole staff on the highly satisfactory results of their year's work. There is a fine team spirit running through the staff, and the zeal and energy that they have shown is worthy of our highest praise. (Applause.)

The report and accounts were unanimously adopted.

BRITISH TIN INVESTMENT CORPORATION, LIMITED

INCREASED DIVIDEND

The ordinary annual general meeting of the British Tin Investment Corporation, Limited, was held, on the 1st instant, at 20 Aldermanbury, London.

Mr E. V. Pearce, who presided in the absence in Malaya of the chairman, read the speech Captain O. Lyttelton would have made had he been present. He said that of the investments held by the Corporation and its subsidiary, 98.9 per cent. were quoted. The capital appreciation on the total holdings, of course, was considerably less than last year. After the deduction of the reserve fund from the cost of investments, it represented, however, over £1,200,000. The purchase of a new block of shares had turned out satisfactorily, which was shown by the fact that they were able to propose an increase of 4 per cent. in the dividend on the increased capital.

The whole of the gross revenue was derived directly or indirectly from dividends on their holdings. In their view, shareholders were well aware of how greatly the demand for primary commodities varied, and how volatile were the prices for them. It was quite obvious that the earnings of tin mining companies appeared likely to fall in 1938, and thus it did not appear probable that they could maintain their own dividend at 15 per cent. Nevertheless, they regarded themselves as directors of the company, not as parents or guardians, and, broadly speaking, their policy was to recommend for distribution all they had earned, and leave the shareholders to judge what reservations they should make in their minds, or perhaps what reserves they should make in their banks, against a future fall in the rate.

He would, however, draw their attention to the so-called lag, which delays a fall in revenue nearly as much as a rise, in a holding company of that kind.

PROBLEMS OF THE TIN INDUSTRY

Once again in 1937 the tin industry had suffered an unenviable publicity. The general impression was given that the rise in tin, partly due to international tin restriction, had been sharper than that in most other commodities. Nothing could be further from the truth. The movement in tin, as in other primary commodities, had been caused by a number of major forces which were at work. They could not hope to see rock-like commodity prices standing steadfast and unmoved above the rapids and whirlpools of political and even social tumult. He thought it very doubtful whether speculation had caused a higher price for tin than would otherwise have been reached, and in his opinion the rapidity and extent of the fall in the price had been largely due to the absence of speculation.

BUFFER STOCK BENEFICIAL TO WHOLE INDUSTRY

He would be the last to underrate the difficulties of administering a reserve stock, but to describe them as insuperable was absurd. It was most unfortunate that the whole subject of a reserve stock and its operation should have become the centre of an exacerbated controversy. The very mention of the word drew down complete condemnation from certain quarters even before the details of any proposal had been formulated. He must state quite strongly that his own view was that a buffer stock would be beneficial to the whole country if it was administered on sound lines. It was equally true that, if its administration was not carefully thought out, the results might be disastrous. He would only touch upon two points. First he was sure that the buffer stock ought not to be administered by those engaged directly in the tin industry. To-day there were many who had no commercial interests in the industry but whose knowledge and experience of it were wide.

The other point he wished to make was that, if the buffer stock was at any time to be realised, and if the cash was to be re-employed in purchases of tin, both operations should be conducted solely through the London Metal Exchange and the orders spread out amongst all its members.

No review of the tin industry in 1937 would be complete without some reference to the operation of the actual Tin Restriction Scheme. He thought that some unnecessary criticism had been directed against those producers who could not reach the tonnages they were permitted to export. They must remember that at the very beginning of the new scheme abnormal conditions had intervened, and because certain countries were unable to expand so rapidly as to reach abnormal figures was no reason for throwing stones at the standard tonnages obtained. He pleaded not for less criticism, for that was welcome, but for more objective and less controversial criticism from all those who had to live under a regime of restriction.

The report was unanimously adopted.

GOVERNMENTS STOCK AND OTHER SECURITIES INVESTMENT COMPANY, LIMITED

The sixty-sixth annual ordinary general meeting of this company was held, on the 28th ultimo, in London.

Mr J. S. Austen, the manager of the company, presided and said:—A matter in which very many people are interested just now is that of the depreciation of securities. The "Bankers' Magazine" makes a periodical valuation of 365 typical Stock Exchange securities, and from that it appears that on January 1st this year there was a depreciation on those securities compared with January 1, 1937, of about 16 per cent. If you had asked me how our valuation was likely to compare with that, I should have told you that I thought ours would probably be rather worse, because, no doubt, in their list there are many gilt-edged securities which do not appear in our list. Therefore I was somewhat pleased to find that our depreciation was also just about 16 per cent. But Lord St. Davids has told you on many occasions that in trust companies it is not the valuation that matters but the revenue, and I think you will consider that our increase of about £7,500 is satisfactory.

If you had asked me a year ago what our prospects were likely to be during this past year I should have told you with considerable confidence that our income would increase, but, to-day, with regard to the prospects of the current year, I cannot speak with that same confidence. You know yourselves that in certain directions there is not likely to be the same income accruing as there was last year.

But, after all, what you want to know is—what is your dividend likely to be at this time next year. I should very much like to promise that you will get an increased dividend, but, actually, I dare not promise more than that you will get the same dividend.

The report and accounts were unanimously adopted.

PADANG LANGKAT RUBBER ESTATES, LIMITED

IMPROVED RESULTS

The fifth annual ordinary general meeting of Padang Langkat Rubber Estates, Limited, was held, on the 31st ultimo, at 19 Fenchurch Street, London, Mr H. A. Barrett (the chairman) presiding.

The Chairman, in moving the adoption of the report and accounts, said the crop of 1,019,001 lb. of rubber harvested, together with the stock of 142,956 lb. brought forward, amounted to 1,161,956 lb., of which quantity 1,136,003 lb. was exported under licence. Additional licences for 22,046 lb. were sold, realising £448. The net proceeds of 1,136,003 lb. of rubber sold amounted to £39,379, the gross average price realised being 9d. per lb., which compared with 7.49d. per lb. for the previous year. The profit was £18,618, and the board recommended a dividend of 8 per cent. In regard to the replanting programme, the first 200 acres had been completed and good progress had been made with the second 200 acres. For the current financial year the company's exportable quantity—based upon the average of the international releases announced—namely, 73½ per cent. from October to June, and assuming 60 per cent. for July-September—would be approximately 1,069,150 lb. Of the current year's crop forward sale for shipment to December 31st last amounted to 178,000 lb. at an average of 8½d. per lb. There were no forward sales for 1938. Although the current price did not give an adequate recompense, he felt sure the International Committee was fully alive to that fact.

Mr A. P. Hadow seconded the motion for the adoption of the report and accounts, and in referring to his recent visit to the estates said that he found them in excellent condition.

The report and accounts were unanimously agreed to.

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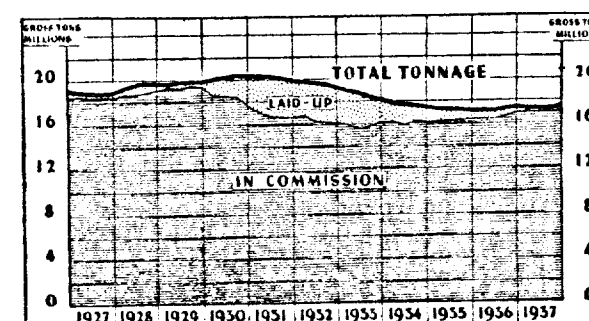
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

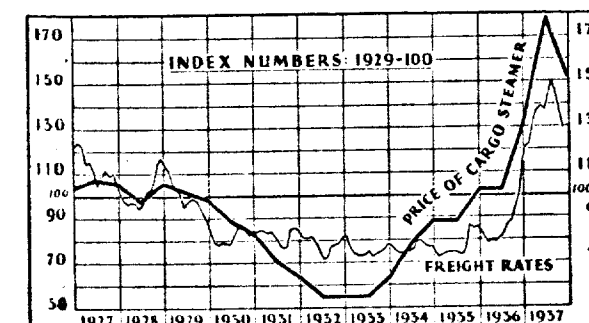
Shipping and Shipbuilding

The following charts illustrate the position of the shipping and shipbuilding industries. Their implications are discussed in the leading article on page 294. All the Charts except No. V have been compiled from statistics issued by Lloyd's Register. Chart I distinguishes between shipping laid-up and shipping in commission, and Chart II compares *The Economist* index of freight rates with the price of a new ready 7,500 ton cargo steamer, as given in *Fairplay*. Charts III, IV, V and VI show tonnage commenced, launched and under construction at home and abroad. The separation of steamers and motor ships in Charts V and VI clearly indicates the recent steep rise in the tonnage of motor-ships under construction abroad and the high proportion of the total for which they account.

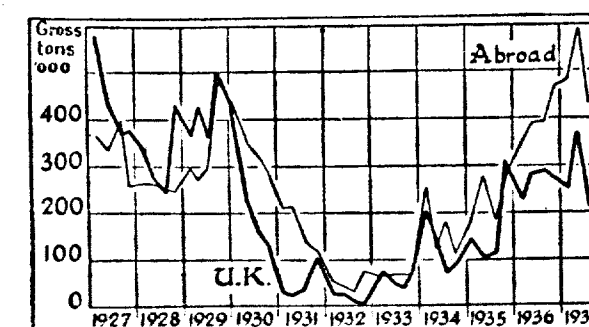
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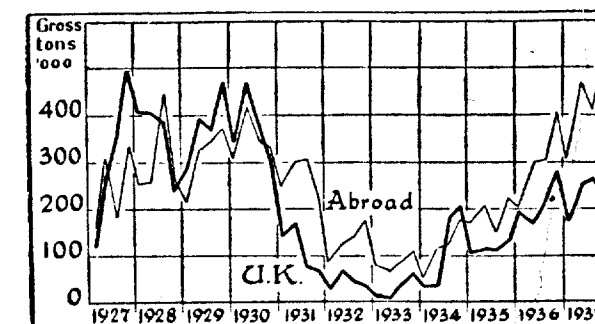
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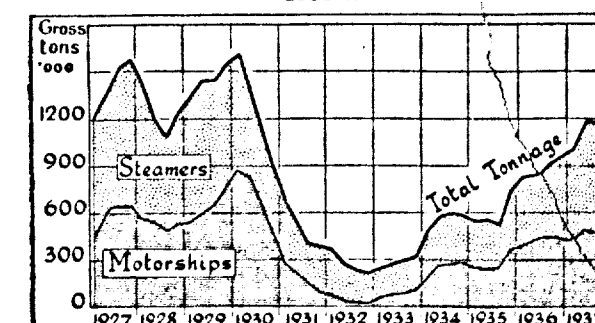
III. TONNAGE COMMENCED AT HOME AND ABROAD



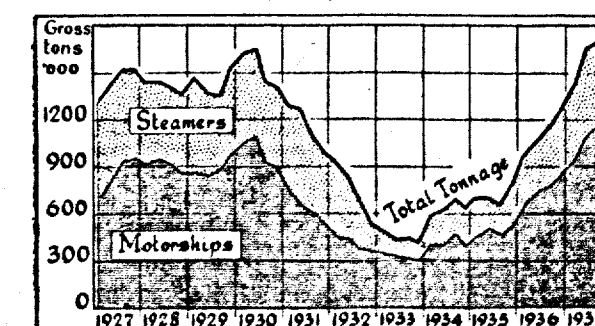
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V. TONNAGE UNDER CONSTRUCTION AT HOME



VI. TONNAGE UNDER CONSTRUCTION ABROAD



Finance

GOVERNMENT FINANCE

For the week ended January 29, 1938, the total ordinary revenue was £32,789,000, against ordinary expenditure of £16,183,000. The deficit accrued since April 1st last is thus £92,438,000, against a deficit of £77,612,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for year 1937-38	April 1, 1937	April 1, 1938	Week ended Jan. 29, 1938	Week ended Jan. 29, 1937
ORDINARY REVENUE					
Inc. Tax	288,150	139,549	159,027	18,468	18,677
Sur-tax	58,000	26,110	26,570	4,330	3,220
Stamp duties, etc.	80,000	70,060	74,240	1,710	1,960
Stamps	29,000	20,730	17,690	550	710
N.D.C.	2,000	...	189	...	41
Other In.	1,500	290	930	60	120
Rev. Duties	1,500	290	930	60	120
Total I. Rev.	467,650	256,739	278,646	25,118	24,728
Customs	219,850	175,242	184,512	3,500	3,890
Excise	113,150	93,300	97,172	800	672
Total Cust. and Excise	333,000	268,542	281,684	4,300	4,562
Motor Duties	34,000	31,382	33,217	1,117	3,263
P.U. (Net Receipts)	11,800	12,300	11,600	100	Dr. 150
P.O. Fund	1,350	1,240	1,190	190	160
Crown Lds. Rec. from Sun. Loans	4,300	4,414	5,095	...	2
Misc. Rec.	11,000	16,126	11,412	288	224
Total Ordinary Revenue	863,100	590,943	622,869	31,113	32,789
SELF-BAL. REVENUE					
Post Office and Broadcasting	75,198	57,400	61,000	1,800	2,500
Total	...	648,343	683,869	32,913	35,289

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for year 1937-38	April 1, 1937	April 1, 1938	Week ended Jan. 29, 1938	Week ended Jan. 29, 1937
ORDINARY EXPEND.					
Int. & Mch. Payments to N. Ireland	224,000	190,236	194,442	295	298
Other Cons. Fund Serv.	3,200	2,538	2,864	35	6
P.O. Fund	400	420	...	...	...
Total	227,600	192,774	197,306	330	304
Supply Serv.	62,748	46,947	51,256	16,993	15,451
Total Ord. Expend.	290,348	239,721	248,562	20,293	18,755
SELF-BAL. EXPEND.					
P. O. and Broadcasting	75,198	57,400	61,000	1,800	2,500
Total	...	297,343	309,562	22,093	21,255

* Revenue required to meet expenditure.

† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.

‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After reducing Exchequer balances by £403,843 to £2,751,848, the other operations for the week (as shown in the next column, but excluding £1,250,000 issued under the Defence Loans Act and £230,000 issued to the New Sinking Fund) reduced the gross National debt by £15,529,000 to about £8,214 millions.

CHANGES IN NATIONAL DEBT (£ thousands)

NET INCR. IN DEBT		NET REPAYMENTS, ETC.*	
Public Department	3,490	Treasury Bills	18,719
Advances	50	P.O. and Teleg.	350
Nat. Savings Certs.	50	(Money) Act	350
	3,540		19,069

* Excluding £1,250,000 issued under Section 1 (1) of the Defence Loans Act, 1937.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to January 29, 1938, are shown below:—

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Issue to Exch.	715,307	Issue to Exch.	622,869
Fund (July '37)	200,000	Gross borrowings	304,317
Issue under Defence Loans Act	4,500	Less: New S.F. 7,359	
Increase in balances	51	Old S.F. 19	
		Net borrowing	296,949
	919,858		919,858

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Ten-der	Tap	Public Depts.	Bank of Eng-land		
1937						
Jan. 30	560.0	154.5	31.5	...	746.0	186.0
Mar. 31	500.0	174.6	23.5	...	698.1	193.1
Dec. 4	617.0	301.8	42.6	10.2	971.6	344.4
" 11	622.0	305.3	45.3	1.5	974.1	350.6
" 15	622.0	317.3	41.6	...	980.9	358.9
" 25	622.0	319.9	41.1	...	983.0	361.0
" 31	889.7	39.4	55.7	...	984.9	...
1938						
Jan. 8	622.0	312.4	41.6	7.0	983.0	354.0
" 15	612.0	308.9	35.3	...	956.2	344.2
" 22	597.0	301.0	28.1	...	926.2	329.1
" 29	587.0	292.3	31.6	...	910.9	323.9

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Jan. 29	35.0	73.3	35.0	5.04	30
Nov. 19	45.0	65.0	45.0	11.15	56
Dec. 26	50.0	62.3	50.0	15.02	79
" 3	50.0	84.4	50.0	18.21	25
" 10	50.0	91.5	50.0	15.89	61
" 17	50.0	76.8	50.0	13.97	85
" 24	50.0	68.4	50.0	12.04	74
" 31	50.0	80.5	50.0	10.11	47
1938					
Jan. 7	40.0	81.8	40.0	10.42	38
" 14	35.0	81.8	35.0	10.07	47
" 21	35.0	88.2	35.0	9.11	46
" 28	30.0	86.5	30.0	10.80	18

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On January 28th, applications at £99 17s. 6d. per cent. for bills to be paid for on any day except Tuesday of the following week were accepted as to about 18 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Tuesday at £99 17s. 7d. per cent. and above were allotted in full. £80.0 millions of Treasury bills are being offered on February 4th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
2 wks. to Jan. 16, 1937		1,550,627		1,163,970	
Jan. 15, 1938		1,409,043		1,056,782	
Week to Jan. 16, 1937		803,903		602,927	
Jan. 8, 1938		695,854		521,840	
Jan. 15, 1938		713,189		534,892	

Net Exchequer receipts, eight days to Jan. 8, 1938: £600,000; week to Jan. 15, 1938: Dr. £150,000.

BANK OF ENGLAND RETURNS

FEBRUARY 2, 1938
ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt..	11,015,100
In circula. 476,694,175		Other Govt. Securities	188,021,697
In Bnkg. De- partment...	49,712,985	Other Secs.	954,677
		Silver Coin...	8,526
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,407,160
	526,407,160		526,407,160

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs.	98,078,165
Res.	3,591,268	Other Secs.	10,478,552
Public Depts.*	11,404,084	Disc. etc.	16,671,625
Other Depts.	111,382,759	Securities	18,671,625
Bankers	36,590,684		
Other	147,973,442	Notes	29,150,777
		Gold & Silv. Coin	49,712,985
	177,521,794		580,467
			177,521,794

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	476,694 + 3,496	+ 19,383	
Deposits: Public	11,404 + 2,151	+ 810	
Bankers	111,383 + 1,690	+ 15,277	
Others	36,591 + 758	+ 1,683	
Total outside liabilities	636,072 + 1,102	+ 32,167	
Capital and res.	18,144 + 28	+ 16	
COMBINED ASSETS			
Govt. debt and securities	297,115 + 1,262	+ 17,771	
Discounts and advances	10,478 + 113	+ 393	
Other securities	19,026 + 9	+ 1	
Silver coin in issue dept.	9 + 1	+ 5	
Gold coin and bullion	326,988 + 26	+ 12,820	
RESERVES			
Res. of notes & coin in banking department	50,293 + 3,470	+ 6,563	
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	31.6% - 1.2%	- 7.2%	
(b) Gold stocks to deposits and notes ("reserve ratio")	51.4% - Same	- 0.7%	

COMPARATIVE ANALYSIS (£ millions)

	1937				
	Feb. 3	Jan. 12	Jan. 19	Jan. 26	Feb. 2
Issue Dept.					
Notes in circ.	457.3	482.1	475.7	473.2	476.7
Notes in bank- ing dept.	56.3	64.3	50.7	53.2	49.7
Govt. debt and securities	198.9	219.7	199.7	199.4	199.0
Other sec.	313.7	326.4	326.4	326.4	326.4
Gold					
Deposits:					
Public	12.2	13.2	11.0	13.6	11.4
Bankers	96.1	123.4	124.4	113.1	111.4
Others	38.3	36.8	36.9	37.3	36.6
Total	146.6	173.3	172.3	164.0	159.4
Bkg. Dept. Secs.					
Government	80.4	90.2	104.4	98.9	98.1
Discounts, etc.	8.5	15.8	13.0	10.4	10.5
Other	18.9	20.5	21.8	18.9	18.7
Total	107.8	126.5	139.1	128.3	127.3
Banking dept. reserve	56.8	64.9	51.3	53.6	50.3
"Proportion"	38.8	37.4	29.8	32.8	31.6
Reserve ratio†	52.1	49.9	50.5	51.4	51.4

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £8,526; capital, £14,553,000; res., £3,591,268.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Roumania, appeared in The Economist of December 25, 1937; Egypt, of January 1, 1938; International Settlements, of January 8; Denmark, of January 15; Australia, Estonia, Java and Norway, of January 22; Austria, Canada, Czechoslovakia, Dacia, Latvia, Lithuania, Poland and Sweden, of January 29.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Feb. 1937		Jan. 1938	
12 U.S.F.R. BANKS		4, 1937	6, 1938	27, 1938	3, 1938
RESOURCES					
Gold certis. on hand and due from Treas.	8,848	9,120	9,118	9,116	
Total reserves	9,150	9,491	9,368	9,558	
Total cash reserves	289	363	441	431	
Total bills discounted	3	11	11	11	
Bills in open mkt.	3	1	1	1	
Total bills on hand	6	12	12	12	
Industrial advances	24	18	18	18	
Total U.S. Govt. sec.	2,430	2,564	2,564	2,564	
Total bills and sec.	2,460	2,594	2,594	2,594	
Total resources	12,306	12,833	12,776	12,794	
LIABILITIES					
F.R. notes in actual circulation	4,158	4,258	4,119	4,138	
Aggregate of excess mkt. bank res. over reqts.	2,150	1,270	1,440	1,390	
Deposits—Members	6,758	7,071	7,296	7,249	
Govt. deposits	117	127	117	143	
Total deposits	7,219	7,602	7,807	7,775	
Cap. paid in and surplus	305	308	308	309	
Total liabilities	12,306	12,833	12,776	12,794	
Ratio of total res. to deposits and F.R. note	80.4%	80.0%	80.2%	80.2%	
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary gold stock	11,364	12,755	12,755	12,755	
Treasury and Nat. Bk. currency	2,531	2,639	2,654	2,657	
LIABILITIES					
Money in circulation	6,348	6,510	6,294	6,323	
Treasury cash and deposits with F.R. bks.	2,705	3,749	3,759	3,791	

NEW YORK FEDERAL

BANK CLEARINGS

LONDON
(£ thousands)

	Month of January			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	Feb. 3, 1937	Feb. 2, 1938	Feb. 3, 1937	Feb. 2, 1938
Number of wks. days:	26	26	%	6	6	29	28
Town.....	3,268,947	3,133,880	- 4.1	812,056	731,151	3,688,143	3,396,596
Metro.....	198,790	200,889	+ 1.1	48,655	43,859	226,918	216,646
Country.....	342,492	350,759	+ 2.4	78,241	69,295	386,064	377,158
Total.....	3,810,229	3,685,528	- 3.3	938,952	844,305	4,301,125	3,990,400

† Based on average working day.

PROVINCIAL
(£ thousands)

	Month of January			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	Jan. 30, 1937	Jan. 29, 1938	Jan. 30, 1937	Jan. 29, 1938
No. of working days:	26	26	%	6	6	26	25
BIRMINGHAM	13,977	12,505	- 10.5	2,926	2,366	13,977	11,926
BRISTOL	5,208	3,942	- 24.3	1,407	1,101	5,208	3,781
WOLVERHAMPTON	5,481	5,539	+ 1.0	1,314	1,333	5,481	5,367
Total L.L.	4,333	4,328	- 0.1	1,026	1,022	4,179	4,102
and EDS	5,395	5,265	- 2.4	1,374	1,071	5,395	4,991
CENTER	3,556	3,476	- 2.2	782	708	3,556	3,328
Motor Pool	32,803	25,869	- 21.1	8,176	5,713	32,804	24,268
DUNDEE	48,406	46,713	- 3.4	11,151	9,714	48,406	43,712
P.O. WCASTLE	6,161	7,304	+ 18.5	1,541	1,577	6,161	6,958
RODENTINGHAM	2,502	2,487	- 0.5	554	548	2,502	2,393
P.O. PEFFIELD	4,834	5,698	+ 17.8	897	864	4,834	5,492
Crown							
Rec. from 11 Towns	132,656	123,126	- 7.1	31,148	26,017	132,503	116,318
Sum. L.							
Misc. Re. IN				5,236	5,563	29,021	30,273

† Based on average working day. ‡ 5 full weeks.

MONEY RATES

LONDON

	Jan. 27, 1938	Jan. 28, 1938	Jan. 29, 1938	Jan. 31, 1938	Feb. 1, 1938	Feb. 2, 1938	Feb. 3, 1938
(changed June 30, 1937)	%	%	%	%	%	%	%
2	2	2	2	2	2	2	2
Est. drafts	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
1937-38	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Bills	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
ORDINARY	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
EXPEND.	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
Int. & Man.	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
Int. Nat. Dr.	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
Payments to	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
Irish	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
Other Cons.	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
Fund Serv.	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2
P.O. Fund.	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2	12-17 1/2

Comparison with previous weeks

	Short	Bank Bills	Trade Bills
	3 Months	4 Months	6 Months
1938	%	%	%
Jan. 6	12-17 1/2	12-17 1/2	12-17 1/2
Jan. 13	12-17 1/2	12-17 1/2	12-17 1/2
Jan. 20	12-17 1/2	12-17 1/2	12-17 1/2
Jan. 27	12-17 1/2	12-17 1/2	12-17 1/2
Feb. 3	12-17 1/2	12-17 1/2	12-17 1/2

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:

	Feb. 3, 1937	Jan. 22, 1938	Jan. 24, 1938	Jan. 25, 1938	Jan. 26, 1938	Feb. 2, 1938
Call money	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Time money (90 days) mixed	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Bank acceptances	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Members—eligible 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Non-mem.—eligible 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Commercial accept., 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges
(Range of the day's business)

London on	Par of Exch. per £	Jan. 28, 1938	Jan. 29, 1938	Jan. 31, 1938	Feb. 1, 1938	Feb. 2, 1938	Feb. 3, 1938
New York, \$	4.862 1/2	5.00-00	5.00-00	5.00-00	5.01-01	5.00-00	5.00-00
Montreal, \$	4.862 1/2	5.00-00	5.00-00	5.00-00	5.01-01	5.00-00	5.00-00
Paris, Fr.	124.21	153-5 1/8	152 3/4-3 1/2	152 1/2-3 1/4	152 1/2-3 1/4	152 1/2-3 1/4	152 1/2-3 1/4
Brussels, Bel.	35.00a	29-60-63	29-60-63	29-61-63	29-57-63	29-56-59	29-56-59
Milan, L.	92.46	94 1/2-6	95-5 1/4	95-9 1/2	95 1/2-7 1/8	95 1/2-7 1/8	95 1/2-7 1/8
Zurich, Fr.	25.22 1/2	21-61 1/2	21-61 1/2	21-61 1/2	21-61 1/2	21-59 1/2	21-59 1/2
Athens, Dr.	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl.	12.107	8.96 1/2-7	8.96 1/2-7	8.96 1/2-7	8.96 1/2-7	8.96 1/2-7	8.96 1/2-7
Berlin, Mk.	20.43	12-40-43	12-41-43	12-41-43	12-41-43	12-40-43	12-39-42
Reuter's							
Marka		44 1/2-49 1/2	44 1/2-49 1/2	44 1/2-49 1/2	44 1/2-49 1/2	45-49	45-49
Br. India Rup.	18d.	18 1/2-5 1/2	18 1/2-5 1/2	18 1/2-5 1/2	18 1/2-5 1/2	18 1/2-5 1/2	18 1/2-5 1/2
Hong Kong, \$	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8
Shanghai, \$	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8	14 1/2-5 1/8
Rio, Mil.	15.899d.	22 1/2-3 1/2	22 1/2-3 1/2	22 1/2-3 1/2	22 1/2-3 1/2	22 1/2-3 1/2	22 1/2-3 1/2
B. Aires, \$	11.45	17-01	17-01	17-01	17-01	17-01	17-01
Valparaiso, \$	40	16-12 1/2	16-12 1/2	16-12 1/2	16-12 1/2	16-12 1/2	16-12 1/2
M. video, \$	151d.	23 1/2-4 1/4	23 1/2-4 1/4	23-24	22 1/2-23 1/2	23-24	23-24
Lima, Sol.	17.38	20-21 (f)	20-21 (f)	20-21 (f)	20-21 (f)	20-21 (f)	20-21 (f)
Mexico, Pes.	9.76	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2
Manila, Pes.	124.66d.	23 1/2-4 1/2	23 1/2-4 1/2	23 1/2-4 1/2	23 1/2-4 1/2	23 1/2-4 1/2	23 1/2-4 1/2
Moscow, Rbls.	26.31 1/2	26 3/4-4 1/2	26 3/4-4 1/2	26 3/4-4 1/2	26 3/4-4 1/2	26 3/4-4 1/2	26 3/4-4 1/2

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.25/100 since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (f) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Jan. 28, 1938	Feb. 2, 1938	Feb. 3, 1938
Helsingfors, M.	193.23	225 1/2-6 1/2	225 1/2-6 1/2	225 1/2-6 1/2
Madrid, Pt.	25.22 1/2	70-110 (f)	70-110 (f)	70-110 (f)
Lisbon, Esc.	110	110-110 1/2	110-110 1/2	110-110 1/2
Vienna, Sch.	34.58 1/2	25 1/2-7 1/2	25 1/2-7 1/2	25 1/2-7 1/2
Budapest, Pen.	27.82	24 1/2-5 1/2	24 1/2-5 1/2	24 1/2-5 1/2
Prague, Kr.	146 1/2	142 1/2-4	142 1/2-4	142 1/2-4
Danzig, Gul.	25.00	26 1/2-5 1/2	26 1/2-5 1/2	26 1/2-5 1/2
Warsaw, Zl.	48.38	26 1/2-5 1/2	26 1/2-5 1/2	26 1/2-5 1/2
Riga, Lat.	25.22 1/2	24 1/2-5 1/2	24 1/2-5 1/2	24 1/2-5 1/2
Bucharest, Lei	813.8	665-90	665-90	665-90
Constantinople, Pst.	110	620*	620*	620*
Belgrade, Din.	276.32	211-21	211-21	211-21
Kovno, Lit.	48.66	29-30	29-30	29-30
Sofia, Lev.	673.66	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	17 1/2-18 1/2	17 1/2-18 1/2	17 1/2-18 1/2
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97 1/2	97 1/2-8	97 1/2-8	97 1/2-8
Kobe, Yen	124.58d.	13 1/2-4 1/2	13 1/2-4 1/2	13 1/2-4 1/2
Singapore, \$	1.28d.	28 1/2-1 1/2	28 1/2-1 1/2	28 1/2-1 1/2
Batavia, R.	12.11	8.93-97	8.93-97	8.93-97
Bangkok, Baht	121.82d.	22 1/2-5 1/2	22 1/2-5 1/2	22 1/2-5 1/2

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-100/100 since koruna devaluation July 1934. Rate for payments to the Bank of England: (f) Under Anglo-Spanish Agreement. (a) Under Anglo-Turkish Agreement. (i) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Jan. 28, 1938	Jan. 29, 1938	Jan. 31, 1938	Feb. 1, 1938	Feb. 2, 1938	Feb. 3, 1938
New York, cent.	1 Month	5 1/2-14	5 1/2-14	5 1/2-14	5 1/2-14	5 1/2-14
Paris, francs	1 Month	21 1/2-24	21 1/2-24	21 1/2-24	21 1/2-24	21 1/2-24
Amsterdam, cent.	1 Month	34-14	34-14	34-14	34-14	34-14
Brussels, cent.	1 Month	14-14	14-14	14-14	14-14	14-14
Geneva, cent.	1 Month	14-14	14-14	14-14	14-14	14-14

(p) Premium. (d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Jan. 27, 1938	Jan. 28, 1938	Jan. 29, 1938	Jan. 31, 1938	Feb. 1, 1938	Feb. 2, 1938
London—							
Old Par	4.8666	4.992 1/2	5.00-00	5.00-00	5.002 1/2	5.00 1/2	5.00 1/2
New Par	5.00 1/2	5.00 1/2	5.00 1/2	5.00 1/2	5.01 1/2	5.01 1/2	5.01 1/2
Brussels, Bel.	6.63	3.22-3	3.26-3	3.27-3	3.28	3.28 1/2	3.27 1/2
Italy, Lira	8.91	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4	5.26 1/4
Berlin, Mk.	40.33	40.27	40.28 1/2	40.31	40.34 1/2	40.35 1/2	40.35 1/2
Vienna, Sch.	23.82	18.90	18.90	18.90	18.93	18.95	18.93
Amst'dm, Gldr.	32.67	6.10	6.10	6.10	6.10	6.10	6.10
Cop'lg'n, Kr.	68.06	22.35	22.35	22.35	22.40	22.37 1/2	22.35
Oslo, Kr.	45.37 1/2	25.15	25.17 1/2	25.15	25.20	25.17 1/2	25.17 1/2
St'hlm, Kr.	1.291 1/2	0.91 1/4	0.91 1/4	0.92	0.92	100.01 1/2	100.01 1/2
M'treal, Can.	169.31	100.00	100.00	100.01 1/2	100.01 1/2	29.08	29.06
Yokohama, Yen	84.40	29.07	29.06	29.06	29.08	29.06	29.06
Shanghai, \$	...	31.01	31.07	31.07	31.11	31.09	31.06
B. Aires, Peso	...	31.01	31.07	31.07	31.11	31.09	31.06
Rio, Ms.	11.96	5.90 1/2	5.90 1/2	5.90 1/2	5.95 1/2	5.95 1/2	5.95 1/2

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Jan. 30, (£'000)				Aggregate Gross Receipts, 4 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L. M. & S.—								
1937	367	465	286	751	1,457	1,860	1,121	2,938
1938	376	468	307	775	1,521	1,889	1,245	3,134
L. & N. E. (a)—								
1937	246	333	264	597	986	1,288	1,038	2,362
1938	251	338	283	621	1,024	1,299	1,132	2,431
Great Western—								
1937	150	185	117	302	636	734	473	1,297
1938	153	193	127	320	641	774	509	1,283
Southern—								
1937	250	63	43	106	1,004	231	145	1,380
1938	255	62	41	103	1,038	227	151	1,416
Total—								
1937	1,013	1,046	710	1,756	4,083	4,113	2,777	6,890
1938	1,035	1,061	756	1,819	4,224	4,189	3,037	7,226

(a) Week ended January 29.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 217	+ 143	+ 81	+ 36
Motor				
Weekly increase, 1st half 1938 over 1st half 1937	+ 54.25	+ 35.75	+ 20.25	+ 9.00
P.O. 1st week compared with 1937	+ 33	+ 29	+ 21	+ 2
Receipt week compared with average P.O. 1937-38	- 143	- 143	- 72	- 17

IRISH RAILWAY TRAFFICS

	Gross Receipts, week ended January 28, (£'000)			Aggregate Gross Receipts, 4 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Irish Great Northern	1.6	0.5	2.1	6.5	1.7	8.2
Irish Great Southern	1.7	0.5	2.2	6.9	1.7	8.6
Total	3.3	1.0	4.3	13.4	3.4	16.8
Irish Great Northern	6.7	9.0	15.7	29.0	33.6	62.6
Irish Great Southern	7.5	8.5	16.0	31.8	31.5	63.3
Total	14.2	17.5	31.7	60.8	65.1	125.9

LONDON TRANSPORT BOARD

	Receipts		Compared with prev. year	
	£	£	£	£
29, 1938, before pooling	559,700	26,600	17,417,500	84,200
2 weeks to June 26, 1937	28,732,000	255,000	30,247,778	522,655
2 weeks to June 26, 1937, after pooling	41,377,929	771,390		

DIVIDEND ANNOUNCEMENTS

Total dividend, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
B. O. RAILWAYS	%			%	Freedlands	%			%	Steward & Patterson	%			%
Brooklyne Rly.	7 1/2			7 1/2	Grady, H. & Co.	5 1/2			5 1/2	Sth. African Clothing	4 1/2			4 1/2
Brooklyne Rly. (Ld.)	2 1/4			2 1/4	Grady, H. & Co. (Ld.)	5 1/2			5 1/2	Sth. Staff. Gas	4 1/2			4 1/2
Burma Corporation	(d) 6 1/2			6 1/2	Greenleafs and Sons	1 1/2			1 1/2	Sth. Staff. Water	4 1/2			4 1/2
Cons. Mines Selection	25			30	Hampshire (F.W. & Co.)	40			40	Strand Elec. Hdg.	4 1/2			4 1/2
INDUSTRIAL					Henderson (J. W.)	20			20	Swansea Gas	2 1/2			2 1/2
Atkin-Oates Motors	20 1/2			20 1/2	Holborn and Frascati	3 1/2			3 1/2	Taylor (C. F.) and Co.	7 1/2			7 1/2
Barclays Fab. Pig.	12 1/2			12 1/2	Holborn (Isaac)	12 1/2			12 1/2	Tennant Brothers	2 1/2			2 1/2
Berkeley Property	2 1/2			2 1/2	Houghton Main Colly.	15 1/2			15 1/2	Tottenham Gas	3 1/2			3 1/2
Blundell Spence	6			6	Improved Wood Pavt.	10 1/2			10 1/2	Tilling (Thomas)	5 1/2			5 1/2
Borax Consol. (Def.)	10			10	Kellall and Kemp	2 1/2			2 1/2	U.S. & Gen. Tst.	5 1/2			5 1/2
Brighton Grand Hotel	10			10	Land Revenues Tst.	2 1/2			2 1/2	Viking Tanker	6 1/2			6 1/2
British Oil Shpg.	20			20	Liverpool Post	25			25	Wallis Tin Stump.	7 1/2			7 1/2
Carburetor Trust	7 1/2			7 1/2	Lloyds Retailers	5 1/2			5 1/2	Watford Gas	3 1/2			3 1/2
Civil Serv. Co-op Tst.	3 1/2			3 1/2	London Electric	7 1/2			7 1/2	Watney Combe (Def.)	6 1/2			6 1/2
Clarksons Brewery	5 1/2			5 1/2	Makin (J. and J.)	25 1/2			25 1/2	Wesley and Scott	15			15
Cook, Son & Co.	1 1/4			1 1/4	Manchester Corn Exc.	1 1/4			1 1/4	Weyburn Engineering	20 1/2			20 1/2
Cornercroft	10 1/2			10 1/2	Merchants Trust	4 1/2			4 1/2	Wolverhampton Gas	3 1/2			3 1/2
Daly (John) & Co.	10 1/2			10 1/2	Merc. Inv. & Gen. Tst.	8 1/2			8 1/2					
Direct Spanish Teleg.	6			6	Mex's Brewery	7 1/2			7 1/2					
Ellis and Goldstein	10 1/2			10 1/2	Orient Trust	6			6					
English China Clays	3 1/2			3 1/2	Quebec Power Com.	25 cts			25 cts					
Equatorial Trust	10 1/2			10 1/2	Power Securities	2 1/2			2 1/2					
Evered & Co.	10			10	Red Brothers	2 1/2			2 1/2					
Evered (Wm.) France	7 1/2			7 1/2	Red Sects. Investm.	2 1/2			2 1/2					
Fleming Reid & Co.	12 1/2			12 1/2	Southampton Gas	2 1/2			2 1/2					

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Gross Aggregate Receipts	
			1937	+ or -	1937	+ or -
INDIAN						
Bengal & N. Western	14	Jan. 10	Rs. 10,03,013	Rs. - 90,307	Rs. 1,01,06,111	Rs. - 2,39,397
Bengal-Nagpur	40	10	26,59,000	- 6,52,375	7,17,76,536	+ 95,28,614
Bombay, Bar. & C.I.	42	20	35,00,000	- 6,30,000	9,39,20,000	+ 19,21,000
Madras & S. Mah.....	40	10	20,59,000	- 1,59,790	5,68,47,052	- 12,88,801
S. Indian	39	Dec. 31	19,47,178	+ 1,99,087	4,18,22,551	+ 16,73,678
			† 11 days.	‡ 10 days.		

† 11 days. ‡ 10 days.

CANADIAN

Canadian National	3	Jan. 21	\$ 3,157,300	- 138,052	\$ 8,944,478	- 515,478
Canadian Pacific	3	Jan. 21	2,374,000	+ 3,000	7,023,000	+ 81,000

SOUTH & CENTRAL AMERICAN

Anglo-Arg. Trams.	4	Jan. 26	\$616,430	+ 5,986	2,504,986	+ 29,206
Antioquia	4	30	15,690	- 40	71,030	+ 4,690
Argentine N.E.	30	29	118,000	- 12,600	4,727,400	+ 34,500
B.A. and Pacific	30	29	1,651,000	- 158,000	40,597,000	- 2,182,300
B.A. Central	29	15	106,300	- 47,600	3,632,400	- 477,900
B.A. Gt. Southern	30	29	3,403,000	- 333,000	68,077,000	+ 507,000
B.A. Western	30	29	1,211,104	- 20,658	4,223,138	+ 181,867
Central Argentine	30	29	729,000	- 378,000	22,755,000	- 1,133,000
Central Uruguayan	29	22	1,455,223	- 23,449	1,411,601	- 15,276
Cordoba Central	30	29	1,866,350	- 119,350	62,917,750	- 126,582
Leopoldina	4	29	1,115,779	- 74,091	3,903,088	+ 601,949
Mexican Railway	3	21	1,173,130	- 348	4,418,588	- 250,748
Nitrate	4	31	20,176	+ 926	509,841	+ 4,709
United of Havana	30	29	401,000	- 103,000	14,834,000	- 2,062,000
			24,880	- 6,390	920,260	- 84,570
			1,186,100	- 27,000	7,088,000	- 277,000
			2,216,699	- 2,431	80,699	- 10,632
			2,882,700	- 7,900	738,000	- 118,500
			1,965,653	+ 4,359	16,429	+ 4,354
			34,494	+ 178	540,000	+ 19,351

* Converted at average official rate 16-12 pesos to £. † Receipts in Argentine pesos. ‡ Fortnight. § Converted at official rate. ¶ Receipts in Uruguayan currency. * Converted at "controlled free rate."

SUEZ CANAL RECEIPTS

Transit Receipts	3	Jan. 20	£ 281,300	- 69,300	£ 560,800	- 113,100
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† 10 days.

MONTHLY TRANSPORT & POWER RETURNS

Company	Months	Ending	Receipts for Month		Aggregate Receipts	
			1937	+ or -	1937	+ or -
Argentine Navigation	12	Dec. 31	Gross Arg. P. \$			
Brazilian Tract.	12	Dec. 31	Gross \$3,076,979	+ 161,637	38,555,900	+ 3,608,257
Canadian	12	Dec. 31	Net \$1,607,756	- 2,195	21,176,107	+ 3,486,000
Pacific	12	Dec. 31	Gross \$12,262,000	- 9,000	145,085,000	+ 6,522,000
Cons. Gas	12	Dec. 31	Net \$2,925,000	- 616,000	23,742,000	+ 431,000
of Baltimore	12	Dec. 31	Gross \$9,045,958	+ 384,829	34,735,195	+ 1,626,396
Rhodesia Rlys.	2	Nov. 30	Net \$1,592,115	- 47,330	6,516,103	+ 121,715
			Gross \$4,288,233	+ 94,574	895,596	+ 206,706

* 3 months' figures, Oct. to Dec.

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take SIR THOMAS INSKIP literally, the Government have gone no further than deciding that they ought to have a policy. The time, he says, has only just been sufficient to assemble the facts on which a policy can be based and, without prejudice to decisions that may, or may not, be taken in the future, the technical and financial difficulties of having a policy are almost insuperable.

It is quite impossible to regard the attitude taken up by the MINISTER FOR THE CO-ORDINATION OF DEFENCE as being a satisfactory answer to the criticisms. Lest this be thought to be an *ex parte* statement, it may be pointed out that no single speech was delivered in the debate from any quarter of the House, save only the MINISTER'S own, which did not express dissatisfaction with the present position, even though there were disagreements about the best remedy. The debate largely turned on the proposals for the storage of food which have been closely associated with the name of SIR ARTHUR SALTER and were fully expounded by him in a special article in *The Economist* of October 2, 1937. There were some passages in SIR THOMAS INSKIP'S speech which seemed to suggest that the Government might undertake some storage in the future. But in the main he devoted himself to criticism of the proposal. The cost, he said, even though it would be a non-recurring capital cost, would be too large. And even if storage were a good policy, it would never do to say so, as the announcement would immediately put up prices. The argument for secrecy in execution would readily be conceded if there were reason to believe that, behind the veil, effective measures were being taken.

SIR THOMAS INSKIP seemed to find in the expansion of the domestic production of food a satisfactory alternative to storage. He is supported in this view by the whole weight of that powerful section of opinion which neglects no opportunity of propaganda for an expansion of the domestic agricultural industry. This is a subject on which clear thinking is both necessary and also, apparently, very difficult to obtain. It is true that if we produced at home a larger proportion of our food requirements, our security in time of war would *pro tanto* be increased. It is also true,

as SIR THOMAS INSKIP was at pains to point out, that the domestic production of food has increased by about one-fifth in the past six years. It is a fact that domestic production could be considerably increased in an emergency, when cost would be no object, in a period extending from eight to eighteen months. The threat of war also is an added reason—if one were needed—for encouraging every possible advance in the technical efficiency of the agricultural industry, and for giving the farmer scientific assistance in the task of producing more food from each acre.

But when all these facts are fully admitted, the policy of expanding domestic production is still open, and in much greater degree, to all the objections that SIR THOMAS INSKIP brought against food storage. No measures that could practicably be taken could do more than alleviate the problem. Even so, they would be immensely costly. The 19 per cent. increase in production in which SIR THOMAS took such pride has been achieved at an annual cost in subsidies and higher prices far greater than that of any reasonable proposal for food storage—and with a smaller net contribution to security. SIR THOMAS was unwary enough to mention the post-war growth in sugar production in this country. But so far as security is concerned, storage would have provided much more sugar at a fraction of the cost. Finally, SIR THOMAS urged against food storage that it would involve a heavy capital expenditure for an emergency that might be only temporary. But is not the same argument applicable, with far greater force, to a proposal to subsidise an expansion in the home production of food? When the emergency had passed, nothing is more certain than that the agricultural interest would resist any attempt to shrink the industry back to economic proportions, and we should be faced not merely with the loss of the capital investment incurred, but with a very heavy continuing annual charge.

The case for food storage rests fundamentally on the fact that it provides a method of preparing for emergency at relatively small cost and with the minimum interference with the normal peace-time economy of the country. That case may not be unanswerable. But it is at least unanswered.

Brown Shirts and Brass Hats

THE events of last week-end were a landmark in Europe's post-war history and in the evolution of the new Germany. For, whatever form the new State may ultimately take, the first trial of strength between Army and Party in HITLER'S Germany is of critical importance for good or evil.

On the face of it, this first round goes to the Party. The changes announced late on Friday night last week effect an almost complete change in the personalities at the head of the German Army and German diplomacy. FIELD-MARSHAL VON BLOMBERG, the War Minister, whose marriage to a lady of more humble origin than is usual in the exclusive caste of Prussian officers was the occasion, but certainly not the cause, of the crisis, has resigned his office. But he has been accompanied into retirement by the Commander-in-Chief, GENERAL VON FRITSCH, who had constituted himself the leader of the malcontents in the high command of the Army, and by thirteen other generals of the Army and the Air Force. HERR HITLER himself has taken over the supreme command of all the armed forces. GENERAL KEITEL, who has been concerned for some time in the War Ministry with the co-ordination of the three forces, becomes Chief of the High Command, exercising under HERR HITLER the functions not so much of a War Minister as of a general Defence Minister. GENERAL VON BRAUSCHITSCH becomes Commander-in-Chief of the Army. In the diplomatic sphere

the most sensational change is the replacement of BARON VON NEURATH as Foreign Minister by HERR VON RIBBENTROP. HERR VON NEURATH does not entirely disappear into the outer darkness, for he has been made Chairman of a new Privy Council to advise the FUEHRER on foreign affairs, which is to consist of four representatives of the party (HERREN VON RIBBENTROP, GOERING, HESS and GOEBBELS), one Civil Servant (HERR LAMMERS, Chief of the Chancellor's Office), and three representatives of the Services (GENERAL KEITEL, GENERAL VON BRAUSCHITSCH and ADMIRAL RAEDER). The diplomatic purge was completed—or at least continued—by the removal from their posts of the Ambassadors to Austria, Italy and Japan.

These sweeping changes, announced so suddenly and with explanatory commentaries which served merely to emphasise the paucity of information, have naturally caused a sensation throughout the world. In every country responsible statesmen and public opinion alike have had to set themselves the task of deciding what the changes portend. At present almost all that can be stated with reasonable certainty is that the dominant motive for this latest instalment of *Gleichschaltung* is to be found in domestic politics rather than in foreign affairs.

From the purely German angle, even without its external repercussions, last week's *coup* is a fearful and a wonderful thing. If one had been making a list of the forces

that constituted pre-war Germany, one would have written "the Hohenzollern Dynasty, the Prussian Army, the West German Industrialists, Social Democracy, the Catholic Church, Protestantism and the Jews." Yet by now every one of these forces has been either suppressed or carried captive by an Austrian leader, with Bavarian lieutenants, at the head of a lower middle-class which used to be treated with a unanimous contempt by one and all of the now discomfited components of the old Prussia-Germany. In adding the head of the Prussian Army to his other scalps, HERR HITLER has achieved a stupendous feat which, down to last week, would have seemed incredible. But the sensational prelude of swallowing one's prey whole is not so difficult—as every boa-constrictor knows—as the prosaic epilogue of digesting it; and while the process of digestion is going on the creature's *Aktionsfähigkeit* (to use the Nazi phrase) is apt to be temporarily hampered.

Any disturbance of the smooth efficiency of the German war machine through the removal of so many of its high commanders will, however, be a passing phase. It would be of greater significance to discover, if we could, what changes are portended in the temper of the politicians at whose disposal this formidable machine stands. For some months it has been fashionable throughout the democratic States to credit the Reichswehr with being a brake upon the wild extremism of the politicians. Has this brake now been removed, and will the wild men run amok?

The superficial answer that sprang to every mind on first reading the news was that the moderating influences on German policy had indeed been completely removed. BARON VON NEURATH and GENERAL VON FRITSCH are known to have voiced counsels of caution in several crises. These men have left their offices. But the influence of the opinions they represent is far from having been removed. HERR VON NEURATH has indeed been promoted to what is, at least on paper, a higher office, as Chairman of the new Privy Council, half of whose members (or a majority, counting the Chairman) do not originate from the Nazi Party. Moreover, the appointment of HERR VON RIBBENTROP to the Foreign Office has the double advantage of formally recognising the influence that he has long exerted over German policy and of bringing him into much closer contact with the sometimes inconvenient realities of the foreign situation. The departure of GENERAL VON FRITSCH is also by no means the same thing as the exclusion of his views, for the General's moderating advice has consistently been founded less upon his personal predilections than upon the hard facts of strategic reality. Any other soldier in VON FRITSCH'S position must hold the

same views, and the presence of the Generals on the new Privy Council may mean that the views of the General Staff will be given more rather than less weight in the future.

Having had a day or two to recover from the first shock, foreign commentators have therefore been drawing the conclusion that though there may well be more sound and fury in the Wilhelmstrasse, there is not likely to be much change in the present course of German policy, which is not so much moderate as cautious. Last week's *coup* shows indeed that HERR HITLER is all-powerful in Germany. But not even he can change the facts of the outside world, and in no one of the fields in which Germany might possibly be tempted to risk an adventure have the deterrents been lessened by the change of command in Berlin. In Spain, it is as true to-day as it was a month ago that victory cannot be secured for GENERAL FRANCO without very heavy reinforcements of the assistance given to him by Germany and Italy—a proceeding which would be strategically even more hazardous for Germany than for Italy. In Austria, it is as true to-day as it was a month ago that any attempt to upset the SCHUSCHNIGG regime will break the Rome-Berlin axis in the middle. For all the protestations of Italo-German friendship it is reported that renewed assurances of Italian support against Nazi aggression have recently been given to Vienna, and it is perhaps more than a coincidence that the changes in Berlin have been immediately followed by a sudden willingness on SIGNOR MUSSOLINI'S part to make a move towards establishing friendly relations with Britain and France. Czechoslovakia is as tough a military nut to crack quickly to-day as a month ago. The Czechs have not failed to notice that GENERAL VON REICHENAU, the most Nazi of HITLER'S Generals, has been posted to Leipzig, immediately across their frontier. But they do not believe that the shade of his politics would assist him in overcoming the very large military difficulties of an attack on Bohemia. In the Far East it becomes more clear every day that, whatever uses HERR VON RIBBENTROP'S anti-Communist pact may have in Europe, it is working against German interests in China.

All these manifest facts are recognised by clear-sighted men in Germany as elsewhere. No one in his senses would interpret last week's victory of the Nazi Party as an addition to the guarantees of European peace. But when it is soberly considered, it seems to be less a cause for immediate alarm than a reflection of the stresses and strains behind the authoritarian façade which make Germany both less unified and less powerful than she would like to have the rest of the world believe her.

Cheap Money Maintained

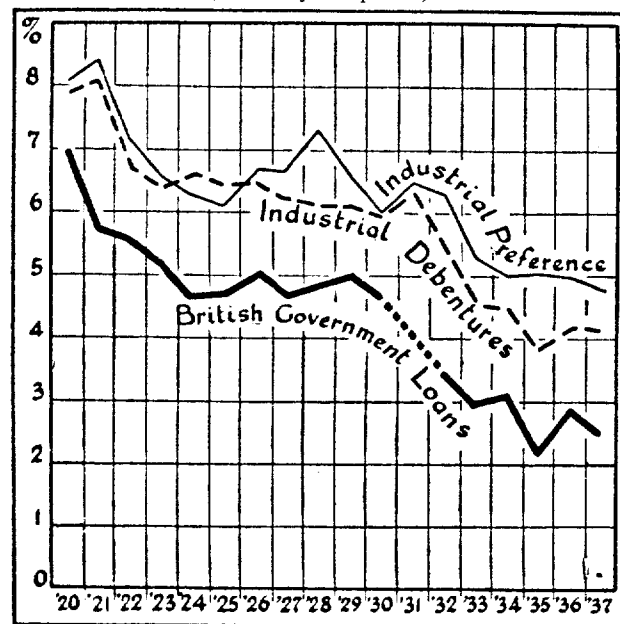
AMONG the noteworthy developments of 1937—a year which consistently refused to run in the grooves of economic prophecy—the course of interest rates was not the least significant. At the outset, the monetary authorities were fighting an apparently losing battle to prevent long-term interest rates from rising. Before the end of February, indeed, the price of "Consols," which had already fallen 10 points between the beginning of 1935 and the end of 1936, dropped a further 10 points. And the yield on "Consols," the nearest approximation to a pure long-term rate of interest, having increased from 2.70 per cent. to 2.95 per cent. in the course of two years, touched 3.34 per cent. within two months. A regime of dearer money seemed at hand. But before Mr CHAMBERLAIN presented his Budget in April the gilt-edged market had taken a turn for the better. Thought prices for Government securities showed no decided recovery, they lost no further ground, on balance, during the year. And

since the beginning of 1938, the price of "Consols" has risen nearly five points.

The view that the upward tendency of interest rates was definitely arrested last year is strengthened by consideration of the terms obtained by borrowers of new capital, details of which are given in tables at the foot of the next page. Some of the more important figures are shown graphically, for every year since 1920, in the annexed chart. The statistics are subject to various qualifications. The price of new Government loans, for example, is affected by the proximity or otherwise of their dates of repayment; that of new industrial debentures varies with the credit status of individual borrowing companies; and new preference shares carry an "industrial risk" dependent on the current state of trade. The broad trend of the three curves in the chart is, however, sufficiently clear. Rates of interest on new capital declined rapidly after the war, between 1920 and 1924. They were stationary, with

irregular variations, between 1924 and 1929. Their decline was resumed between 1930 and 1935, but the downward movement appeared to be arrested and even reversed in 1936. Last year, however, this incipient tendency was itself checked. The price of new capital, as a whole, was certainly no higher in 1937 than in 1936.

PRICE OF NEW CAPITAL—1920-37
(Issued by Prospectus)



Certainly it would be unwise to attempt to read too much into last year's record. The Government undoubtedly obtained favourable terms for its first *tranche* of Defence borrowing; but this result was achieved only by the

Treasury's ability and willingness to allow the public departments to nurse the new stock for six to eight months, pending its absorption by the permanent investor. The detailed figures given in our tables show, again, that home corporations found it necessary to offer a slightly higher rate of interest—3.41 per cent. against 3.21 per cent.—on a slightly lower total of new money raised by prospectus last year, than in 1936. On the other hand, industrial borrowers raised much the same amount of new capital by public debenture issues in the two years, at an average rate of 4.13 per cent. in 1937 against 4.17 per cent. in 1936. The addition of issues made by Stock Exchange placing to those raised by public offer (the "New Basis" figures of our tables) reduces the average rate on *all* corporation issues from 3.60 per cent. to 3.44 per cent. and raises that on *all* new industrial debentures from 3.95 per cent. to 4.33 per cent., in 1936 and 1937 respectively. Finally, our statistics showing the terms on which maturing obligations were converted into new securities suggest that, whenever there was sufficient business to test the market, conditions were slightly less favourable.

The stability of last year's figures, however, taken as a whole, gains additional significance from the fact that, since the turn of the year, signs have not been wanting of a new downturn in interest rates. As we show in our "Investment" section on page 350, certain large British municipalities are floating new loans in London, to-day, on better terms than they could have obtained six weeks ago. Last year's check to dearer money, moreover, appears to have owed more to the logic of events than to deliberate intervention by the monetary authorities. It was unaccompanied by any substantial widening of the credit base, designed to augment the cash resources of the joint stock banks and drive them anew into the gilt-edged market. On the contrary, the banks found it necessary to sell some

AVERAGE RATES OF INTEREST ON NEW CAPITAL

All figures are based on "public prospectus" issues in London, 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.

I: AVERAGE YIELDS, 1920-37

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	1931	3.50	6.33	6.50
1921	5.70	8.09	8.39	1932	3.50	6.44	6.32
1922	5.59	6.72	7.17	1933	2.99	4.58	5.28
1923	5.30	6.40	6.59	1934	3.09	4.48	5.00
1924	4.72	6.61	6.27	1935	2.19	3.83	5.03
1925	4.74	6.43	6.10	1936	2.85	4.17	4.99
1926	5.03	6.48	6.70	1937	2.55	4.13	4.86
1927	4.71	6.21	6.67	1938†	2.19	3.95	4.64
1928	4.82	6.10	7.37	1938†	2.85	3.95	4.78
1929	5.00	6.10	6.58	1937†	2.82	4.33	4.70
1930	4.67	5.96	6.00				

* No issue. † Compiled on New Basis figures.

III: OTHER BORROWINGS AT FIXED INTEREST

Year	Home Corporation Loans*		Industrial Bonds, Debentures and Notes†	
	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.
1929	8,316	4.96	25,849	5.48
1932	28,842	4.75	6,111	5.44
1935	20,000	3.02	24,941	3.83
1936	18,913	3.21	18,913	4.17
1937	34,875	3.41	18,956	4.13
New Basis‡				
1935	20,750	3.01	46,484	3.95
1936	46,942	3.60	36,877	3.95
1937	36,466	3.44	26,282	4.93

* 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 £2 14s. per cent.; also the Railway Corporation Loan in February, 1936, of £27,000,000 in 2½ per cent. stock at 97 to yield £2 14s. 8d. per cent.; £9,300,000 Railway Clearing House 2½ per cent. Loan in December, 1936, at 94½, per cent. to yield £2 18s. 9d. per cent.; and the London Electric Transport Finance 2½ per cent. guaranteed stock in January, 1937, at 92½, per cent. to yield £3 1s. 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.

II: GOVERNMENT ISSUES

Year	British Government		Dominion and Colonial Governments		Total—Home and Empire Governments	
	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.
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	3,75	3.50	61,679	2.86
1937	99,500	2.55	2,475	3.45	101,975	2.57
New Basis‡						
1935	291,000	2.19	2,959	3.02	293,959	2.21
1936	61,304	2.85	3,75	3.33	62,189	2.86
1937	146,287	2.82	3,753	3.60	150,040	2.85

IV: CONVERSION LOANS

Year	British Government		Colonial Governments		Foreign Governments		British Corporations		Industrial
	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.	
1929	2,362,500*	18.052	Nil	Nil	3,336	10.536			
1932	50,757	110.850	Nil	Nil	20,029	61,334			
1933	105,000	60.543	24,220	20.029	26,592				
1935	204,000	69.003	Nil	14,966	28,236				
1936	37,196	42.208	12,924	19,615	29,062				
1937	Nil	23,338	Nil	Nil	9,303				
Yield before Conversion (%):									
1932	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1933	4 18 0	5 16 6	...	...	4 6 9	6 0 0	...	...	...
1934	4 10 0	5 10 6	...	...	5 9 0	...	...	...	...
1935	4 0 0	4 3 9	5 6 0	4 2 3	5 10 0	...	...	...	...
1936	2 5 3	4 16 2	...	3 10 10	5 3 2	...	...	...	...
1937	3 1 2	4 14 6	5 17 6	5 7 6	4 14 6	...	...	...	...
Yield after Conversion (%):									
1932	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1933	3 7 3	4 16 6	...	4 1 2	4 14 0	...	...	...	...
1934	2 19 7	3 17 0	...	...	4 10 6	...	...	...	...
1935	3 1 10	3 8 0	4 14 6	3 7 6	4 7 7	...	...	...	...
1936	2 3 11	3 4 3	...	3 16 0	3 17 0	...	...	...	...
1937	2 17 0	3 1 6	4 2 3	3 2 3	4 0 0	...	...	...	...
1938	...	3 15 6	...	...	4 8 0	...	...	...	...

* Excludes 4½ per cent. Treasury Bonds, converted in March, 1932, since holders had an option to go into either of two Loans.

of their existing security holdings, to meet the demand for additional advances from customers. Official restriction of new foreign issues and regulation of domestic gilt-edged borrowing, furthermore, were no more drastic last year than in 1936. And a year in which the Government unbalanced the national Budget, and announced a five-year borrowing programme of £400 millions, was hardly one in which a stronger gilt-edged market could have been forecast.

The fundamental causes of last year's check to dearer money were, in fact, largely outside the Government's control. They may be found in the abrupt reversal of the boom in commodity prices in the spring, and the passing of the peak of general business activity in the autumn. Throughout the year, the decline in equity values on the Stock Exchange was accompanied by a progressive tendency among investors to switch from ordinary shares to fixed interest stocks. And part, at least, of the "hot money" which came to London from abroad, reinforced by British funds withdrawn from America during the Wall Street slump, found a temporary home in the gilt-edged market.

Fifty Years

WITH this issue of *The Economist* we publish the seventy-fifth number of our *Annual Commercial History and Review*. Seventy-five years is a long time in the life of an industrial nation, exposed to the sharp fluctuations of the markets of the world and obliged to honour equally the claims of technology and political democracy. Even in the last 50 years the strength and adaptability of Britain have been strained to the uttermost by the shifting balance of world power in industry and trade, no less than in politics. The country we live and work in was largely moulded in that brief half-century, and the third and final volume of PROFESSOR CLAPHAM'S "Economic History of Modern Britain" comes opportunely to point the moral of those crowded years. His scene is the business world of *The Economist's* readers, and his "principal authority for general commercial history" the *Annual History and Review* itself. What is the picture he paints of our recent past?

In the years between VICTORIA'S Jubilee and the war, three features were outstanding in the development of Britain's economy. Adjustments were being made in technique and organisation to meet the pressure of international rivalry and the insistent demands of scientific discovery. The State was assuming the character of "universal intervener" in social and industrial matters; and the conditions of life and labour were being generally improved.

How far was Britain in 1914 already losing ground to younger industrial countries, equipped by British exports of capital and machinery? Germany, united since 1871, and the United States, freed from her frontier problem, were making great headway. In 1896 Japanese textiles were being sold in Australia and Hongkong. At the end of the Boer War the United States was producing three times as much steel as the United Kingdom, but only twice as much as Germany.

Britain, dependent for her employment and standard of life upon external trade, stood in a world of imitators. In international investment and finance, however, she still led the way. Her investments abroad in 1907 were £141 millions, or 75 per cent. more than in 1890; and in 1912 they reached £226 millions. The "war-chest" of securities which financed Britain and her Allies between 1914 and 1918 was well stocked; and merchandise exports were still advancing. While a quarter of British produce by value was shipped abroad in 1887, the proportion had risen by 1913 to one-third.

* Cambridge University Press. 577 pages. 25s.

To the question whether 1938 will see a new downward trend of interest rates, our figures do not afford a direct answer. It would seem, nevertheless, that if the authorities chose deliberately to encourage such a tendency, or to check any incipient movement towards higher rates, they would find underlying conditions more favourable to the technique of currency management to-day than a year ago. Although even a moderate trade recession might reduce the amount of new investment by various Government Funds (which, as we showed in *The Economist* of November 6, 1937, page 268, is now of the order of £75-£80 millions annually) it would confirm the present tendency of non-official investors to employ their resources in the gilt-edged rather than the equity markets. The authorities, moreover, might consider a pump-priming increase in the banks' cash basis more defensible when trade was sluggish than at a time when commodity prices and business activity were sharply rising. The growth of bankers' deposits at the Bank of England, since the turn of the year, suggests that official policy is already moving on these lines.

Yet, on the eve of the War, Britain was not relatively as active as she once had been, or as active as her greatest rivals. Rather more of British exports were being exchanged for a given quantity of imports in 1913 than in 1900; and there were signs that some of her basic industries were falling behind their rivals in technical efficiency. In 1911, about 36 per cent. more coal miners were working than in 1901 to win only 19 per cent. more coal. The efficiency of the cotton industry was at best stationary; and after 1885 technical change in the iron and steel industry lagged, and electrical metallurgy and the basic process of steel-making were neglected. And Britain's shipyards, against which no serious accusation of technical inferiority could lie, produced only 61.9 per cent. of the world's mercantile tonnage in 1910-14, against 81.6 per cent. ten years before.

It would be misleading, however, to press the charge of inefficiency too far. Sheffield quickly and successfully followed the lead of the United States after 1900 in the manufacture of special steels and high-speed tools. SIR CHARLES PARSONS' steam turbine revolutionised marine engineering between 1903 and 1906 and provided the needed link between coal and electricity. In 1914, Britain could still produce a textile plant, a fine cloth, or a battleship better than anyone else in the world. Even agriculture was adjusting itself, with fair success, to changed conditions. Cattle increased 16 per cent. between the 'eighties and 1914; and the orchard area 64 per cent. between 1873 and 1905. Permanent pasture increased from 42 to 52 per cent. of cultivated land.

Nor was Britain standing still in business organisation. By 1914 joint stock had practically completed the conquest of commerce and industry; the Stock Exchange had become a central institution of British life; there were over a million British shareholders and nearly 3 million members of co-operative societies; and a tendency was evident in certain branches to substitute association for competition. In brewing, iron and steel and armaments, integrations and vertical combinations were common. The great business units of Lever, Boot, Coats, and Imperial Tobacco, the concentration of British and Dutch oil interests, and the widespread banking amalgamations were already conspicuous. Trade associations to fix prices or output were developed in the metal and building trades. Faced with steadily rising costs, and unable by law to raise rates or fares, the railways similarly pursued economy by unobtrusive pooling schemes and agreements. The day of the great corporation, like that of the department and multiple stores, had arrived.

What was the rôle of the State in this period? By 1914, the transformation of social policy was already well advanced. A system of old-age pensions was established in 1908. Insurance against ill-health and unemployment was instituted in 1911; and a movement to break up the old pauperising poor-law system was gathering force. Building Acts, Factory Acts, Trade Board Acts, Shop Acts, Health Acts and Education Acts made up the outlines of the new Democracy.

The keynote to the transformation of public policy was public expenditure; and the engine of social reform was direct taxation. Harcourt's reformed death duties of 1894 and the Liberal super-tax of 1909 made the extension of State activities feasible; just as the new County Councils of 1888 made their local administration possible. Public expenditure in the early 'eighties was under £88 millions; in 1913-14 it was over £197 millions, compared with £2,695 millions in the War year 1917-18 and nearly £900 millions to-day.

The people were, on the whole, better housed and taught in 1914 than in the Jubilee year. For the most part, also, their material standards of living were higher. The national wages bill, which was about £480 millions in the middle 'eighties, rose to well over £700 millions in 1913. A man's real wage in 1900 was 50 per cent. more than that of a man doing similar work in 1850; and there had been a remarkable shift from ill-paid to well-paid work. But 1900 was a peak year, and thereafter real wages tended to fall. Trade unions, whose membership rose from 1,500,000 in 1895 to 4,135,000 in 1913, had increased their power of collective bargaining; but general prices had risen and industrial efficiency was slightly declining.

Nevertheless, wealth and happiness were more widely diffused than ever, and were still growing. The test of Britain's economic strength and endurance came in the War; and under rigid State control and supervision her

industrial civilisation showed unexpectedly great staying-power and adaptability. What were the War's effects? It is PROFESSOR CLAPHAM's view that, in spite of the magnitude and world repercussions of the cataclysm of 1914-18, almost all the major economic changes of the post-War period in Britain were predictable from the course of pre-War events. The overcrowding of the coal and cotton industries through the shrinkage of export markets and changes in technological and fiscal technique; the steady growth in steel production; the expansion of the chemical, gas and electricity, and motor-car industries, and of employment in transport, communications and distribution; the growth of the business unit in commerce and industry; the steady improvement in the well-being of British wage-earners, despite depression and Special Areas, with the acceleration of State social policies; the rationalisation of industrial methods and equipment; the abandonment of free trade and the movement to impose efficiency upon State-protected industries; the growth of the Government's power over money and the influence of the Central Bank: all these changes were already foreshadowed in pre-war Britain.

PROFESSOR CLAPHAM's unique account of Britain's economy from 1820 to the present day has left him at the end of his third and final volume deeply conscious of the continuity, adaptability and strength of British industrial and commercial life. The movement towards a more equal distribution of claims upon the national resources has been as characteristic of the evolution of modern Britain as the rise in the national income. Older, and more rigid, Britain is relatively less active than in the heyday of her industrial past. But more Britons found employment in 1937 than ever before; and, were it not for the betraying existence of the Special Areas, the comparative old age to which PROFESSOR CLAPHAM's classic story has brought industrial Britain would be far from evident.

Topics of the Week

Bombs.—Many humane and intelligent people think that to try and humanise war is both futile and wrong-headed. It is futile, they believe, because a country which has its back to the wall will in the last resort throw over every restraint in order to save itself. It is wrong-headed because the surest way to stop war altogether is to make war unendurably horrible. Both these arguments are wrong. Throughout history, and even in the climax of the Great War itself, instincts of humanity have imposed some restraint upon naked savagery. It is only in our latest wars that brutality seems to have been quite unchecked. Nor should further human sacrifices be needed to arouse the civilised world to action. Indeed, the discreditable events of the last months are already moving the public to action in England, America and elsewhere.

In England this stirring of opinion has taken the form of an appeal to both sides in Spain to abandon by express agreement the deliberate bombing of civilian populations. The appeal expresses no judgment on the issues at stake. It is not signed by any politicians or by labour organisations which have taken position on the Spanish question. But it is endorsed by the leaders of the Churches—Anglican, Catholic and Nonconformist—by the Lord Mayors of London and the chief provincial cities, by the Lord Chief Justice of England, by Conservative and Left-Wing newspaper proprietors, by bankers, by the leaders of British industry, and by representative spokesmen of the professions, the arts, the sciences, and the world of education and sport. Such an appeal changes nothing on the battlefield; it carries no sanctions; the cynic can dismiss it as another pious aspiration. But even on a short view, General Franco (the Spanish Government have

already publicly accepted the principle of the appeal) may reflect on its significance. He now knows that British opinion is likely to harden against the combatant who resorts to indiscriminate bombing. One day he or his friends may be anxious for the active goodwill of British Catholics, of "the merchants and bankers of the City of London," of the Conservative Press. It will not help him if his name goes down in history as the man who carried war against civilians to its most brutal extremity.

A similar American petition has been sent, not to Spain, but to President Roosevelt, asking him to voice the protest of the American people against the bombing of women and children in Spain. Even more significant is the campaign of the Hearst Press, launched on Thursday, which calls for a conference to formulate the rules of war. These rules are not merely to remain on paper; those who transgress them are to be treated as criminals by the civilised nations and if necessary suppressed as outlaws and bandits. This declaration is highly significant, coming from the Archpriest of Isolation; for it means joint international action to conserve civilisation. Is this a portent? It may be that Mr Hearst will provoke a greater response in the United States than we on this side would have anticipated.

The Coal Bill.—The concluding words of a leading article in last week's *Economist* dealing with the Committee Stage of the Government's Coal Bill expressed the hope that the Government would go no further than the concessions agreed to by Mr Stanley in the debate of Thursday of last week, and that they would insist

on keeping at least the main outline of the Bill intact. More leasured consideration of the concessions referred to, which were made by the President of the Board of Trade shortly before we went to press, raises a serious doubt whether the two halves of our last week's aspiration are not mutually contradictory. Mr Stanley, it would almost seem, has already given away the vital principle of his Bill. The concession he made was that every scheme for compulsory amalgamation of coal mines, in addition to running the gauntlet of the many administrative and legal formalities in the Bill as originally introduced, should also be submitted to investigation either by a Select Committee of each House of Parliament or by a Joint Select Committee. It is, of course, a notorious fact that the House of Lords has always been an obstacle to any reform legislation which contravenes the wishes of the mine owners, and it does not require very much imagination to see that a Select Committee of which all or even only half the members were appointed by the House of Lords would not be likely to be a body whose deliberations would either facilitate or speed up the process of compulsory amalgamation. The Bill, as it will be amended after Mr Stanley's concession has been embodied in legal phraseology, will not, any more than the existing Act of 1930, embody a formal prohibition of compulsory amalgamation, but it is perhaps no more than a realistic view of the matter to conclude that the progress of any really effective proposal for compulsory amalgamation through the procedure outlined will be similar to that of a camel through the needle's eye. Sir Stafford Cripps, in a most effective speech, listed no less than twenty-seven separate stages through which an amalgamation scheme must pass, each of them giving opportunity at the very least for delay and obstruction, and at the most for complete emasculation. It looks very much as if the new Act, like the old, will in fact combine approval of the principle of compulsory amalgamation with a procedure which completely stultifies it in practice.

The alacrity with which Mr Stanley made this concession to the mine owners' friends contrasts strangely with his stubborn refusal on Monday to make a similar concession to another body of opinion which is at least as widespread in the House and in the country as that to which he gave way on Thursday. The section of the Bill under discussion on Monday was that continuing until 1943 the legal authority for the mining industry's "selling schemes," which is the euphemistic name applied to the device for abolishing competition in the sale of coal. Here again the dispute is one between principle and practice; for there is a wide agreement that the economic weakness of the coal industry should not be accentuated by excessive cut-throat competition in the sale of coal. But the manner in which the selling schemes have been administered has given rise to a very large volume of protest, especially from the large industrial purchasers of coal, and an amendment was moved from the Conservative benches on Monday to limit the continuance of the schemes to the end of July, 1939, and to institute an enquiry into their working. Mr Stanley refused to accept the amendment, and could offer in return only a series of assurances from the Mining Association that the procedure for the consideration of complaints by the purchasers of coal should be considerably extended. "Purchaser," it should be noted, means only the first purchaser, and does not include anybody buying coal through an agent or merchant, and there will be wide agreement with the complaint made from both sides of the House that the assurances given to and by the President of the Board of Trade do not go to the heart of the matter, which is that an uncontrolled monopolist can always be counted upon to act in his own exclusive interest. Thus the debate has followed the course, which in the case of Coal Bills is becoming painfully familiar, of modifying or removing all those clauses to which the mine owners take exception, without any countervailing limitations upon those from which they hope to draw advantage. There must be many thousands of people throughout the country who have drawn from the events of the last few days the conclusion

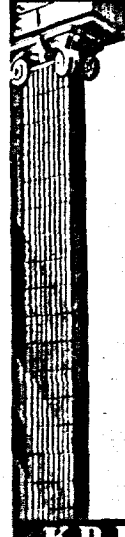
which was stated by Sir Arthur Salter in a letter to *The Times* :—

If Governments cannot govern, a mixed system of State assistance and supervision—the alternative to the replacement of private enterprise by State Socialism—becomes indefensible. This new concession has therefore struck a heavy blow at private enterprise itself. There are very many who, like myself, if forced to choose between an obviously unjust semi-State system imposed by a State which has been captured by sectional interests, and a more complete State system, from which private enterprise has been eliminated, would, reluctantly, but without hesitation, choose the latter.

Selfish and stubborn individualism is, indeed, the poorest advertisement for private enterprise.

Mr Chamberlain at Home.—The Prime Minister echoed the hopes and fears of all British citizens when, speaking in his own City of Birmingham on February 4th, he expressed the gravest concern about the cost of re-armament and the dangers of war. He paid a melancholy tribute to the Services' efficiency in the execution of their grim task, without measurably allaying the doubts which still remain about the re-armament programme's lack of progress in specific directions; and he spoke significantly of the Government's intention to make further efforts to secure discussions among the nations with the object of restoring goodwill and confidence. In the industrial sphere, much more than in the international, Mr Chamberlain rightly found grounds for optimism. There had been a striking freedom from industrial warfare in recent years, he said, and wages and profits had risen together. Indeed, the Prime Minister set his immediate hopes higher than was perhaps discreet or justified. The recession, he declared, had already "passed off," and 1938 would be a starting-point for renewed prosperity, rather than a turning point in the cycle of trade. The Prime Minister's audience, oddly reminded maybe of Earl Baldwin's famous exordia on peace in industry and the world, were left to wonder what in fact the Government's financial and economic policy would be were the setback in trade to be appreciably intensified in the course of 1938.

Anglo-Italian Relations.—Something is in the air again between London and Rome. Exactly what, it is difficult to fathom. Whether as consequence or as coincidence, the sensational changes in Berlin were followed by a sudden outburst of aspiration in the Italian Press for renewed attempts to reach an understanding between the British and Italian Governments. At the same time the impression spread in London that Signor Mussolini was genuinely ready, if not anxious, to discuss the speedy withdrawal of Italian "volunteers" in Spain. Since the whispering galleries of Europe have been busy for weeks past



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with rumours of an impending heavy reinforcement of the Italian army in Spain, this *volte-face*, if it was genuine, was surprising. But was it, is it, genuine? After the first lyrical outbursts the tone of the controlled Press in Italy has been more sceptical, and Signor Gayda continues to harp on the alleged breaches of non-intervention by the British, French and Russian Governments. But the Italians still profess to find a change of heart in London, which encourages them in the hope that an accommodation may be possible, and their tone towards Great Britain is, on balance, very considerably less hostile than it was only a short time ago. Italian diplomacy is subject to such quick changes and given to such deceptive appearances that it would be foolish to take anything that comes from Rome at its face value. But on a cool view it would seem that the choice before Signor Mussolini is one between strongly reinforcing his Spanish expedition and liquidating it, and he may well have realised that the risks of provoking a wider conflict by sending fresh troops make the odds against the success of that policy far too great for even an inveterate gambler such as himself. It is also just conceivable that the German changes played their part in influencing the Duce's policy. For if German policy, under the inspiration of Herr von Ribbentrop, is looking for an adventure, Austria is the one that presents least technical difficulties. But a Nazi adventure in Austria would immediately and decisively upset both the Rome-Berlin Axis and the Italian apple-cart.

Piracy and Police.—The sinking of the British merchant vessel "Endymion" last week has been followed by a rapid series of dramatic events. The British Government promptly made proposals to the French and Italian Governments for a reinforcement of the measures in operation under the Nyon agreement; but before even the preliminary conversations were concluded a second outrage had been added to the first. On Friday last the British ship "Alcira" was bombed and sunk—against every principle of law and precept of humanity—by insurgent aeroplanes from Majorca. The purpose of these rapidly consecutive atrocities was perhaps to send up the recently lowered insurance rates and thereby to re-weight against the Spanish Government the financial burden of insuring the import of food supplies. But the effect was to produce an announcement from the British Government that the British Navy will henceforward immediately attack any submerged submarine detected in the zone of Mediterranean waters that is assigned to Great Britain under the Nyon agreement. The Italian, as well as the French, Governments have agreed to take the same action in their zones. As for the danger of piratical attacks from the air, this has been dealt with in a warning addressed exclusively to General Franco. He has been told that the British Government reserve to themselves the right henceforth, without any further notice, to take such retaliatory action in the event of any recurrence of these attacks as may be required by, and appropriate to, the particular case. In announcing these measures in the House of Commons on Monday, the Foreign Secretary said that, according to the advice he had been given by the experts, these steps might be expected to put an end to the piracy completely. He added that, should that view prove to have been mistaken, the Government would not exclude any further action. On

the same occasion, Mr Eden stated that there was reason to believe that the pirate vessels in the Mediterranean were based on Majorca. He also declared that the Government would regard the despatch of large armed forces by any country to Spain as a breach of the Non-Intervention Agreement, and as creating a situation of which they would be bound to take a most serious view. Majorca is said to be under Italian occupation, and the planes which bombed and sunk the "Alcira" were of Italian make. If Signor Mussolini were contemplating a further increase of Italian intervention in Spain, this revival of piracy would be a natural overtone; but it is a strange accompaniment to the withdrawal which he is credibly reported to be making. Perhaps he has been hovering between two incompatible policies. If so, we hope prudence will now prevail decisively over temerity.

Storm in a Milk Jug.—The rights and duties of newspaper proprietors in regard to matter which appears in their advertisement columns have been hotly discussed in the last three weeks as a result of their attitude towards the campaign of the British Medical Association for purer milk. The B.M.A. offered large display advertisements to certain newspapers; but the latter, after discussion with their colleagues, suggested to the B.M.A. that the wording was likely to cause panic among milk consumers, reduce the consumption of milk, and undo the efforts of the Government to increase it. The objection was based on the startling manner in which the proposed advertisement set out the long list of diseases which can be conveyed by milk, the figures of deaths in epidemics spread by infected milk and, generally, on the undue emphasis on the danger of drinking milk. This "reference back" was seized upon by certain critics who claimed loudly that the newspaper proprietors were establishing an altogether improper censorship, actuated by the desire to please large advertisers such as the Milk Marketing Board. It must, however, be recognised that the newspapers have some measure of responsibility for the advertisements they print. They are legally responsible for cases of libel and they are bound to look at advertisements from the point of view of decency, sedition and, within the bounds of their knowledge, accuracy. They may refuse advertisements on aesthetic grounds or on grounds of good taste. Indeed, in theory they have a wide right of veto. But in practice it would be a great abuse of their position if they were to pick and choose. In the present instance, they called the attention of the B.M.A. to one aspect of the public interest which might lead them to modify their copy. This is in keeping with the normal practice of the press and, in the event, the B.M.A. have fallen in with the suggestion of the newspapers and have modified their statement, which has this week been carried by some of the main London newspapers. The sinister Press censorship has proved to have been a mare's nest.

The incident, however, will have had the effect of directing more attention to the state of our milk supply. Some of the facts which emerge, such as, for example, that 95 per cent. of London's milk supply is pasteurised, are reassuring. Great strides have also been made in the number of producers whose milk is certified or tuberculin-tested. On the other hand, the proportion of the supply that is not subject to such special conditions is still very large, and over the greater part of the country milk is not pasteurised. The B.M.A. campaign will bring fresh pressure to bear on the Government to ensure clean conditions for the whole of the herds of Great Britain, and in the meanwhile to enforce compulsory pasteurisation.

Public Expenditure.—A Conservative resolution in the Commons on Wednesday deplored the continued growth in public expenditure. On behalf of the Government, Colonel Colville endorsed Captain Balfour's disquiet. This attitude will evoke mixed feelings, since of the two chief claimants on the public purse, defence and social services, the former is likely to be a fixed, if not an increas-

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ing charge during the next few years. The country could ill afford to cut down the social services which have rightly been placed in the forefront of national policy. Nor can it be argued that the burden of rates and taxes is weighing unduly upon industry in general, though the present magnitude of these imposts in relation to the national income cannot be very far from the practicable maximum. Indeed, in the high days of prosperity last spring it might well have been expedient to resort more to taxation to finance the defence programme and less to loans. On the other hand, if the boom recedes, there may be sounder arguments, as the Federation of British Industries has urged in a memorandum to the Chancellor, for increasing the proportion of expenditure covered by borrowing. The virtues of economy are relative, and the consequences of the adoption of a deflationary policy in a period of declining prosperity might be unfortunate.

Japan's Hidden Hand.—Secrecy is not always the best policy; and, next to sinking American warships, the best way for Japan to ensure a staggering increase in the United States Navy is for her to persist in concealing her own naval building programme. Japanese secretiveness has been the subject of American, British and French Notes—all of the same tenor—that have been presented in Tokyo this week. The British Note recalls that the Japanese Government have not seen their way to subscribing to the London Naval Treaty of 1936, and that they have also not hitherto felt able to give any assurances that treaty limits would in practice be adhered to by them. The British Government have therefore decided that it will be necessary for them to take advantage of the "escalator" clause in the treaty (i.e. to go beyond treaty limits on account of the action of a non-signatory Power) unless the Japanese Government can give satisfactory assurances that they will not, before January 1, 1943, lay down, complete or acquire any vessel not conforming to treaty limits without previously informing the British Government of their intention to do so and of the tonnage and calibre of the largest gun of the vessel or vessels concerned. In view of the forthcoming publication of the Naval Estimates, the Note asks for a reply by February 20th. Failing this, it will be assumed that the Japanese answer is unsatisfactory, and the British Government will then resume full liberty of action in consultation with the other naval Powers with whom they are in treaty relations. Three Notes to this effect must have been unpleasant for the Japanese to receive, and they have not yet committed themselves to giving a blank refusal of the very reasonable assurance that is being asked of them. A refusal must inevitably have a twofold consequence of the most disagreeable character from the Japanese point of view. In the first place, it will move the British Empire and the United States to increase in their own favour the ratio of superiority of either navy over the Japanese. Under the terms of the now defunct limitation treaties the ratio stood at appreciably less than 5 to 3, taking all categories of ships together. It may now rise to 6 or 7 to 3 against Japan for each of these two other navies taken separately, while at the same time Japanese policy may force the respective owners of these two navies to take counsel together. We have heard of a man cutting off his nose to spite his face; but it does seem fantastically incongruous to cut off ears and eyelids as well, all for the sake of face-saving.

The Japanese Campaign.—The Japanese Army has been advancing as slowly as Japanese diplomacy. Its efforts have been concentrated for some weeks past on dislodging the Chinese forces from the Lunghai railway, an important artery which runs roughly east and west halfway between Peiping and the Yangtze valley. The Lunghai railway is crossed at right angles by two other railways. The first, roughly a hundred miles from the coast, is the Tientsin-Nanking railway, which crosses it at Suchow; two hundred miles further inland is the Peiping-Hankow railway. The Japanese forces are advancing from both ends of the former of these two railways, that is south from

Tientsin through Shantung and north from Nanking, and they are meeting with stiff Chinese resistance as they move towards a junction at Suchow. In the last few days there has been news of further Japanese movements southwards down the Peiping-Hankow railway, and if this movement succeeds, it will cut the Lunghai railway in the rear of the Chinese troops who are defending it further eastwards. Throughout the war Japanese strategy has used the device of the flanking movement with great success, and it is clearly now being attempted once more on a large scale. In view of the superior armament of the Japanese forces it is only reasonable to suppose that it will succeed in time, and that the Chinese will be driven out of the whole of North China within three hundred miles of the sea down to the Yangtze. Indeed, this task should be easier for the Japanese generals than that of deciding what they are to do next.

Teruel Again.—The fortunes of war in the battle around Teruel have turned for the moment in favour of the Insurgents. It has become an affair of salients and counter-salients. Ever since the war began, the presence of the Insurgents at Teruel has pointed a threatening spear at the Government's vital communications. The Insurgents have for the moment suspended their efforts to re-include the town of Teruel within the point of the spear and have turned to attack a republican salient on the plateau of Sierra Palomera which threatened to cut the shank of the spear. This counter-salient within a salient was attacked from three sides, and the Insurgents report that the Republican defenders surrendered on Tuesday. This is an important local success for General Franco's arms, but its value seems likely to be merely tactical. So far as strategy is concerned, the advantage still lies with the Government, who have succeeded in disarranging General Franco's plans for an offensive elsewhere and have compelled him to devote his attention to resisting Government initiatives. This may prove to have been an achievement of the first importance.

The Dissolution in Egypt.—On February 2nd King Farouk signed a royal decree dissolving the Chamber and ordering a general election for a Chamber that is to re-assemble on April 12th. This is perhaps to be interpreted as a point lost by "the King's Friends" in the present Egyptian political game. Muhammad Pasha Mahmud appears to have hoped that the split in the Waft might go far enough to destroy its parliamentary majority and thus allow the new regime to sail smoothly into power with the constitutionally necessary backing in the Chamber. When it has come to the point, the Prime Minister has preferred not to try the issue, and has procured a dissolution instead. It remains to be seen whether he will be more confident in appealing to the electorate than in facing their representatives. This issue has been raised by Nahas

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Pasha's presentation of a petition that a neutral Cabinet should be appointed to see the elections through. At the moment, it seems probable that this request will be refused and that, by inference, all the resources in the hands of a Government in office will be employed in order to "make" the election in "the King's Friends" favour. Will these resources suffice for the purpose? It is difficult to believe that anything short of a successful *coup d'état* will destroy the hold on the country which the Wafd has contrived to retain through all the vicissitudes of the past twenty years. The Wafd, after all, has succeeded in its original aim of winning for Egypt a genuine and complete independence; and it seems unlikely that this national service will be eclipsed in so brief a time by popular resentment at the high-handedness or even incompetence of a too long dominant party. Sooner or later, no doubt, the foreign issue that has now been happily settled will be replaced by domestic issues relating to concrete administrative and social questions. But when new parties with practical programmes do arise, it seems unlikely that the Palace will be their cradle. Whatever may be the result of the next move in the game, we remain of the opinion that King Farouk's present course is a dangerous one for a young and inexperienced sovereign.

Canada's Defence Estimates.—Canada is one of the few countries of the world to show a reduced appropriation for defence this year. Her defence estimates for 1938-39, which total \$34 millions, or about 16s. per head of the population, are \$2 millions below last year's figure, in spite of the fact that naval estimates are increased by a nearly equal sum in order to provide for the purchase from Great Britain of two new destroyers. These are destined for service on the Pacific Coast, on whose defence (together with the air arm) Canada is concentrating, partly for strategic and partly, no doubt, for internal political reasons. The total estimates for ordinary government expenditure (excluding railway deficits and unemployment relief) are reduced from \$421,868,928 to \$418,968,456, largely by virtue of the lower cost of defence.

Britain Tells the World.—On February 7th, the Prime Minister announced that a Committee would be appointed, under the chairmanship of Sir Robert Vansittart, to co-ordinate the many-sided movement, now in progress under public and private auspices, to inform our potential friends and customers in overseas countries of the real facts about Britain. The Government's radio campaign—represented so far only by the Empire programmes and unexceptionable if uninspiring broadcasts in Arabic for Palestinian consumption—has yet to be extended by the courtesy of the British Broadcasting Corporation to the more controversial field of Latin America where, it is alleged, Nordic publicity is already strong and effective. So far, the intention has been to disseminate no more than accurate news and representative entertainment, and it would be a pity if the need to adopt retaliatory measures outside the confines of the British Empire were to introduce the suspicion of propaganda. These official efforts to tell the world are, however, no more than part of a wide stream of publicity generated by cultural and scientific bodies, no less than by business men. And, in the long run, necessary though the Government's campaign may be in the present state of world politics, Britain will be known more by her deeds than by her protestations.

New Housing Subsidies.—The Government's new Housing (Financial Provisions) Bill, of which the text has now been issued, both consolidates and extends the subsidies granted for houses built with the purpose of clearing the slums or abating overcrowding. It has not been found possible in practice to draw a clear line between slum-clearance housing and overcrowding-abatement housing, and in the new Bill the subsidies for the two purposes are consolidated. The normal Exchequer subsidy will be £5 10s. per annum for forty years for each house, and there will

also be a statutory contribution from the rates of £2 15s., giving a total relief to the rent of about 3s. 2d. per week. These subsidies will be increased in the case of flats built on expensive sites, the Exchequer contribution ranging from £11 per flat where the site costs between £1,500 and £4,000 an acre to £26 a flat on the most expensive land, the local authority adding an amount equal to half the Exchequer subsidy. The chief feature of the Bill is the special provision made for rural housing. Houses provided by rural district councils in execution of the slum clearance and overcrowding campaigns will be subsidised at the rate of £10 a year from the Exchequer and £1 a year each from the rural district council and the county council, and in particular cases the total subsidy may be increased to as much as £16. The restriction of this special subsidy to rural district councils might discriminate unfavourably against districts which are essentially rural, but happen to be organised as small boroughs or urban districts, and the Bill includes clauses authorising an intermediate rate of subsidy in these districts. A further subsidy is provided for houses built to meet the general needs of the agricultural population, irrespective of either slum clearance or overcrowding, the standard rate of subsidy being £10 a year. These houses must be reserved for the agricultural population, and must not be let at a rent exceeding a figure fixed by the local agricultural wages committee. It has been common ground for some time that the rural population has not been as well served as the urban by the developments of housing policy in recent years. Costs of building in the country are indeed lower than in the town, but the difference is not nearly so great as that between urban and rural wages, and the agricultural labourer cannot afford to pay an economic rent. The new Bill should go some way towards removing this defect, though it is a little doubtful how far the mere offer of subsidies will suffice to produce a satisfactory volume of building. Local authorities tend in many cases to be lethargic bodies, and even when the spirit is willing, the burden of rates is already so heavy that some positive stimulus from the centre is necessary before the requisite action can be taken.

Greater London.—On February 8th the London County Council received from its General Purposes Committee the evidence to be submitted to the Royal Commission on the Geographical Distribution of the Industrial Population. After the war, when depression had fallen on the manufacturing districts of the North and on Wales, the magnetic power of the world's greatest centre of government, finance and distribution, which had abated between 1901 and 1921, was resumed. In the years 1921-31 London received 270,000 immigrants, representing 3.3 per cent. of Greater London's population, but only 0.7 per cent. of the inhabitants of England and Wales. Although London was probably receiving more than its expedient share of new British industries, the importance of the movement was liable to be exaggerated. It was at least true that the variety of London's industries implied a welcome immunity from the worst effects of industrial depression. Few industries had actually been transferred to London from other places. Nor were there any grounds for believing that the drift to London was necessarily permanent. On two counts, however, the concentration of industrial premises in and around London was certainly unwelcome. Strategically, the vulnerability of the capital was accentuated; and London's growth, both in character and magnitude, defied the best and most desirable principles of town planning. The loss of rural amenities and the growing distance and fatigue of travel called for regulation. The Committee made the point that many of these disabilities were the result not of the population's movement but of its unregulated movement. In general, the Committee favoured some measure of regulation, but urged strongly that no artificial diversion of industries could be either practicable or expedient. It may, indeed, prove that the most feasible solution for many of the problems before the Royal Commission will be, not the drastic control of industrial location, but firm and far-sighted regulation of the siting and design of industrial settlements.

Overseas Correspondence

From Our Special Correspondents

United States

An Upward Trend?

NEW YORK, February 1.—January ended without any material upturn in business above the average level of December. Nevertheless, there has been a slow climb from the last week of the Old Year. Steel operations have risen from below 20 per cent. of capacity to about 31 per cent. In a limited sense, the events of January suggest some change in trend; from August to December there was no month in which production was not below that of its predecessor, and each of the weeks in January has apparently been slightly better than the week before.

The December business indices of the Federal Reserve Board are now available:—

	BUSINESS INDICES			
	1923-5=100—ADJUSTED FOR SEASONAL			
	Dec., 1936	Aug., 1937	Nov., 1937	Dec., 1937
Industrial Production—Total	121	117	89	84
Manufactures	121	118	85	80
Minerals	117	112	109	113
Construction Contracts—Total	66	63	56	66
Residential	45	40	32	30
All Other	83	81	76	95
Factory Employment—Total	98.6	102.4	94.1	89
Durable Goods	92.7	...	91.4	84.2
Non-durable Goods	104.9	...	97.0	94.0
Factory Payrolls—Total	95.2	103.8	89.5	80.9
Durable Goods	93.4	...	89.9	77.2
Non-durable Goods	97.5	...	89.0	85.6
Freight Car Loadings	83	79	71	67
Dept. Store Sales	92	92	91	90
Dept. Store Stocks	71	...	76	73

The high level of "all other" building contracts is misleading, as the seasonal adjustment for December raised the unadjusted figure of 74 to an adjusted figure of 95. The factory employment figures is down only about half as much as factory output, and much less than factory payrolls, which may be due to part-time, or to the incidence of the recession.

The Department of Commerce has begun to collect inventory statistics. For December, 1937, 735 reporting wholesalers declared inventories 6 per cent. higher than in December, 1936. There was, however, a considerable variation among different industries. On the whole, these data and details of department store stocks confirm the impression that the inventory problem, while real enough, and sometimes acute, was a rather minor feature of the recession, and quite undeserving of the emphasis placed on it some weeks ago.

Slump in Capital Goods Industries

The published data, though preliminary, give a fairly clear picture of the recession. Among the non-durable or consumer goods industries, textiles and leather are very much below a year ago, but the others comparatively little; the great declines are in steel and automobiles and, presumably, non-ferrous metals. That is, the recession is centred in the capital goods industries and is intimately associated with the supply of investment capital. Since the first quarter of 1937, the volume of new capital issues has been practically negligible, and in the last four months new corporate issues have been almost entirely lacking.

As the capital goods industries are those most severely affected by the slump, it is to the capital goods industries that one looks for prospects of recovery. The railways are badly in need of equipment of all kinds, but they have neither earnings nor credit. The roads have asked for a general 15 per cent. increase in freight rates; and the decision of the

Inter-State Commerce Commission is expected before the end of the month, or in March at the latest.

A glance at the New York Bond Market will show the deplorable state of railway credit. It is freely forecast that unless there is a remarkable coincidence of higher rates and increased traffic, the third of the railway mileage of the country now in receivership will be increased. Indeed, in spite of the fact that there is no active public demand for Government ownership, there is a widespread opinion that such an alternative is not beyond the bounds of possibility. The utilities are in no such straits as the railways, but they have little or no command over new capital. As for residential building, all action waits on the Housing Bill now before Congress.

With the railway, utility and building demand for capital goods still obscure, the armament programme was awaited and received with great interest. The sum proposed (\$800,000,000), while large, is spread over a period of years and is concentrated on naval expansion. Its incidence is, therefore, limited; and the immediate impression was that it would have little general influence on the economy, at least in the near future.

The State of Banking

The unusually large post-Christmas currency return has raised the excess reserves of the member banks above \$1,400 millions. After the first increase in reserve requirements in August, 1936, the figure was \$1,800 millions; at the lowest point of last summer, they were a little over \$700 millions. Total member bank reserves are now \$500 millions more than a year ago. Member bank credit, however, continues to fall; total loans and discounts of the reporting member banks are \$1,350 millions less than a year ago.

On the other hand, there has been no fall in the total loans and investments of the Reporting Member Banks of New York City since the middle of November. In that period their loans have gone down \$250 millions, but their investments have increased by a corresponding sum. Outside New York, the Reporting Member Banks' loans and investments have fallen about \$200 millions in that period, representing repayment of loans. The credit contraction which was so marked between the middle of August and the middle of November, has become less apparent in recent weeks. In New York the repayment of loans has been wholly made up by increased holdings of investments; outside New York, there has been no such compensation.

In the past month (December 29, 1937—January 26, 1938), although loans and investments have declined, demand deposits have increased. The decline in deposits did not equal the decline in loans and investments, because of the increase in excess reserves over the same period. These phenomena of high deposits, and low velocity; of low money rates and declining loans, of extremely low interest rates on gilt-edged obligations, and almost unobtainable capital on other types of corporate securities, are now the salient financial characteristics of our economy.

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France

New Financial Plans

PARIS, February 10.—M. Marchandau has just published his plans for the revival of production and trade. Realising that new credits will be needed for National Defence, the Minister of Finance intends to encourage business activity by fiscal concessions. These concessions will be given to enterprises which increase their level of production beyond that of the crisis years; to concerns which invest their increased profits in new plants; and to firms manufacturing for export.

These plans, as soon as they were known, made a very good impression on the Stock Exchange, which regards them as a means of stimulating private initiative by defending profits. Nor are they likely to be opposed by the Left wing in politics, since they will be brought forward together with plans for meeting the social charges of industrial undertakings.

Political Calm

The latest news from Germany was received calmly. During the last few weeks there has been a marked desire for better relations with Germany. It is generally held that the recent changes in Germany are purely a domestic concern. Victory has gone to Herr Hitler, who is no longer "Public Enemy Number One" in France, since French attention is now centred on the Spanish war and the troubles in the Mediterranean.

In a recent speech, the leader of the Trade Unions expressed himself in favour of mere supervision of the exchanges, rather than rigid control. He endorsed the collaboration of the democratic States in the interests of peace, and this again was taken to imply support for the Tripartite Agreement as against proposals for exchange control. In general, his speech was welcomed by members of all parties; and an agreement between capital and labour to stabilise the social laws and, at the same time, to intensify production seems not impossible.

Improved Foreign Trade

Foreign trade showed a distinct improvement in January. Compared with December, imports were lower in value and exports higher, as the following table shows:—

Francs ('000,000 omitted)

	January, 1937	December, 1937	January, 1938
Imports:—			
Foodstuffs	886	1,248	965
Raw materials	1,972	2,699	2,369
Manufactured goods	473	590	557
Totals	3,332	4,538	3,892
Exports:—			
Foodstuffs	283	368	310
Raw materials	574	791	869
Manufactured goods	911	1,186	1,271
Totals	1,768	2,345	2,451
Import Surplus	1,563	2,193	1,440

If trade with the colonies is excluded, the fall in the import surplus is even more marked. Between January, 1937, and January, 1938, it fell from 1,357 to 1,158 million francs. Between the same dates, the exchange value of the franc fell more than 30 per cent., so that the decline in the import surplus amounts to something like 40 per cent.

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Imports of foreign coal were notably reduced, only 2 million tons being bought against 2,444,000 tons in December, 1937, and 2,400,000 tons in January, 1937. The value of coal imported was 419 million francs, compared with 519 millions and 304 millions, respectively, at the two previous dates. It should be noticed, however, that a great part of this fall in value is due to the way in which the customs statistics are compiled.

The increased export of manufactured goods mainly affected chemicals, textiles and paper. If coal imports can be further reduced—the workers have agreed to work more additional hours—and if new burdens are not laid upon industry, the improvement in trade should be maintained.

The number of unemployed on January 29th was 403,813, against 399,728 in the preceding week and 427,932 at the end of January, 1937, which saw the peak of last year's seasonal unemployment. Wholesale prices have moved as follows:—

	Jan. 15	Jan. 22	Jan. 29	Feb. 5
General index	615	611	612	610
Domestic products	655	653	653	652
Imported products	544	535	537	535
Foodstuffs	623	622	620	618
Industrial products	609	601	605	603

The Stock Exchange in January did not experience the recovery which is usual at the beginning of the year. The improvement in foreign trade, the rise in fiscal receipts, the new stability of prices and the plans of M. Marchandau may well have a favourable influence on the market, where quotations are well below those registered before the last devaluation.

Germany

The Army Crisis

BERLIN, February 9.—The crisis of last week, though intrinsically important, was not specially characteristic of German conditions. Conflicts between Governments and armies occur elsewhere. What was significant was the manner of the dénouement, or rather the account of it which was presented. While the non-German world was aware that there had been a serious conflict, the German public were only told, towards midnight on February 4th, about well-considered and comprehensive reforms for "the concentration of the greatest possible power in the Führer's hands."

It was not admitted that there was any urgent ground for these steps. That would have been a breach of custom, as graceless as showing the rent in a pair of trousers before it was decently patched. The participants in the changes were presented as having collaborated zealously. Two of the generals who would have collaborated had they not fallen ill received grateful letters. The general who did not fall ill got a Field-Marshal's baton, and the dismissed Foreign Minister received a Golden Party Symbol.

That was the picture painted for the German nation. No word of any differences, quarrels or ultimatums leaked out, and foreign newspapers were confiscated. The incident raises the question whether a great nation can flourish permanently in an enforced atmosphere of unrealities, simulacra and *chinoiserie*. This question is certainly important for Germany and probably for Europe, for, according to good judges, largely German, the illusionism of William II's empire was the first cause of the great collapse, and the mental and emotional state of Germany in 1914 was solid and genuine compared with that of Germany to-day. That is the most ominous feature of last week's events.

Hitler, the Generals and the Party

The causes of the clash, the changes in organisations, and the disputed question whether Herr Hitler or his *Generalität* won are only secondary. It does not seem, in fact, that either Herr Hitler or the generals won outright. The Army had certainly no desire to upset the Party-State, but was successful in so far as, in the vital matter of the War Minister, it took the initiative and won its point, though it had no lawful competence whatever in the matter.

Whether, as alleged, the Army also tried to enforce a more responsible foreign policy is not certain. But there is reason to believe that this did happen. It may be surmised that the predominance of the Defence Forces in the new Privy Council for Foreign Affairs, in which four generals and admirals sit with one professional diplomat, was an outcome of the Army's protests.

The changes in the personnel of the generals, which have been represented as the Party's successful purge, are in a different category. They certainly cannot be regarded as Herr Hitler's revolutionary retort to revolution. Herr Hitler was simply exercising his ordinary and undisputed powers, and the Army could not challenge him. Little is known of most of the newly-appointed generals; but judged by their noble names they will be solid with the military and aristocratic caste which dominates the Army as a whole.

If there is to be a real Army at all, this is inevitable, for the military aristocracy is the only efficient and stable social element in the Reich, though its close solidarity is perhaps not propitious for the future of the Nazi system. But the Reich generals have no motive for upsetting the Government, only a motive for getting their own way in matters vital to themselves. It is, however, important that the Army shows an increasing political self-sufficiency, a conscious isolation from the civil Government and an increasing tendency and ability to act as a unit. The Party's desire to counter this by infiltrating the Army with National-Socialist spirit, which was one cause of the decision to overthrow von Blomberg, is not likely to succeed.

Militarisation of the Reich

Indeed, it seems that the contrary process is under way. The Army is infiltrating and may soon dominate the civil administration—at least in the higher ranks. Before the war the same class that supplied efficient generals also supplied efficient Ministers and Secretaries of State. This condition is fundamentally unchanged. For no reason except that they are competent and zealous, military men have been taken, via the Four-Year Plan, into the Ministry of Economics, which controls or will control all the other economic Departments. If the new Privy Council for Foreign Affairs has any influence at all it must be Army influence. Behind the transformation scene which glows and glitters with Party symbols, the Army and the social caste identified with it are the one substantial reality. And it does not matter who waves the flags so long as the Army controls the guns.

The tradition that the Prussian Junker aristocracy lives by war is deeply rooted. This is largely a superstition, derived from the mere circumstance that the Junker aristocracy was the Army. The military element which has lately come to the fore again in Germany has given no indication of irresponsibility or irritability in international matters. Its language and demeanour have been unexceptionable. The real threats to Germany are feebleness and illusionism; and *de facto* Government by intelligent and serious generals behind the Party façade would certainly not aggravate these evils.

Sweden

The Northern Bloc

STOCKHOLM, January 27.—The Budget proposals for the financial year 1938–39 met with the approval of practically all parties. The new Budget was balanced at kr.1,228 millions compared with kr.1,202 millions in the current financial year. Revenue is estimated to exceed expenditure by kr.19 millions. Neither new taxation nor the abolition of existing taxes has been proposed. The Foreign Secretary delivered a speech in the Riksdag of great interest, reflecting to a large extent the views of all the Governments of the Northern countries. Referring to what he called "irregularity in the relations between Sweden and Italy" M. Sandler recalled that Sweden was brought into this situation by having fulfilled what the country regarded as its duty as a member of the League of Nations. Passing on to the question of Sweden's attitude towards the League, the Foreign Secretary stated emphatically that "after the experience of the Italo-Abyssinian conflict the system of sanctions laid down in the Covenant has *de facto* ceased to function." The immediate tasks of Sweden, he said, were in the North, and the future of Swedish policy lay in co-operation with the other Northern countries.

Timber Setback

The economic situation in Sweden underwent no great change in December. Industrial production was still high; and employment was satisfactory in spite of a seasonal rise in the number of unemployed from 12,000 to 16,000 during November. Labour negotiations have now been concluded in the most important branches of industry, i.e. engineering and the paper and pulp industries.

On the other hand, a conflict in the hotel and restaurant trade resulted in a lockout by hotel and restaurant owners.

The closing down of the bulk of Swedish hotels and restaurants naturally affected trade, since salesmen were unable to visit customers; and it put a temporary stop to the tourist traffic.

The timber market was extremely dull in December, partly on account of the closing of the Northern ports of Sweden to navigation, and especially to the considerable volume of timber stocks in Great Britain. At the turn of the year total timber sales for the coming season amounted to some 100,000 standards which compares with 325,000 standards a year ago. It is hoped, however, that the recently decided reduction of 5 per cent. in timber quotas by agreement will bring about an improvement in the timber market. Practically no sales of pulp took place during December on account of the considerable falling-off in paper production in the United States and the reduction in the price of sulphite pulp carried through by American and Canadian producers.

The quietness in the iron and steel market, which is usual in December, was distinctly more accentuated this year, and foreign orders substantially declined. Still more marked was the decline in sales for the domestic market. This has led certain iron and steel works to dismiss workers.

Improved Balance of Trade

Owing to a rise in exports during December and a reduction in imports the balance of Swedish trade in 1937 somewhat improved. The value of foreign trade is shown in the following table:—

	FOREIGN TRADE (In million kronor)	
	1936	1937
Imports	1,633	2,111
Exports	1,514	1,994
Import surplus	119	117

Swedish imports thus show an increase of 29.3 per cent., compared with an increase in exports of 31.7 per cent. An outstanding feature was the export of pulp and paper, valued in 1937 at kr.591 millions compared with kr.445 millions in 1936.

Wholesale prices moved downward in December and the Silverstolpe index fell to 136, against 143 in August, 1937, and 125 in December, 1936. At the same time the price of consumption goods remained steady.

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The Company's income during 1937 was £7,818,000, while in settlement of claims, bonuses, annuities and surrender values, the Company paid during the year £4,831,000. The assets of the Company increased during 1937 by £1,402,000 to £53,288,000 and include special reserves and undivided surplus totalling £2,092,000.

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Czechoslovakia

Government Reconstruction Mooted

PRAQUE, January 27.—The economic situation is still influenced by events in the Far East. Political tension eased off at the beginning of the year, and to this the tour of M. Delbos and the visit of the Rumanian Minister, M. Micescu, contributed. The possibility of the Government reconstruction on a large scale is being discussed. Some excitement was recently created by the announcement by the leader of the Agrarian Party that they would collaborate with the national minorities, including the German Henlein Party, subject to absolute loyalty to the country.

New bills for extended expenditure, chiefly for defence, have been passed by Parliament after some amendments. The money market has been easy on the whole, despite large calls from public bodies. Only an insignificant revival on the Stock Exchange took place at the beginning of the year.

Fall in Employment and Production

Employment fell in November, and in December a further setback occurred. The number of unemployed persons at the end of December was 451,484, or 118,029 more than in November. The index of industrial production in November (1929 = 100) was 99.2.

The output of coal and iron again rose in December. Compared with 1936, the figures were as follows:—

	(000 tons)	1936	1937
Coal		1,320	1,534
Lignite		1,610	1,737
Coke		205	308
Pig iron		111	143
Raw steel		162	188

The production of coal, coke, iron and steel is at about the 1929 level.

While industrial production has shown a general tendency to decline in common with output abroad, the reasons for it are partly seasonal. Only in some certain trades, such as the glass industry, does a high level of employment persist unchecked. The index of wholesale prices (in gold) declined at the end of the year to 732, against 764 in April last.

Foreign trade has shown a further considerable advance. Imports in 1937 were valued at 10,966 million Cz. K., against 7,915 in 1936, and exports at 11,982 million Cz. K., against 8,036 in 1936. The export surplus was thus 1,006 million Cz. K., against 99 million Cz. K. in 1936.

Trade agreements have been recently concluded with Hungary, Turkey, Ecuador, Mexico, and Afghanistan. A new agreement with the United States is under discussion and is of importance for Czechoslovak trade, since exports in 1937 to the United States amounted to 1,112 million Cz. K. Negotiations for trade agreements with Austria, Denmark and some of the Latin-American countries are still going on; and in February the usual meeting of the Economic Council of the Little Entente will take place.

Spain

Government Measures

BARCELONA, January 24.—Since no special session of Parliament could be arranged before the end of the term laid down by the Constitution, the Budget has been prolonged by decree for the first three months of 1938. A special Committee, including representatives of the Defence Ministry and the Petrol Monopoly, has been set up to work out plans for the safe storage of liquid fuel against the dangers of bombardment.

The Government has decreed the issue of 25 and 50 peseta notes and 5 and 10 peseta silver certificates. This infringes the right of the Bank of Spain to issue notes. All silver coins are to be exchanged against paper money or silver certificates within 30 days, and hoarders will be liable to severe penalties. During December the revenue derived from direct taxes in loyal Spain again increased, and is now approaching normal.

Trade in War-Time

For a number of years before the Civil War the Spanish trade balance was passive and, in spite of the endeavours of successive Governments, the surplus of imports grew yearly. In 1933 the surplus was valued at 163 million gold pesetas, in 1934 at 243 million gold pesetas, and in 1935 at 291 million gold pesetas. This increasing deficit was not compensated, as in England, by income derived from freight on foreign cargoes, investments abroad, insurance premiums, etc.

At the end of June, 1936, however, the import surplus for the first six months was only 50.1 million pesetas against 129.4 million pesetas in the same months of the preceding year. This comparatively favourable result was brought about by an increase in the value of exports amounting to nearly 37 million pesetas, while imports were at the same time reduced by more than 42 million pesetas.

On July 18, 1936, the Civil War broke out. Since then, trade figures have been published regularly, although with some delay. These figures are provisional and approximate and, of course, refer only to trade with the loyal Spanish provinces, and so far only to the first quarter of 1937. They are based on declared values given by importers and exporters, expressed in gold pesetas.

The figures for the second half-year of 1936, with only twelve days free from civil war, showed a sharp diminution both in exports and imports, even after allowances had been made for the fact that they only represented business transacted in the loyal provinces.

Imports in the quarter were valued at 26,979,409 pesetas, while exports during the same period reached the value of 70,057,764 pesetas. Thus the officially recorded surplus of exports was over 43 million pesetas.

Great Britain was still by far the best customer of loyal Spain: in the first quarter of 1937, indeed, the value of Spanish exports to Britain fell very little, from 33,510,000 pesetas received from all Spain in the first three months of 1936 to 29,475,000 gold pesetas from loyal Spain. The second best customer of loyal Spain so far has been France, and exports to Germany have fallen to practically nothing.

Letters to the Editor

England and Eire

TO THE EDITOR OF THE ECONOMIST

SIR.—It is quite true, as the letter published in your issue of February 5th pointed out, that the law in Northern Ireland is the same for everybody. There is no suggestion that sectarian considerations affect judges or magistrates, or that the Government persecute Catholics as Hitler persecutes Jews.

There are, however, three serious accusations which can be made. The abolition of proportional representation in Northern Ireland elections has led to the under-representation of Catholics in Parliament. The gerrymandering of constituencies in local government areas (e.g. Derry Corporation) has led to the under-representation of Catholics locally. And Catholics do not get their fair share of public "jobs."

Catholics in Eire, where the Protestants have been very generously treated, are struck by the contrast between the treatment of religious minorities North and South of the border. While it is true that Catholics in the North are to some extent to blame for their ill-treatment because their policy is often one of disloyalty and abstentionism, the fact that they are ill-treated cannot be disputed.

Many Northern Protestants are, of course, liberal, but the Orange Order is a "party" just as much as the Nazis in Germany, and Northern Ireland was the pioneer of "party" states.

Dublin.

HIBERNIAN.

Capital for Agriculture

TO THE EDITOR OF THE ECONOMIST

SIR.—While most industries in the country have regained a measure of prosperity during the last few years, the position of agriculture still gives cause for anxiety. Those who have studied the question are almost unanimous in stating that the primary difficulty experienced by the industry is the inadequacy of the capital employed. This difficulty is likely

to become more severe as more intensive methods of cultivation are introduced. Investigation has proved that as the great majority of the farmers in this country are either farmers' sons or former labourers there is a tendency for more money to be withdrawn from the industry than is brought into it from outside sources.

If additional capital is needed it can be provided in one of two ways: either the profits of the farmer must be increased to enable him to save substantial sums for capital improvements, or money must be provided from outside sources. Profits can be increased only by raising the prices of farm produce to levels considerably higher than they are at present. This would result in an unstable economic structure, and would certainly be unpopular, except amongst the farming community.

Nor is there any guarantee that such additional profits would be sunk in the industry. The low wages now paid to farm labourers preclude any possibility of economies in this direction. Substantial relief from taxation is already granted, and it seems neither desirable nor equitable that these concessions should be extended.

There is only one practicable course: capital must be introduced from outside sources. There is ample capital awaiting investment, and there is no reason why the prospectus of a limited company engaged in farming should not meet with a ready response from the investing public once the initial distrust of any new venture is allayed. The formation of limited companies and the welding of the existing farms into larger units would result in the usual advantages of large-scale production and in more economic use of the land.

On the death of a farmer it would no longer be necessary to sell a field or to dispose of essential stock in order to pay outstanding debts and the necessary duties; part of his shareholding would be sold instead, and his interests could be divided amongst his children without the necessity for the physical division of the farm.

The idea of limited companies conducting farming is alien to our preconceived notions, but there is no logical reason why a system which has proved eminently satisfactory in other spheres should not meet with equal success in this essential industry.

Yours faithfully,

A. D. COZENS.

Petts Wood,
Kent.

Oxford Electric Company, Limited

TO THE EDITOR OF THE ECONOMIST

SIR.—As a preference shareholder, I should like to supplement the statements in your last issue.

In its first circular letter of December 6th the company put forward the report of the MacGowan Committee as the reason for the proposed sale and stated that "the purchase price offered is advantageous." The first meeting was abandoned, as the Oxford Corporation had intimated its intention to make an offer for the undertaking.

A second circular letter of January 20th was then issued in which it was stated that the offer of the Corporation was less than that of the Wessex Electricity Company, which latter was "most advantageous." Notice of an extraordinary meeting on January 28th to approve the sale to the Wessex Company accompanied this letter and also proxy forms.

A third circular letter of January 24th, with a copy of a letter of January 22 from the Oxford Corporation, was sent out stating that, for reasons given, the offer of the Corporation was better and was estimated at 43s. per ordinary share against 38s. for the Wessex offer. It also stated that it was the wish of Edmundsons Electricity Corporation that the undertaking should be sold to the Wessex Company; that Edmundsons owned a majority of the ordinary shares in the Oxford company and a controlling interest in the Wessex Company; and that Edmundsons undertook to give ordinary shareholders sixpence per share more than the Oxford Corporation offer would produce. It will be observed that, while the first circular letter gave the MacGowan Report as the reason for the proposed sale, this circular gives it as "the wish of Edmundsons" and no attempt is made to reconcile the two.

I have been in correspondence with the secretary and the chairman, Lord Meston, who is also on the board of Edmundsons, as to the alleged "advantage" to preference

shareholders of a sale. I also asked what price had been fixed for the preference shares before arriving at the estimate of 43s. for the ordinary. The secretary has replied to the following effect:—

(1) On voluntary liquidation, which is intended to follow the sale, preference shares are entitled to 20s. each under the Articles of Association.

(2) The rights of preference shares would arise for consideration when the liquidation took place.

(3) In the estimate the sum of 20s. had been allowed. The chairman merely reiterates the second statement.

It is impossible to reconcile these three statements and no attempt is made to do so or to explain how any liquidator could legally pay more than 20s. per share. Moreover no attempt is made to justify the statement in the circular letters that the sale is an advantage to the preference shareholders. As the market price was 24s.-26s. the disadvantages of a sale are obvious.

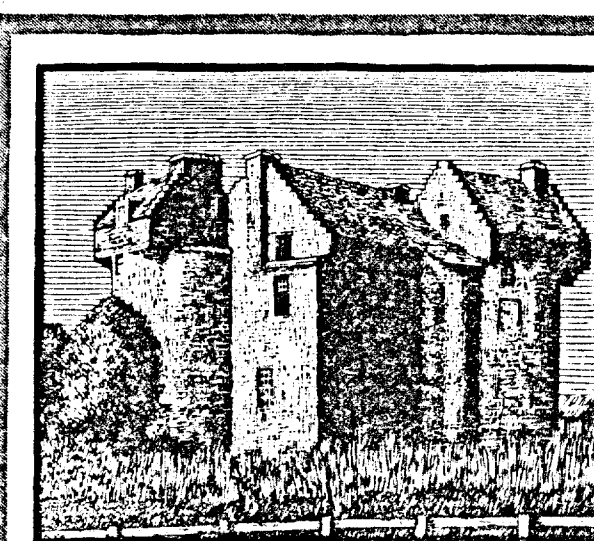
Edmundsons hold a controlling interest in the ordinary shares of the Oxford company and used their voting power in favour of the sale which, in effect, was to themselves.

Yours faithfully,

WALTER A. ANDERSON.

London,
S.W.7.

[The latest return of the Oxford Electric Company, Ltd., at Bush House, shows that 200,000 ordinary shares were in issue at April 20, 1937. No shares were registered in the name of Edmundsons Electricity Corporation, but the following holdings of 5,000 shares and upwards appeared: Arthur J. Jenkins and another 43,535; Arthur J. Jenkins and another—presumably a different joint-holder—41,694; Richard W. Fryer, 23,945; William C. Kilsby, 21,685; Sir Philip Dawson, M.P., and another, 12,920; Leslie A. Jackson and another, 7,750; Cecil B. Cave-Browne-Cave, 6,620; and Henry J. Butterfield, 6,095. It is reported that the Oxford City Council is to take steps to promote a bill, authorising the acquisition by the Corporation of the Oxford Electric Company's undertaking; and that legal proceedings to prevent its transfer to the Wessex Electricity Company have been authorised.—ED., *Econ.*]



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Books and Publications

The Unemployed

It took a long time for the treatment of the able-bodied unemployed to be distinguished from the treatment of paupers after the Poor Law reforms of 1834. In practice, however, it was never possible to assimilate industrial unemployment to the strict principles of the amended poor law. By the time the proposal for State-assisted insurance against loss of work for certain categories of workers came to be embodied in a statute of 1911, an array of *ad hoc* devices had already been contrived to provide different modes of treatment for the unemployed from the relief traditionally accorded to the aged and impotent poor.

The mass unemployment of the post-war years was initially dealt with by a combination of national insurance and poor relief. The magnitude of the problem soon exceeded the capacity of either sound insurance or local rates, and before 1930 a system of State-paid mass relief—the “dole” in popular speech—had been dangerously fathered on the original and extended insurance scheme, in the form of “transitional payments.”

The economic collapse of 1930 and the national crisis of 1931 compelled the State to reconsider the bases of unemployment policy, and it is the new system which has been evolved since then and put into practice under favourable conditions of national economic recovery that Mr Davison has clearly and accurately described in his latest book.* He sets out the leading events: the introduction of the Means Test for recipients of uncovenanted benefit; the Unemployment Act of 1934 stabilising the insurance scheme and creating the

* British Unemployment Policy. By R. C. Davison. Longmans. 136 pages. 7s. 6d.

THE INTERNATIONAL DISTRIBUTION OF RAW MATERIALS

by

Herman Kranold

It is a first review of all the important facts and a discussion of the inferences to be drawn from them. The book is published opportunely, in view of the stress which the recent Van Zeeland report has laid upon this subject.

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ties. Do. in loyal Sp. —ROUTLEDGE— normal.

Unemployment Assistance Board to deal with applicants not “in benefit”; the initial breakdown of the Board’s regulations and their revision in 1936; and the development *pari passu* of a special policy for the Special Areas.

The account is full and fair, though in comment the author not infrequently strikes a controversial note, accepting too easily for the advocates of “work or maintenance” the canons of sound finance, and failing perhaps to realise the sometimes disastrous incidence on families of the Means Test. On the whole, however, since it is not Mr Davison’s purpose to pass judgment on political issues, or to examine the larger fundamental question of the State’s responsibility for unemployment, his story is unexceptionably told. The financial safeguards of the insurance scheme had been swept away. The insurance fund was heavily in debt. The unbalanced position was too much for the national finances to sustain, and reform was imperative.

The curious and maybe illogical mixture of insurance and relief has not, however, been removed. Principles of sound accounting have been restored. The Unemployment Assistance Board and, in a different way, the Unemployment Insurance Statutory Committee, represent the introduction of long-sighted and efficient principles of administration, tempered as it has proved by local knowledge and advice, into a situation which had become chaotic. But the threefold system of insurance, uncovenanted benefit and poor relief is still a compromise. The most fruitful line of advance would seem to be the steady enlargement of the insurance scheme, which the revival of trade and industry has already made possible in some degree.

The principle that *all* unemployment benefit should be a State charge has so far foundered on the rocks of financial fact. But there remains

the dilemma which contributory insurance presents when its benefits become an indispensable social service which cannot be withdrawn even though the contributory conditions are not fulfilled. It seems that the contractual basis must, in a democratic country, sometimes be tempered by charity, where this can be done without abandoning or seriously weakening the limited liability principle of the schemes.

Some people would still not be very ready to accept the word “charity,” but the financial limitations of public policy cannot be gainsaid.

Books Received

Japan Over Asia. By W. H. Chamberlin. (London) Duckworth. 328 pages. 15s. net.

Estonia. Population, Cultural and Economic Life. Edited by A. Pullerits. (Tallinn) Central Bureau of Statistics. 207 and 68 pages. No price stated.

Bio-Politics. By Morley Roberts. (London) Dent. 240 pages. 15s. net.

Droit Minier du Congo Belge. By P. Orban. (Brussels) Emile Bruylant. 67 rue de la Régence. 235 pages. 50 frs.

Dus Kapital. By F. Oppenheimer. (Leyden) A. W. Sijthoff. 493 pages. Hfl. 6.

Germany. By G. Reimann. (London) Martin Secker and Warburg. 302 pages. 10s. 6d. net.

The Future of British Railways. By W. J. Stevens. (London) P. S. King. 101 pages. 5s. net.

Die Wehrwirtschaft des Totalen Krieges. By S. T. Pessony. (Vienna) Gerold & Co. 155 pages. No price stated.

The Certified Accountants' Year Book. List of Members, etc., 1938. (London) London Association of Certified Accountants. 697 pages. 2s. 6d.

Consumers' Co-operation in Great Britain. An Examination of the British Co-operative Movement. By A. M. Carr-Saunders, P. Sargent Florence and others. (London) Allen and Unwin. 556 pages. 15s. net.

The Domesday of Crown Lands. A Study of the Legislation, Surveys, and Sales of Royal Estate Under the Commonwealth. By S. J. Madge. (London) George Routledge and Sons, Limited. 499 pages. 25s. net.

Stocks and Shares. Third Edition. By Hartley Withers. (London) John Murray. 381 pages. 6s. net.

THE BUSINESS WORLD

More Oil from Coal?

The Committee appointed, under Lord Falmouth, to examine various processes for the production of oil from coal and their potentialities in an international emergency, is understood to have finished its deliberations, though no part of its report has as yet been published. In the following article, a correspondent states a case against the endeavour to replace petroleum by its various substitutes on any large scale.

THE preoccupation of many countries with problems of defence has served, recently, to emphasise the decisive part played by petroleum and its producers in modern warfare, as in modern industry and transport. It has also faced responsible statesmen in many nations with a serious dilemma. Of the world’s leading industrial countries, only the United States of America and the U.S.S.R. are large domestic producers of petroleum, yet all wish to assure themselves of adequate supplies in peace and war. Most Governments already draw a substantial revenue from the taxation of imported petroleum. From the viewpoint of harassed Finance Ministers, this form of taxation has much to commend it; for experience has shown that it combines ease of collection with buoyancy of yield. The military argument in favour of the replacement of petroleum by home-produced substitutes, despite their high production costs, appeals powerfully to many countries, particularly those which could be readily blockaded in a future war. But the more successful the policy, the greater the potential loss of revenue, since the addition of any tax to the costly home-made production would be calculated seriously to check consumption. What is Great Britain’s position in this respect?

The British Government in recent years has been an increasing beneficiary from duties on petroleum. In the current year these are estimated to yield £50,250,000, or 6 per cent. of the total national revenue. In 1932-33 the yield was £35,204,000, and in 1928-29 it was only £12,939,000. The first petrol tax was imposed in 1909, but it was purely a revenue duty, and its proceeds were earmarked for the Road Fund. Actually, its yield was very small, and in no year before 1921, when it was abolished, did it produce more than £3,000,000. A petrol tax was re-imposed by Mr Churchill in 1928, with the primary object of raising revenue, but with an avowed secondary motive of maintaining some kind of “balance” between road and rail between coal and oil. The extension of petroleum taxation to heavy oils in 1933, by Mr Neville Chamberlain, was made specifically at the instance of the coal and allied industries. From that year, indeed, dates the growth of the British Government’s interest in the possibility of using petroleum taxation as a species of tariff wall for the benefit of home-produced petroleum substitutes. The British Hydrocarbon Oils Production Act of 1934 guaranteed preferential treatment to such products for a number of years. Their position is, however, unusual—to say the least—inasmuch as the development of the home industry appears to be contingent on the continuance of effective protection on a scale roughly twice as great as the cost of the imported product. Every gallon of motor fuel and industrial spirit which displaces a gallon of the imported material involves the Government in a loss of revenue of 8d. The total present output of domestic substitutes for petroleum is something like half a million tons—equal to 5 per cent. of the total national consumption—and the taxpayer already pays the producers of substitutes a hidden subsidy of around £4,000,000 a year.

The more important petroleum substitutes produced in

Great Britain to-day are obtained by the treatment of coal in one of three different ways—namely, by high-temperature carbonisation to produce benzole, by low-temperature carbonisation, and by hydrogenation. In addition, shale oil and alcohol are used as substitute materials. The extent of the present output under each of these heads may be briefly indicated.

Benzole is obtained as a by-product at coking ovens, tar distilleries and gasworks. The coking-oven, however, is much the most important source of supply, and the quantity of benzole available at any given time consequently is mainly a function of the demand for coke by the steel industry. Approximately three gallons of benzole are obtained from every ton of coal carbonised. The current year’s estimated production of motor benzole is 235,000 tons, and the value of the preference of 8d. per gallon to the producers may be put at £2,000,000.

The main product of the low-temperature carbonisation process is not motor spirit but semi-coke, which is obtained to the extent of about 16 cwt. per ton of coal carbonised. Crude spirit and tar are subsidiary products derived to the extent of 3 and 17 gallons per ton of coal, respectively. At present only two British concerns operate this type of process on a substantial commercial scale. The motor spirit yield may be estimated this year at about 4,000 tons—apart from a further quantity obtained by the hydrogenation of some of the tar produced.

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The third type of petroleum substitute is petrol produced by the hydrogenation of coal and coal-tar. The only British plant at present using this process is that of Imperial Chemical Industries at Billingham, which has a potential output of 150,000 tons a year. The yield of petrol obtained is of the order of 80 gallons per ton of coal used—a very much higher figure than that of any other process, though no commercial by-products are secured. The cost of production, however, at Billingham would appear to be over rather than under 1s. a gallon; for at a time when the product was competing with petrol imported at an average price of 3½d. per gallon, and paying 8d. tax, Lord McGowan, the chairman of the I.C.I., declared at an annual general meeting that the hydrogenation plant had not up to then shown results which would justify its description as a good commercial proposition, even with the advantage of the existing Customs duty.

Shale oil is in a different position from other substitutes. Actually the shale oil industry is older than the petroleum industry itself. The annual production of shale is some 1,400,000 tons, and the output of oil products exceeds 80,000 tons a year. The only other important "substitute" which is not derived from the treatment of coal is power alcohol, some 20,000 tons of which come into the motor spirit market annually. Despite the fact that it is produced almost entirely from imported raw materials (mainly molasses) it receives more generous treatment from the Exchequer than any other substitute. In addition to the 8d. preference, it enjoys the benefit of the remission of 8½d. per gallon duty which was granted to non-potable alcohol under the Finance Act of 1921.

At present, all petroleum substitutes together satisfy only a fraction of the total home demand. Their costs of commercial production, for the most part, cannot compare even approximately with the price of imported petroleum, *ex tax*. Clearly the question whether, and to what extent, British policy should aim at the replacement of "foreign" by "domestic" supplies depends on considerations apper-

taining to war rather than peace. There is no indication yet whether the Falmouth Report will or will not advocate the extension of the production of oil from coal, but it is of interest that the Government is participating to the extent of 25 per cent. in a newly-formed low-temperature carbonisation company in South Wales.

If, however, Britain's wartime strategy is to be based on the maintenance of a fleet sufficient to ensure effective command of the sea and the satisfaction of a large part of her petroleum requirements by domestic production, it is essential that the premium payable for this double insurance policy should be clearly stated. The cost of increasing "self-sufficiency" is not difficult to estimate. The present total British consumption of petroleum products and substitutes—satisfied as to 95 per cent. from external and as to 5 per cent. from domestic sources—is of the order of 10 million tons a year. About half of this total represents motor spirit. The c.i.f. cost in 1937 of imports of crude petroleum and petroleum derivatives (after deducting re-exports) was £44,250,000. If all the motor spirit were obtained by the hydrogenation of coal, this would involve the construction of thirty plants of the size of Billingham at a capital cost of £160 millions. The Government would lose all their revenue from the taxation of imported motor spirit, which now amounts to £44 millions a year. Even so, the country would be still dependent on imports for the half of the consumption of petroleum products, not represented by motor spirit. The inevitable problems of labour transference would be formidable; and, incidentally, the capital and labour now employed in the considerable oil-refining industry which has grown up in this country in recent years would be jeopardised. Finally, as Sir Thomas Inskip has pointed out in the House of Commons, every unit for producing oil from coal is a potential enemy target; and to depend solely on home supplies, without keeping in existence a service of tankers, is to give an additional hostage to fortune.

By-Passing The Stock Exchange

THE origins of the Stock Exchange are rooted in Government securities, and the gilt-edged market is still one of its main pillars. Here is a market which provides the economist's favourite illustration of free and sensitive dealings; a market which, in its time, has dealt in one penny-worth of War Loan, but can efficiently and expeditiously handle bargains running into hundreds of thousands, or millions, of pounds. Recently the market has had no reason for displeasure with the course of quotations, but it has become concerned for part of its bread and butter. There has been a noticeable tendency for outside dealings in gilt-edged stocks to increase, and a volume of business which in other times would have passed through the Stock Exchange has been short-circuited.

This phenomenon is not new, but two reasons have lately forced it into open discussion. The current paucity of Stock Exchange business naturally draws attention to any factor which tends to reduce the market's turnover. And available evidence suggests that the recent return of the institutional investor to the gilt-edged market has been effected through channels other than those of the Stock Exchange.

Outside dealings in gilt-edged stocks fall into three main classes. The first and simplest case is direct dealing between big institutional holders of gilt-edged securities—for example, between a clearing bank and a discount house. Such institutions are in daily contact in their bill and money business; it is, therefore, not unnatural that they should become aware of their respective attitude towards their gilt-edged holdings, and thus should transact business directly if a basis for dealing is found to exist. Secondly, operations in gilt-edged may be effected through an intermediary outside the Stock Exchange—for example, a firm of running brokers in the discount market. These firms will do business on the basis of appreciably lower commissions than those allowed under the minimum Stock Exchange

scales. A third class of extra-mural dealings affects only gilt-edged jobbers. It occurs when brokers are able to marry the buying and selling orders of their clients and thus save the jobber's turn. The tradition of the "House" is that the broker must deal in the market if he can; but there is no rule which forbids the marrying of transactions, provided that the appropriate broker's commission is charged.

The emergence of this problem of outside dealing to some extent results from the increased attention which the discount market has necessarily paid in recent years to transactions in gilt-edged securities. A discount house may cover its overhead costs from bill business, but its profits tend to depend increasingly on its portfolio of bonds, whether these rank as permanent investments or as media for jobbing profits. Competition by the money houses has forced up the prices of certain short- and medium-term securities to a point at which they are of predominant interest to the discount market rather than to the general investor. This is true, for example, of 4½ per cent. and 5 per cent. Conversion loans. From the discount market's point of view, jobbing in such stocks is becoming expensive (granted the minute adjustments in their prices which are required by changes in prevailing money rates) if full Stock Exchange commission is to be paid. Unfortunately for the Stock Exchange, however, this technique of direct and cheaper dealing is not confined to the "shorts." The new technique is being extended to longer-dated securities. A running broker is prepared to deal for 1/64 commission in War Loan, for instance, and such a rate, compared with the existing scale of Stock Exchange commission, naturally encourages resort to outside dealing.

The large banks have also played some part in this recent development. Their stake in the gilt-edged market is today so much larger, both absolutely and in relation to their total resources, than it was a few years ago that the func-

tion of handling their security portfolios has, in most cases, become the whole-time care of highly-paid specialists. Problems of the composition of investment portfolios and the technique of "switching" are now under constant study and can no longer be left to the leisurely consideration of a committee of directors meeting at relatively long intervals. The specialists who now perform these functions earn their salary by dealing as shrewdly and economically as possible. They ask for net prices and get them. More often than not, they are able to assess the "touch of the market" so acutely that brokers handling their orders can only execute them by marrying transactions at prices well inside the margins quoted by the jobbers. The increased cut-and-thrust in the gilt-edged market has thus been caused largely by the intrusion of the discount houses, with their substantial resources and a technique of cheap dealing developed from their bill business, and by the higher standards of economy and efficiency set up by the banks in their present-day investment business.

The losses suffered by the Stock Exchange as a result of these developments are twofold. The brokers lose commissions when they are supplanted in direct dealing or in dealing through a running broker. The jobbers also lose their turn both when dealings take place through outside channels and when brokers are forced to marry their transactions. Moreover, jobbers have been unfavourably affected by the practice, which has become common, by which part of a big order is placed in the "House" and the other part outside. As a result, jobbers have found on occasion that, after they have satisfied an important buying order, the market has suddenly moved against them owing to the completion of that order outside the House.

The problem as it affects the Stock Exchange is the more important since it carries the seeds of its propagation into other markets than that for gilt-edged securities. In considering possible solutions, two elements must be considered—the level of brokerage commissions and the jobber's turn. Much has already been done to meet the requirements of the big institutional investor through adjustments of commissions. The discretionary commission on bonds which have no longer than five years to run to final redemption covers a good deal of the ground most affected. The minimum commissions of 1/64 on 1 per cent. Treasury Bonds, of 1/32 on 4½ per cent. Conversion Loan, and of 1/16 on 5 per cent. Conversion Loan can hardly be regarded as penal deterrents to business. The 1/8 commission which applies to National Defence Bonds and War Loan (when deals of over £50,000 are involved),

however, is more likely to meet resistance on the part of the institutional investor. Again, the authorities might consider the possibility of countering the loss of really big orders by a reduction in commissions on operations of, say, over £250,000. Brokers, naturally, will not relish the idea of making further concessions on a scale of charges which they do not themselves regard as excessive. But the possibility of an extension in outside competition, coupled with the desirability of recovering some of the business already lost, should go far to offset this natural aversion to a lowering of the scale of commissions.

The problem of the jobber's turn raises the broader question of the elasticity of the gilt-edged market in the "House." Admittedly, that market did not enjoy a good year in 1937, but its reaction to uncertain market conditions was a restriction of its "book" to dimensions which appear small in relation to the normal turnover of the market. Consequently, the gilt-edged market has been rather more sensitive to comparatively slight changes in sentiment over the past twelve months than might have been expected by earlier standards. This reluctance to run a large position could be readily understood at certain periods last year, but inevitably the market has been forced to quote prices at which institutional business in gilt-edged has scarcely been encouraged. We should be the last even to appear to teach the gilt-edged market its highly specialised and difficult business. But, judging the experience of the past year objectively, the market might reflect whether its reluctance to take stock—for reasons which, at the time, may have seemed wholly adequate—was at times so pronounced that it was to some extent responsible for the tendency of would-be operators in gilt-edged stocks, on occasion, to look outside the "House" for the satisfaction of their requirements.

It is evident that the problem of outside dealing should be faced by the Stock Exchange. The traditional case for the functional importance of the jobber and the duty of others to support him is generally admitted, but in this connection it is not wholly relevant. Some muted appeals for the authorities to ban "direct" dealings in gilt-edged stocks, just as they banned them in the foreign exchange market, have already been heard. But an authority which is reluctant to seek the exclusive rights bestowed by a charter would not, presumably, be anxious to assume such powers by proxy. The new competition should rather be met in the time-honoured way, by removing its economic *raison d'être*. And that is a matter for the unaided efforts of the Stock Exchange itself.

Finance and Banking

The French Gold Transfer.—As we foreshadowed a week ago, the Frs. 3,000 millions of gold transferred last November from the French Exchange Fund to the Bank of France has now been handed back to the Exchange Fund. The suggestion has been made that the Bank of France took over this gold temporarily in order to facilitate the repayment of the sterling credit, but this explanation carries little conviction. It was unfortunate that the Exchange Fund parted with this gold in the first place, and owing to the recent flight from the franc, the Fund has been urgently in need of it. A fortnight ago we noted that the Exchange Fund was borrowing sterling by "swap" operations between the spot and forward market, and part of this Frs. 3,000 millions of gold may well be needed to cover the Exchange Fund's forward sales of sterling on their maturity. On the other hand, it is unlikely that the whole of this amount has been so mortgaged. If that were so, then the Exchange Fund would have drawn more heavily upon the Bank of France's reserves; for it would be foolish to make two such drafts on the Bank of France in quick succession. A larger amount in francs is involved, however, than appears at first sight; for these three milliards are "Auriol" francs, equivalent

to about 4½ milliards to-day. The Finance Minister's new assurance this week that the Government were aiming at various financial reforms, including the strengthening of the defences of the franc, is, again, too general to mean much. Still, at the moment France has secured a new breathing space. The market in francs is completely inactive, with no speculation or further flight of capital. Spot sterling remains at about Frs. 152½, with forward rates at Frs. 2½ and Frs. 6½ discount, for one and three months, respectively.

* * *

German Politics and the Mark.—Recent developments in Germany—not least the gradual elimination of Dr Schacht—have left their impression on the market for the many types of Reichsmarks now in existence. Even the official rate, with its rigid control and its unreality, fell from 12.39 to 12.44 on Friday and Saturday last week. It is, however, in the rates for the various types of blocked marks that the financial implications of current political trends in Germany have been most clearly reflected. Registered marks fell over the week-end from 48½ to 48½

per cent. discount, but have since recovered to about 47½ per cent. discount. For the time being the supply of these marks is strictly limited, but the position might be drastically altered if standstill creditors of Germany were to lose their confidence — hitherto justified — that whatever happened to German finances the standstill credits would remain inviolate.

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The fall in the more restricted types of blocked marks — the credit, security and emigrants' marks — has been more serious. Compared with a month ago, the rate for credit marks has fallen from 84½ to 87½ per cent. discount and that for security and emigrants' marks from 84½ to 88½ per cent. discount. The amount of the depreciation may be, perhaps, more readily realised if the quotations are expressed in reciprocal form. Thus emigrants' marks, for example, have declined during the past month from 15½ per cent. to 11½ per cent. of the official Reichsmark rate. It will be apparent that, as the official rate has been practically stable in terms of sterling, the fall in the sterling value of the emigrants' mark has been of the order of 27½ per cent. This is an enormous depreciation in a currency whose value is already near zero.

* * *

Premium for Gold Coins.—One of the clearest indications of continuing distrust in the Continental currency situation is the persistent hoarding demand for gold coins in the London bullion market. The size of the turnover in these coins is difficult to estimate, since dealings in coins are not included in the published figures of gold dealt in at the fixing. But the Customs returns provide a more useful guide. They suggest that the "market" has lately been very active. Imports of coins from the beginning of the year to February 7th amounted to £4,565,000, against £4,943,000 for the whole of 1937. Exports were £4,606,000 for the first five weeks of 1938, compared with £4,796,000 for the whole of last year. Another indication of the increased demand for gold coins is the premium bid for them, which, since the beginning of this year, has risen from about 3 per cent. to 4 per cent. over the bullion price. The semi-official embargo on dealings in gold coins at a premium, which was imposed on the London market in 1936 in deference to the French Government's wishes, has now been withdrawn.

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The Customs returns show that, of the exports of coin from the United Kingdom this current year, France has taken £2,363,000, the Netherlands £1,582,000 and Switzerland £620,000. France is obviously the chief magnet, and it may be assumed that the bulk of the coins exported to the Netherlands and Switzerland have been bought on French account and consigned to those countries for safe custody. Our main sources of supply of coins during this year have been Canada (£1,941,000), Venezuela (£691,000), Belgium (£677,000) and the United States (£677,000). Certain central banks have recently decided to profit by the existing and abnormal premium on coins and have sold part of the holdings of coin in their gold reserves against purchases of bar gold. Exports from Belgium are of this nature, and so are those from Canada; for the only appreciable stock of coins in the Dominion is held by the central banking authority. The Netherlands Bank has also been selling gold coins against bars, in order to supply the Dutch market, where demand was particularly keen when the semi-official embargo precluded dealings in London.

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Argentine Exchange.—The Argentine Embassy in London has issued a statement, which in many respects bears out our Note of a week ago. It draws a distinction,

however, between the reduction of the surcharge from 20 to 10 per cent., which it regards as fundamental, and the coincident rise in the free exchange rate from 17·02 to 18·50 pesos to the pound, which is described as circumstantial. It is generally believed in Buenos Aires, however, that the Argentine central bank has for the moment ceased to support the free market, and this may be one cause of the depreciation of the free rate, which (as we showed last week) has largely nullified the reduction in the surcharge. At the moment, however, the outlook for the official import rate has become of the greater importance. The recent rains have come too late to save a large part of this season's maize crop, and for this and other reasons there is likely to be a serious contraction in the value of Argentina's exports. On the other hand, Argentina is still importing heavily, as she is spending the proceeds of last year's large exports. A year ago, the official import rate was reduced from 17 to 16 pesos to the pound, but it is now possible that it may have to be raised again. The Embassy points out that the free market is to some extent affected by movements of "hot money," large amounts of which have recently sought refuge in Argentina. If so, the prospect of an adverse trade balance may have occasioned an efflux, which, together with the withdrawal of official support, would help to explain the recent depreciation of the free rate.

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January Clearing Bank Averages.—Since December there has been an increase of £6·8 millions in clearing bank cash, mainly due to the return of Christmas currency from circulation and to the fact that during most of the month the Bank of England was holding more Government securities than usual. Advances averaged £13·7 millions less in January than in December, owing to the completion of the repayment of the French railways' sterling credit. As there was a slight drop in deposits, the banks are for the moment in an even more liquid condition than usual.

(In £ millions)

	Jan., 1937	Sept., 1937	Oct., 1937	Nov., 1937	Dec., 1937	Jan., 1938
Capital and reserves	132·5	132·5	132·5	132·5	133·3	136·0
Acceptances, etc.	110·4	114·2	115·6	114·9	114·0	111·0
Deposits (including undivided profits, etc.)	2,269·5	2,249·8	2,275·2	2,272·9	2,293·3	2,292·4
Total liabilities	2,512·4	2,496·5	2,523·3	2,520·3	2,540·6	2,539·4
Cash	234·4	234·3	230·7	231·6	241·0	247·8
Cheques, balances and items in transit	64·0	60·1	62·9	65·8	77·9	64·5
Money at call	174·1	157·4	159·7	154·8	158·5	149·0
Discounts	343·6	279·2	294·6	296·0	298·5	329·8
Investments	653·9	626·0	624·6	619·4	620·4	621·2
Loans and advances	804·6	957·5	967·3	969·8	962·5	948·8
Investments in affiliated banks	23·5	23·5	23·5	23·6	23·7	23·9
Cover for acceptances, etc., premises	154·3	158·4	160·0	159·3	158·1	158·4
Total assets	2,512·4	2,496·5	2,523·3	2,520·3	2,540·6	2,539·4

The greater liquidity of the banks is reflected in the increase of £31·1 millions in their discounts, offset to some extent by a drop of £9·5 millions in call and short loans. Some surprise has been expressed at the increase in the banks' discounts, inasmuch as the market only secured meagre allotments of Treasury bills during the latter part of January. The banks, however, never buy hot Treasuries, and the market secured good allotments during December and early January. Presumably these are the bills which have been bought by the banks. At the same time, the drop in call and short loans shows that the banks have been buying all the bills which the market could spare. Investments are slightly greater than in December, and the past two months' record shows that, with the repayment of the French credit, the banks have for the moment ceased realising Government securities.

Bank of Nova Scotia.—The accounts of this bank for December 31, 1937, show that deposits have risen during the year from \$238·5 to \$242·4 millions, while total assets stand at \$299·5 millions, a new high record figure. The ratio of cash to deposits has also improved from 11·6 to 12·1 per cent., and the bank generally is in a very liquid condition. As regards the chief earning assets, Mr H. F. Patterson, the General Manager, alluded at the annual meeting to the year's increase of \$5,653,000 in advances, which, he explained, was due to a greater demand for advances by the bank's commercial customers,

to enable them to handle the larger volume of business offering during the year. This new demand more than counter-balanced the sharp falling-off in loans against grain due to the short crop harvested in the Prairie Provinces. Investments also increased during the year, but Mr Patterson explained that about four-fifths of the bank's securities were of less than ten years' maturity. Call loans in Canada were considerably lower, as a result of the diminution in stock market activity. Net profits increased by \$55,000 to a 1937 total of \$1,982,140. Mr McLeod, the President, discussed world conditions

MONEY MARKET NOTES

The Money Market

Heavy transfers of tax money from the joint-stock banks to the Bank of England have made money less plentiful, and on Monday, Wednesday and Thursday one or more of the clearing banks was calling from the market. For the same reason the banks are now less eager to buy bills, other than bills maturing on suitable dates. Much of the tax money passing into the Exchequer is, of course, quickly released through repayments of Treasury bills; but as this week's Bank return shows, some of the repaid bills are held by the Bank of England, and in this case, of course, the money is not returned to the market. In any case, these transfers of large sums between the banking system and the Exchequer means that the banks may at any time be temporarily short of cash.

	Feb. 11, 1937	Feb. 3, 1938	Feb. 10, 1938
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½	1½-5/8	1½-¾
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9/16	1½-9/16	1½-9/16

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

Following the repayment on February 1st of certain Australian maturities, the funds for which had previously been lent in the market, there has been a certain shortage of "bond money." Many bonds have since been carried against day-to-day loans, and it has not always been easy to renew them. In consequence, up to ½ per cent. has at times been paid to outside lenders for this class of loan.

Foreign Exchanges

The market this week has been very quiet. As stated in an earlier Note, there have been very few dealings in francs. On Tuesday, there was some demand for belgas, which brought the spot rate down from bel. 29·56 to bel. 29·52, but the rate has since returned to bel. 29·56. It is thought that the National Bank of Belgium has been selling sterling. Guilders and Swiss francs have

been very steady, and there is also little alteration in the New York rate, which has hovered round \$5·01. Still, the general tendency is for Continental money to move out of dollars, and the London market has also noticed a feeling of distrust in the future of the dollar. One consequence of the movement is that both the Dutch and Swiss authorities are now carrying large sterling balances.

The Bank Return

Few of the extra notes withdrawn by the public at the end of last month have yet returned, for this week's drop in the circulation is insignificant. The note circulation is now £21·1 millions higher than it was a year ago.

	Feb. 10, 1937	Jan. 26, 1938	Feb. 2, 1938	Feb. 9, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313·7	326·4	326·4	326·4
Notes in circulation	455·0	473·2	476·7	476·1
Banking Dept.				
Reserve	59·1	53·8	50·3	50·9
Public Deps.	11·7	13·6	11·4	16·1
Bankers' Deps.	99·2	113·1	111·4	102·9
Other Deps.	37·3	37·3	36·6	35·5
Govt. Secs.	81·2	98·9	98·1	93·3
Discounts and Advances	6·5	10·4	10·5	9·6
Other Secs.	19·5	19·0	18·7	19·0
Proportion	39·8%	32·7%	31·5%	32·9%

In the banking department, public deposits have risen by £5·3 millions. This is due to revenue collection, but by next week this extra money may well have been applied to the redemption of Treasury bills. Meanwhile, Government securities have fallen by £4·8 millions, possibly because of the maturity of Treasury bills held by the Bank. It was, in fact, reported in the market that the Bank was ready to buy bills if offered them. Both these changes have combined to deplete bankers' deposits, which have fallen by £8·5 millions. This drop explains the slightly greater stringency noticeable in the market, and also brings bankers' deposits to a more normal level for the first time this year.

The Bullion Market

Continental funds continue to drift out of dollars and into gold, and so the chief demand in London is still for hoarding or investment purposes. This

demand is, as usual, met out of supplies coming from official sources, but from the amount dealt in during the last day or two, and also from the slight drop in the premium, it appears that the authorities are showing a greater readiness to meet current demands. On Thursday a higher price would probably have been established at the fixing had it been thought desirable.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc.	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Feb. 4 ...	139 9	12½pm	81	20¼	19½g
" 5 ...	139 9	13 pm	270	20¼	19½g
" 7 ...	139 9	12 pm	163	20½g	19½g
" 8 ...	139 8	11½pm	379	20½g	19½g
" 9 ...	139 8	11 pm	716	20½g	19½g
" 10 ...	139 8	11½pm	631	20½g	19½g

* Above or below American shipping price. The New York price of silver remained at 45 cents per ounce .999 fine during the week.

There is no change in the silver market, bear covering being fairly well offset by Continental selling. The intensity of the bear covering from day to day is shown in the changes in the spread between the cash and forward prices, any increase in the spread indicating a keener bear demand for spot silver. There are reports of selling in the Bombay market, where the price for the earlier of the two settlement dates now stands at a discount compared with the later date.

U.K. and Argentine 1933 Convention Trust.—The auditors' report for 1937 shows that £5,367,075 nominal of British Govt. 3 per cent. conversion loan, 1948-53, and £7,156,100 Argentine Govt. 4 per cent. sterl. Bonds, 1933, are deposited in the trust (same). Balance of assets deposited as capital reserve fund in cash and securities at cost (which is lower than market value) is £170,510, compared with £162,167 in 1936 and £156,559 in 1935. Balance of income distribution account carried forward is £17,180, against £11,439.

Sun Life Assurance Company of Canada.—For 1937, net new assurances were £51,274,626 (against £45,122,489). Assurance premium income, £20,711,036 (£19,871,652); gross income, £34,164,329 (£34,231,992). Total payments to policy-holders, £15,656,875 (£15,904,345). Total assurances in force, net, £588,662,239 (£563,678,695); funds, £166,185,018 (£154,876,088); assets, £170,813,372 (£159,822,645). Interest rate £4 6s. per cent., against £4 5s. 10d. per cent.

in his annual address. Much, he confessed, depended upon the course of events in the United States, but outside the "drought area" business in Canada had been steadily improving until September, and the subsequent recession had been very moderate.

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Currency Report by the Reserve Bank of India.—The Reserve Bank of India has recently issued a Currency Report covering the two years 1935–36 and 1936–37. The report draws attention to the sustained progress made by India during the two years, and points to the beneficial effect of the upward trend of agricultural prices on Indian economy. The narrowing of the margin between prices of raw materials and finished goods is exemplified by the statement that the price index numbers of raw cotton and raw jute rose 36 points and 7 points, respectively, in the period, while those of cotton manufactures fell 5 points and jute manufactures 11 points. As a

result of the improved favourable trade balance, the Exchange remained very firm, but £88 millions of sterling was purchased during the two years at a rate of slightly over 1s. 6½d. per rupee. Extremely easy monetary conditions resulted in the flotation by the Government of a Rs. 12 crores 1948–52 loan, at par, in May, 1936, at the record low rate of interest of 2½ per cent. Interest rates on Post Office Cash Certificates and Savings Bank Deposits were also reduced, from July 1, 1936, to 2½ per cent. tax free and 2 per cent. respectively. Though the total outstandings of Post Office Cash Certificates have grown steadily from Rs. 35 crores in 1929–30 to Rs. 64.4 crores in 1936–37, repayments exceeded new issues in 1936–37 for the first time in many years, and there was a net outflow on balance of Rs. 1½ crores. Another item of interest is that net sales of silver in 1935–36 and 1936–37, on Government Account, amounted to Rs. 7.63 crores. The Report deals also with the changes consequent on the inauguration of the Reserve Bank and the handing over of the assets of the Currency Department in April, 1935.

Investment

Markets Turn Downward.—According to modern theory—which stresses the rôle of psychological and technical factors in short-term market fluctuations—special significance was attached to this week's renewed downturn in share values, which carried *The Financial News* index of 30 industrial equities under the low point of last November. From November 22nd until the end of last week the established downward trend of prices had been interrupted for much the longest period since the movement began. The index, which had fallen from 124.6 (July 1, 1935 = 100) at the beginning of 1937 to 93.1, had recovered to 98.5 by December 6th. Thereafter it slowly receded and last week-end reached the figure of 93.1 again, with its mystic associations. At that moment the German authorities chose to announce their far-reaching army and Foreign Office changes, on which the market, with one accord, put an unfavourable interpretation. On Monday the index broke rather violently through the "November low," to a level of 91.7. Next came the Ministry of Labour's announcement of increased unemployment in January, and the index further declined to 90.9 on Tuesday. On Thursday it stood at the new low level of 90.7.

* * *

Sensitivity to bad news is admittedly an outward and visible sign of an inward and deep-seated lack of confidence. Among other things, it shows that professional operators share the general public's nervousness, and are unwilling to support the market. Nevertheless, it is not yet by any means certain that another extensive break in prices is in prospect. There has been no sign, as yet, of the secondary and tertiary phenomena of such a movement—namely, "automatic" selling at price limits already placed below the former market level, and forced selling consequent upon the shrinkage in the value of collateral deposit against loans. It is true that the number of bargains marked in the Lists on Tuesday and Wednesday was higher than on the same days of last week, and that increased business normally affords *prima facie* evidence of the currents of involuntary selling. The actual increase, however, was not very considerable, and in the middle of the week the market had a slightly firmer tone. This week's twin bogeys may appear less formidable on second than on first thoughts. In particular, the January increase in unemployment is, on the whole, slightly less than seasonal; and in any case, present share prices are discounting a much steeper trade recession than has yet taken place. Incidentally, the behaviour of Wall Street may have interest for London, if and when the Dow Jones industrial index breaks, in turn, under its low point of last year. At the moment it has a

"margin" of a clear dozen points on the right side, and the American market for once was strong, early this week, when London was falling.

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Birmingham Loan Terms.—Bristol re-opened the corporation borrowing season, but it has been left to Birmingham to blaze a new trail. The decision of the Birmingham authorities to issue a loan of £5 millions on rather less favourable terms to the subscriber than those adopted for the Bristol loan was doubtless based, in part, upon the recent strength of the gilt-edged market, which fortunately was again resumed on the eve of the issue. But while the market was inclined to consider the new terms rather finely trimmed, even for an authority whose credit is as good as its financial policy is sound, it was not, of course, in any conflict with their basic assumption of continued strength for trustee issues under present conditions—a matter which we discuss in a leading article on page 331. The Birmingham stock carries interest at 3½ per cent., and was issued on Thursday at 98. It has a 19 years' life to earliest redemption and 24 years to latest redemption, compared with 23–28 years for the Bristol 3½ per cent. loan, issued last week at 101½. The latter, of course, shows the more favourable flat yield, of £3 9s. per cent., compared with £3 6s. 4d. per cent. for the Birmingham stock. The redemption yields, however, are as close as makes no odds for the long-term holder, since Birmingham yields £3 7s. 6d. per cent. to latest and Bristol £3 8s. per cent. to earliest date. It is nearly two years since a series of corporation stocks was issued at a small discount—but at that time they carried an interest rate of 3 per cent. Whether other borrowers will follow Birmingham's choice on this occasion may be open to doubt. The market prefers stocks at a small discount, but does not set as much store on it as in 1936, when it sought a refuge against the possibility of rising interest rates. Nor do all cities enjoy the volume of local support which has always been characteristic of Birmingham's civic finance.

* * *

An Association for Outside Brokers?—The Bodkin Committee, in its report on share-pushing, published last August, recorded its estimate that there were between 600 and 800 outside brokers or share-dealers—"outside" in the sense that they were not numbered among the 5,500 members of recognised stock exchanges in the country, nor among the numerous agents who combined share dealing with such occupations as accountancy or estate agency. "Outside" brokers, in this sense, are not limited in their operations by the Stock Exchange ban

on advertising. A move is apparently on foot to bring outside brokers under the banner of a single association—a possibility of considerable interest in view of the expected introduction of a Bill based on the legislative proposals of the Bodkin Committee in the fairly near future. Until full details are made public it would be premature to analyse the possible functions and standing of such an association. There are, of course, points of fundamental importance which need careful consideration, such as the proposed association's attitude towards advertising, and the question of its potential relations with recognised stock exchanges. The rule against advertising is strictly enjoined by the Stock Exchange Committee in admitting country brokers to the "white list" for the return of half-commissions on the business which they put through London brokers. While a voluntary association could doubtless introduce improvements in professional standards, its attractions for "white list" brokers still remain to be disclosed.

* * *

Brazil Delays.—On November 20th the Brazilian Cabinet re-affirmed its earlier decision to suspend remittances on the Brazilian debt service and instructed the Finance Minister to open negotiations for a new agreement "in accordance with Brazil's resources." During recent weeks, repeated diplomatic representations have been made about the default, and a distinct improvement in Brazilian bond quotations during the first stages of the last account reflected the view that some offer of payment might be made in the reasonably near future. Hopes were dashed, however, on February 2nd, when Mr Eden announced in the House of Commons that, despite the repeated representations of the British Ambassador and of the local representative of the Council of Foreign Bondholders, no Brazilian offer to resume payments had been made. Indeed, it has not been possible to arrange a date for the opening of negotiations. A sharp reaction in Brazilian issues inevitably followed this statement. Brazil's policy is putting an almost unbearable strain on her ultimate interests; for though the London market has always been willing to give temporary accommodation to hard-pressed debtors, it does not forgive high-handed default.

* * *

Foreign Interests in China.—Despite the protestations and reassurances of the Japanese Foreign Minister, the fears of Western nations over the ultimate fate of their interests in China have not been allayed. How extensive these interests are may be gathered from the fact that Professor Remer put foreign investments in China (excluding Manchukuo) at just under £500 millions in 1931. British investments accounted for nearly half (£245 millions) of this total, Japanese for a further quarter (£120 millions), followed by the United States and France (both £40 millions). Belgian, German, Italian and Dutch interests are considerably smaller. Approximately £350 millions consists of direct business investments. The range of British interests in China is wide. Japanese capital is chiefly invested in shipping, in cotton mills, and in iron mines in the Yangtse Valley. No less than two-thirds of the total foreign business investments are in Shanghai, where British property has been valued at £152 millions, Japanese at £44 millions, American at £20 millions, and French at £8 millions. British investments in Hongkong have been put at £18 millions. About £150 millions of foreign capital is invested in Chinese Government obligations.

* * *

So far as trade is concerned, the United States, when she was the chief source of imports into China in 1936, supplied 20 per cent. of the total. Since 1933, Germany has doubled her share from 8 to 16 per cent., notably in fertilizers, rails, and armaments; whilst Japan's share has risen from 10 to 16 per cent. The United Kingdom (12 per cent.) has not recently lost ground, but since 1911 she has fallen from first to fourth place. Some 15 per cent. of China's exports go to Hongkong; and the bulk of these are re-exported. Apart from this, the United States

takes no less than 26 per cent. of China's exports. Japan is also an important market (15 per cent.), notably for raw cotton, coal and iron ore. China's chief other market is with the U.K. directly (9 per cent.). Finally, there is a considerable foreign interest in Chinese shipping. Some 40 per cent. of the China trade in 1936 was handled by British ships, and 17 per cent. by Japanese. Chinese ships accounted for 27 per cent. No other country's share exceeded 3 per cent. of the total. Japan, Great Britain, and the United States are thus the Powers with the greatest material interests in the Far East. Japan monopolises the trade and investments of Manchukuo, and her share in the investments and shipping of China is second only to Britain's. Britain controls half the foreign investments and nearly half the shipping in China. The chief American interest in the Far East is in trade. Economically, the United States is primarily interested in Japan, whereas the great British stake is in China.

* * *

Insurance Share Index.—Each quarter of 1936 saw *The Economist* Insurance Share Index at new high levels. In 1937, however, each quarterly figure was smaller than its immediate predecessor, and over the twelve months there was a fall of 11 per cent. the 1937 average of 4,795 (1913 = 1,000) comparing with 5,031 for 1936, and 3,406 for 1929. The indices are based on the course of an investment of £1,000 in the ordinary shares of each of twenty-four companies, making appropriate allowance for bonus issues. Details of the index are set out below:—

Company	1935	1936	1937	Mar. 31, 1937	June 30, 1937	Sept. 30, 1937	Dec. 31, 1937
Alliance	2,316	2,525	2,341	2,310	2,184	2,226	2,268
Atlas	3,667	3,968	3,698	3,682	3,619	3,619	3,809
Caledonian	5,032	5,464	5,457	5,335	5,284	5,284	5,032
Commercial Union	4,694	4,870	4,490	4,354	4,354	4,354	4,354
Employers Liability	2,405	2,540	2,509	2,477	2,522	2,567	2,432
Equity and Law	4,670	5,909	6,986	6,785	6,428	6,428	6,517
General Accident	12,099	14,716	14,582	15,332	14,332	14,666	14,332
Gresham Fire	5,166	5,016	4,571	4,381	4,381	4,381	4,286
Guardian	3,487	3,793	3,518	3,487	3,436	3,384	3,384
Legal and General	11,735	13,716	12,944	12,678	11,913	11,749	11,475
Life Assn. of Scotland	3,667	3,932	3,792	3,994	3,828	3,638	3,590
London and Lancashire	5,039	5,676	4,962	5,077	4,769	4,692	4,616
London Assurance	2,996	3,293	3,172	3,202	3,153	3,056	3,056
North British & Mercantile	5,995	6,975	6,433	6,497	6,306	6,115	5,860
Northern	2,364	2,597	2,395	2,448	2,388	2,448	2,388
Prudential	2,089	2,177	2,025	1,996	2,063	2,030	2,097
Phoenix	3,387	3,669	3,369	3,357	3,213	3,261	3,261
Royal Exchange	4,805	5,499	5,090	5,114	4,990	5,052	4,805
Royal	3,129	3,366	3,129	3,097	3,054	3,011	2,925
Scottish Life	4,382	4,761	4,192	4,382	4,270	4,101	4,101
Scottish Union and National	4,996	5,490	5,352	5,176	5,028	5,176	4,880
Sun Fire	3,271	3,316	3,093	3,067	3,022	3,022	2,933
Sun Life	2,972	3,375	3,193	3,022	3,274	3,123	3,224
Yorkshire	3,575	4,091	3,762	3,762	3,711	3,504	3,556
Average	4,497	5,031	4,795	4,800	4,656	4,620	4,549

Only six shares showed improvement in the last quarter of the year, when the decline was somewhat steeper than between June and September.

* * *

Industrial Profits in January.—Our computations of industrial companies' profits (which are based on our weekly table of company profits, appearing in this issue on page 376) show that the rise in earnings, compared with the previous year, continues to be well maintained. The 107 companies which reported in January showed net profits of £13,832,382, an increase of £2,295,782, or 19.9 per cent., on the previous year's results for the same companies. The record for the past two years is given in the following table:—

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
Jan.	128	11,912,401	13.66	Jan.	110	13,222,882	15.92
Feb.	205	30,427,925	9.00	Feb.	208	27,956,548	8.95
March ...	236	33,391,656	17.39	March ...	207	53,554,168	12.52
April ...	254	38,660,148	9.66	April ...	245	31,712,217	23.36
May ...	269	27,354,879	9.41	May ...	255	25,053,946	14.09
June ...	214	26,140,561	13.50	June ...	265	43,924,563	21.19
July ...	228	14,337,131	15.69	July ...	193	15,260,299	19.62
Aug. ...	47	5,562,452	14.21	Aug. ...	62	6,042,402	9.41
Sept. ...	107	9,074,987	12.32	Sept. ...	81	7,269,607	27.80
Oct. ...	146	8,104,438	18.09	Oct. ...	177	14,884,260	26.97
Nov. ...	177	15,591,516	13.49	Nov. ...	206	23,579,407	20.25
Dec.	175	18,438,723	15.49	Dec.	152	18,101,112	14.09
				1938			
				Jan.	107	13,832,382	19.90

* After debenture interest.

Of the 107 companies which reported last month as many as 50 fell into three groups: financial and land, rubber, and investment trusts. The latter class contributed some 8 per cent. towards total profits, but accounted for only 4 per cent. of the increase. The Woolworth results give shops and stores first place in the month's total, while the actual increases in the profits of Apex (Trinidad) and Petroleum Storage contribute £462,053 to the total increase. The improvement disclosed, however, is of a fairly general nature, and is not unduly weighted by individual companies.

Company Notes

Southern Railway Dividend.—The home railway dividend season has begun well, with a declaration by the Southern Railway which exceeded the market's best expectations. A payment of 1½ per cent. is declared on the deferred ordinary stock, compared with ½ per cent. for 1936. Even the optimists had not expected a dividend of more than 1½ per cent. There is, in fact, the same air of pleasant mystification on this occasion as greets the emergence of the white rabbit from the conjuror's hat. Although the weekly traffic figures showed an increase of no more than £731,000 for 1937, the company's statement shows that gross receipts increased by as much as £1,312,769, of which £325,964 has been added to net revenue. The dividend is accordingly covered with about £6,000 to spare. But it is difficult to explain the difference of £581,769 between the weekly returns and the company's final figure for the year, solely in terms of ancillary income. Gross ancillary receipts in 1936 amounted to £3,012,000, and an increase of anything like £580,000 appears distinctly large, after all due allowance for improvement in cross-channel business and a busy year at Southampton. Such an increase, indeed, can hardly be reconciled with the company's evidence before the Railway Rates Tribunal last year, which forecast a reduction of some £24,000 in net receipts from ancillaries for the whole year. That figure suggested that the company anticipated a fall of £84,000 in the second half of the year, since net ancillary receipts increased by £60,000 during the first six months.

The estimate may have proved pessimistic, but the stockholder will regret, all the same, that the 52 weeks railway traffic figures did not give him a truer picture of the actual gross receipts. The case for supposing that an appreciable part of the difference is due to ancillaries (which are not included in the weekly returns) is strengthened by an analysis of the two halves of the year. During the first six months railway receipts increased by £338,000, and net railway receipts by £150,000. That figure, with £60,000 net from ancillaries, gave a net increase of £210,000. During the second half year, the corresponding increase in net revenue was £115,964. To assume that the company's estimate of net ancillary receipts proved accurate, would imply that railway net receipts during the second half of the year increased by £50,000, despite an increase in wage costs of the order of £130,000 from mid-August to the end of the year (apart from the expense of handling increased traffic), and despite the increase in materials costs, which may well have amounted to £250,000 on a rough estimate. Such figures appear quite incompatible both with the company's estimate of ancillary receipts and with the weekly traffic returns. Stockholders, therefore, will express due thanks for their dividend, but will look forward to finding its explanation in the forthcoming accounts. The deferred ordinary stock rose to 21½ on the announcement, and after some fluctuation now stands at 21½. The L.M.S. and Great Western announcements were awaited as we went to press.

London Transport Interim.—London Transport "C" stock, which stood at 81 on the eve of the announcement of a maintained interim dividend of 1½ per cent., has since varied only fractionally. As a pointer to the year's results, the interim declaration tells the "C" stockholder little. It will be covered by earnings with a margin, but the extent of that margin is a decisive factor in the current year, since the Board must pay 5½ per cent. on the "C" stock or expose itself to the risk of an application to the Courts for the appointment of a receiver. In a recent comment (*The Economist*, January 15th, page 125) we pointed out that there was no clue to the source from which additional revenue must come if the Board is to meet this statutory obligation. In recent weeks the trend of traffics has been more favourable, but in the absence of a bumper return in the last week of 1937, receipts would have been lower during the half-year to December, 1937, than they were twelve months earlier. The gain of £15,900 for the twenty-six weeks, however, has since been substantially improved by a succession of good returns (although last week's *plus* of £300 is disappointing) and now totals £84,500 for the thirty-two weeks to date. But without assuming any changes in costs, this recent rate of progress would have to be maintained, and its fruits retained net, for the rest of the Board's financial year (which ends at June 30th), in order to show earnings sufficient to cover the 5½ per cent. dividend. In fact, although the rise in costs has recently slackened, the current year's accounts will have to bear the burden of a net increase in wages and costs of stores. The investor will sympathise with the Board's difficulty. Its solution must be left to the Board itself. Evidently, however, an increasing number of investors now recognise the equivocal equity-cum-debenture status of the "C" stock, which represents an incubus upon the Board whose weight may, one day, have to be tested.

Road Transport Prospects.—No scepticism over the dividend prospects of London Transport "C" stock was displayed by Mr J. F. Heaton at this week's meeting of Thomas Tilling. It is not unreasonable, he declared, to anticipate that the full standard rate of 5½ per cent. will be paid. On the dividend prospects for his own company, Mr Heaton was entitled to speak with complete assurance, and he expressed the confident hope that the current dividend rate of 10 per cent. would be maintained on the ordinary capital, increased by the latest 25 per cent. capital bonus. His review of road passenger and haulage conditions, however, emphasised a point which was made in our comment on the report last week. The company has, in fact, to maintain half of its "services"—a term which the chairman might profitably have defined—at a loss, in order to meet the requirements of the public. It follows, naturally, that the remainder must be highly profitable, but clearly the level of general profitability is not so high as the investor is apt to believe. This is likely to be particularly true during a regime of high costs. On the haulage side, progress is being made, but here again operations are subject to the restrictions imposed by the Road and Rail Traffic Act of 1933. Possibly greater scope will be found in the co-ordination of the group's services with those of local authorities, where the two are operated together. The quite distinct solutions of this problem in Bristol and Brighton last year may provide an important precedent in other areas for the co-ordination of local transport. And these might well provide long-term benefits for the Tilling group. At the moment, however, there is no indication of a more than steady improvement in net operating revenues.

Gas Company Meetings.—Sir David Milne-Watson's survey at the Gas Light and Coke meeting covered much of the ground which was debated this week by critics of the coal selling schemes. The number of gas consumers and the quantity of units sold increased last year, despite mild weather, and despite the greater efficiency of modern appliances, which have largely replaced old types. But, as a consumer itself, the company has much less cause

for satisfaction. Sir David justified the recent increase in the price of gas by rising costs—not only of coal, for other raw materials had increased by 15 per cent., and wages by 6 per cent. The chairman had to confess that his fears for the operation of the revised coal-selling schemes had proved true. Apart from a heavy increase in price, the company experienced difficulty in obtaining satisfactory quality and delivery. Speaking with the authority of a large-scale consumer, Sir David expressed misgivings regarding the proposed extension of the selling powers for a further five years. Mr Frank H. Jones described the operation of the coal selling schemes in no less critical terms at the South Metropolitan Gas meeting. The experience of this company last year was in many respects similar to that of Gas Light and Coke. The number of consumers reached a new record, but sales of gas were lower, largely owing to the increased efficiency of modern appliances. Both speeches, however, did not conceal the fact that the gas industry is operating under difficult cost-revenue conditions at the present time.

Imperial Tobacco Position.—The full report of this company confirms the impression given by the preliminary profits statement, which was discussed on page 176 of *The Economist* of January 22nd. Disclosed net profits of £10,760,609 reached a new record level, but were only 1 per cent. higher than those for 1935-36. The balance sheet, as usual, does not add greatly to the shareholders' knowledge of the undertaking. A relatively large fall in cash, from £3,640,744 to £1,478,554, is evident, though net current assets are practically unchanged. Debtors are £730,810 higher at £9,522,007, and stocks, which stand at £35,841,542 and amount to 42 per cent. of the balance-sheet total, compare with £33,304,786 a year earlier and £31,239,897 in 1935. Between 1934 and 1936 the average import price of unmanufactured tobacco fell from 15.8d. to 15.1d. per lb., but the price rose in 1937 to 15.5d., this rise representing an increase in import values of rather over £400,000. But the "stocks" item in the Imperial Tobacco balance sheet covers every stage of manufacture. In terms of cash it represents more than two years' imports of raw tobacco, while this country's stocks in bond similarly represent in weight some 20 average months' supply. It does not seem, however, that rising leaf prices would account for all the £2½ millions increase in the company's stocks, and in any case the company adopts a policy of withdrawals from bond which minimises temporary fluctuations in price. The undertaking's position is more readily clarified at the annual meeting than by the published accounts.

Manchester Ship Canal.—The famous "Ditch" succeeded in maintaining ordinary dividend payments throughout the depression, and although recovery has come rather slowly, the preliminary results announced for 1937 suggest that the company has enjoyed its best year since 1930. As in that year, the ordinary dividend is 2 per cent. (against 1½ per cent. for 1934-36), and the preference dividend is raised correspondingly from 3½ per cent. to 4 per cent. The directors have transferred £35,000 to contingencies reserve, and the balance carried forward is reduced from £31,951 to £31,701. From these particulars, it would appear that the net profits earned for the 3½ per cent. (Corporation) preference stock increased from £249,421 to £271,923, which is only slightly below the 1930 figure. Since the chairman announced last year that an increased dividend would not be contemplated until there was a definite prospect of its being maintained, stockholders will receive the latest announcement with the more gratification. The ordinary stock £1 units are quoted at 7s. 6d., to yield £5 14s. 3d. per cent., and the preference shares are slightly cheaper at 14s.

U.S. Corporation Earnings.—The would-be bulls of Wall Street, if any remain, have received little encouragement from the latest corporation earnings statements

covering 1937 and the first quarter of 1938. International Nickel has declared a 50 cents dividend on the common stock payable March 30th. Dividends already declared in respect of 1937, of course, amounted to \$2.25. A payment of 25 cents is announced on the common stock of General Motors, payable next month. This is also at the same rate as for the corresponding quarter of 1937, but it compares with \$1.50 for the final quarter of 1937. Preliminary figures issued by the Radio Corporation show that net earnings for the year amounted to \$9 millions, equivalent to 41 cents per common share. The corresponding results for 1936 were \$6,156,000 and 20 cents. From this estimate, it may be deduced that earnings during the last quarter amounted to 12 cents per share, compared with 8 cents for the first three-quarters of the year. Gillette Safety Razor earnings are reduced from \$1.70 to \$1.50 per common share, and while the Eastman Kodak quarterly dividend of \$1.50 is maintained at the same rate as a year ago, the president of the company has drawn specific attention to the difficulty of predicting earnings for the current year, and to the consequent necessity for conservative distribution policy.

English Electric Dividend.—Ordinary stockholders in English Electric now have the reward for their patience. For thirteen years they have gone dividendless, and in 1930 they suffered a reduction in their equity under the capital reorganisation, while the preference shareholders also made considerable sacrifices in respect of their dividend rights. The profits for 1936 covered all arrears of preference dividend, and left 12.4 per cent. in earnings for the equity, assuming that only normal preference payments had been required. It was plain, therefore, that an ordinary payment would be made in respect of 1937, particularly as further progress was forecast by the chairman at last year's meeting. The dividend is, in fact, 10 per cent. Net profits earned for preference dividend have sharply increased from

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1937

LIABILITIES

Capital paid up	£9,479,416
Reserve Fund	8,500,000
Current, Deposit and other Accounts	821,111,385
Liabilities for Acceptances, Endorsements, Engagements, etc.	9,531,975
	<u>£348,622,776</u>

ASSETS

Coin, Bank Notes and Balances with the Bank of England	£32,448,577
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	12,538,629
Money at Call and Short Notice	21,845,490
Bills Discounted	35,098,267
Investments	89,420,584
Advances to Customers and other Accounts	140,445,454
Bank Premises	7,293,800
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	9,531,975
	<u>£348,622,776</u>

HEAD OFFICE:

15, Bishopsgate, London, E.C. 2

AFFILIATED BANKS:

COUTTS & CO. GRINDLAY & CO. LTD.

£245,306 to £436,185, and the ordinary dividend is covered, therefore, by earnings of the order of 25 per cent. The year 1937 began with a record order book, and profits have doubtless been increased by an adequate return on overseas business, which represented 32 per cent. of total orders a year ago. The market was satisfied with the results, and put up the ordinary stock from 29s. 6d. to 31s.

Bolsover Colliery Progress.—Last week's satisfactory dividend announcement by the directors of Bolsover Colliery has been followed by the publication of a progressive report for 1937. The company's trading profit increased last year from £587,588 to as much as £741,349, while total income advanced from £628,869 to £788,763. The taxation provision is substantially increased, and the directors have made a further appropriation to development reserve of £50,000. The last provision under this heading amounted to £28,503 in 1935. In consequence, the amount earned for the ordinary shares shows a relatively moderate increase from £392,052 to £436,948, which covers 14 per cent. ordinary dividend by a similar margin of earnings as in 1936. Recent earnings are analysed below.

	Years to December 31,		
	1935	1936	1937
	£	£	£
Total income	520,559	628,869	788,763
Tax and fees	101,315	141,315	206,315
Debt service	33,000	33,000	33,000
Development reserve	28,503	...	50,000
Prof. dividends	62,500	62,500	62,500
Ordinary shares—			
Earned	295,241	392,054	436,948
Paid	186,172	223,896	280,362
Earned %	14.3	19.3	21.8
Paid %	9	11	14
Reserves*	100,000	149,246	125,000
Carry forward	65,420	84,332	115,918

* Reserves for general purposes, and (£100,000 each year) for redemption of capital values.

It is clear from the report that the selling schemes have played a large part in the achievement of these satisfactory results. Indeed, the report declares that, at times, the inland supply quota tonnage was insufficient to meet the demands of customers. This market, of course, is of primary importance to Midland collieries, few of which can match the excellent dividend record of Bolsover Colliery through depression and recovery. The balance sheet again shows a highly liquid position, and the £1 ordinary shares, at 42s. 9d. cum dividend, offer a return of £6 15s., which appears well secured under existing conditions.

Progressive Company Results.—This week's company results include those of several companies which, if not market leaders, may yet claim the attention of the serious investor. Borax Consolidated, whose interests are distributed in many different countries, show that progress in the year to September 30th last has been very satisfactory. Total profits amount to £561,925, against £460,692. The increased dividend of 10 per cent., against 7½ per cent., is more generously covered, for earnings are equivalent to 15.2 per cent., against 7.9 per cent. But it appears that

much of this satisfactory increase may be due to the United States Potash interest. Trading profits and dividends from subsidiaries increased by £29,567, but income from investments increased by no less than £71,666 to £113,367. The latest report, indeed, refers to a substantial return from this company. The question of profits dependent on conditions in the United States must concern Borax Consolidated shareholders, but the conservatism of the latest distribution suggests that the directors have taken this factor into account. William France Fenwick and Company are largely engaged in the coal-carrying trade, and have paid ordinary dividends throughout the depression. But the cyclical nature of the business is emphasised by the excellence of the latest profits, which amount to £171,142, against £89,688. Moreover, the figures probably understate the real improvement, since the 1937 profits include only one quarter's shipping subsidy. The directors refer frankly to the desirability of a substantial allocation for contingencies and of providing for possible future fluctuations in asset values. In consequence, the ordinary dividend of 10 per cent., against 5 per cent., still represents only half of available earnings. Besides the allocation to Reserve Account, survey and contingencies reserve has been strengthened by £40,000 from profits. Among companies with a stable earnings record, Power Securities, the utility holding company, takes a high place. Total profits last year amounted to £138,066, the highest in a decade. For many years earnings for the ordinary have varied between 11 and 12 per cent., and 7 per cent. has been regularly paid. The main interest of the year's results lies in the reserve appropriation. Some £50,000 has been placed to investment reserve, raising the fund to £250,000. The book value of investments (less reserve) appears in the balance sheet at £1,335,000, against £1,091,000 a year ago, and the directors state that aggregate values exceed book cost.

Ashanti Goldfields.—The annual report of Ashanti Goldfields for 1935-36 suggested the approach of stabilisation rather than of rapid advance. This conclusion has proved fully warranted by the results of the past financial year to September last. A somewhat increased tonnage of ore was treated, but there was a marked expansion in gold content, averaging 22.94 dwts. as against 21.17 previously. Owing in part to temporary causes, the rate of extraction has fallen from 91.21 per cent. to 88 per cent., while costs, excluding development, have risen by 2s. 1d. per ton to 28s. 1d. The gross profit of £1,293,570 (or 119s. 6d. per ton) compares with £1,225,600 (114s. 8d.) while the net profit amounts to £1,014,040 (or 93s. 8d. per ton) against £964,900 (or 90s. 4d.). N.D.C. absorbs £25,000. Increased production naturally involves higher royalty and other payments, while the provision for depreciation has been increased. Hence the rate of dividend has been maintained at 95 per cent. and not increased to 100 per cent. as some market circles had hoped. Some time ago it was hoped that the almost negative results at depth in the principal property would be compensated by discoveries in outside areas, and exploration in the latter tended to encourage this idea. More recently important developments have occurred in the lower levels of the Ashanti property, while exploration in the Justice's and other subsidiary properties generally proved disappointing. A recalculation of the ore reserves shows 1,595,100 tons averaging 19.7 dwts., an increase of 137,080 tons in quantity, but a small reduction in value. This is exclusive of ore in shaft pillars at the Ashanti and of 150,000 tons averaging 11 dwts. in Justice's mine. No change is shown in the company's investment in British Government securities, which slightly exceed £250,000; but holdings in other West African undertakings have been increased from £575,070 to £645,390. At September 30th last the appreciation of these holdings exceeded £1,000,000. On the dividends for the past two years, Ashanti 4s. shares at current quotation of about 6½s., show a yield of approximately 5½ per cent., and scope for rapid capital appreciation seems limited.

Bibiani Results.—The disappointment caused by the maintenance of the Bibiani dividend was more than counterbalanced by the marked increase in ore reserves shown by the annual report. The quantity, at 2,807,800 tons, compares with 2,049,300 tons at September, 1936, but the value is rather lower at 7.25 dwts., against 7.8 dwts. Actually, last year's profit of £108,330 exceeds that of the previous year by £26,800, but the directors, possibly with prospective expenditure in mind, have followed a conservative policy. Operating costs averaged 23s. 11d., against 25s. 3d., and the increased scale of operations more than counterbalanced the rising tendency of costs. Conditions continue unfavourable to the maintenance of a strictly regular output; but the directors anticipate that this year's yield will be at any rate equal to, if it does not exceed, that of the past year. Looking ahead, an output of at least 60,000 tons per month is envisaged, compared with the present average of 11,000 tons, and the consulting engineer declares that the property "stands revealed as a big and potentially a really great mine." Meanwhile the erection of the first half of the new plant is hindered by delays in securing supplies. At the meeting, the chairman mentioned that every endeavour would be made to complete the works within twelve months, and he added that the proceeds of the new issue of 250,000 shares at 20s. would be sufficient to meet the present programme. Bibiani 4s. shares are quoted at about 21s. 3d., showing a yield on the dividends of the past two years of barely 3 per cent.

Other Company Results.—Our usual analysis of profit and loss accounts appearing on page 376 covers some 65 companies in all. The majority are miscellaneous industrial concerns, but this week's reports include those of twelve gas companies, while a further batch of investment trust results has been published. The reports are discussed on page 357, under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue commencing on page 367. Sir David Milne-Watson's survey at the *Gas Light and Coke Co.* meeting is discussed in a note on page 352. At the *Beira Railway Co.* meeting Baron Emile D'Erlanger gave his reasons for regarding the latest rate of dividend as a maximum which a utility undertaking could safely pay. Addressing *Sterling Trust* proprietors, he referred to the distribution of the company's investments in various countries, and considered that an individual, confining his purchases to home securities, would not have avoided the losses arising from the war and the world crisis. Mr Alfred Shepherd, in expressing satisfaction with the *Standard Trust* revenue, discussed the unanimity of bank chairmen in believing that the immediate future of home industries was satisfactory. Mr J. H. Batty's reviews at the *Ashanti Goldfields Corporation* and *Bibiani* (1927) meetings are referred to in notes on pages 354 and 355.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
FEBRUARY 22 FEBRUARY 24

THERE has been a perceptible "kink" in the market this week. The week-end developments in Germany were read bearishly, and the unemployment return produced a further decline. A firmer start in the industrial market on Wednesday was insufficient to affect the index on balance, and merely introduced a dull close for the account with prices at a new low. The market's current impression is that a further period of undecided conditions must be awaited. Gilt-edged and gold shares alone have saved the market from complete despair.

A slight reaction was at first reported in the *gilt-edged market*, and absence of business on Tuesday caused a fractional decline throughout the list. In mid-week, however, demand revived. Undated stocks, in particular, made good headway and National Defence Bonds regained par. The corporation scrips were slightly affected by the Birmingham new issue terms (discussed on page 350) and tended to react slightly. After early weakness, the new Canadian scrip rallied.

In the *foreign bond market* renewed selling of Brazilian issues gave way to quiet support, and prices improved among the senior issues. Far Eastern bonds were also better after a lame start, while German bonds, directly affected by week-end news, found steadier mid-week levels.

The Southern dividend (discussed on page 352), provided a much needed fillip for *home rail stocks*, and although its best effects were not maintained, the expectation of similarly cheering announcements from the L.M.S. and Great Western on Friday stimulated renewed attention. Argentine rails made no response to the news that the official exchange rates are to be maintained, but some desultory buying helped quotations later in the week.

A subdued opening in the *industrial market* was further weighted by the unemployment return, but dealers drew some encouragement from Wall Street's vigorous recovery on Tuesday, and staged a moderate mid-week rally. Wednesday's gains, however, were not held, and the net effect on prices was almost negligible. Steel shares continued depressed at first, but there was some moderate recovery later, though it was checked by technical liquidation. Electrical equipment issues remained weak, with English Electric the outstanding exception on the dividend (discussed on page 353). Crompton Parkinson and General Electric, which showed most weakness at first, also produced a moderate rally. Cable and Wireless ordinary rose smartly to 65½ on Thursday.

Leading motor shares similarly improved in mid-week, but a poor tone prevailed in the aircraft group. Engineering shares became steadier, Consolidated Signal in particular recovering after disappointment with the dividend. Leading tobacco and industrial shares received little investment support, and adverse freight movements at first affected shipping shares. Movements in the miscellaneous industrial leaders tended to become slightly less irregular as the week progressed. Courtalds, however, remained consistently weak, while Turner and Newall dipped below 80s. at one time on Tuesday.

In the *oil market* the week opened very quietly, and prices declined slightly. Subsequently the trend was irregular, a firm start in the leaders being followed on Tuesday by a setback due to the unemployment returns. A mid-week rally was not fully maintained, and price changes continued small. The depression which has clouded the *rubber share market* in recent weeks shows no signs of lifting. An uninteresting start to the week (accompanied, however, by a firm undertone) was followed on Tuesday by widespread declines. Wall Street's recovery proved a helpful influence later, but it merely

arrested, and did not reverse, the downward tendency. The *tea share market* remained apathetic, resisting alike Tuesday's depression and the mid-week recovery.

The *mining market* behaved better than other sections. Monday was a dull day for Kaffirs, dealers being more inclined to think about German developments than doing business. Thanks to Paris support for dividend-payers, and Cape interest in developing mines, sentiment improved markedly on Tuesday afternoon. The better trend was maintained, despite renewed reticence on the part of Paris. Diamond shares were assisted by Tuesday's rally but were otherwise uninteresting. West Africans shared modestly in the mid-week firmness in Kaffirs. Rhodesian copper shares were erratic, but were helped by Wall Street; the volume of business remained small. Base metal shares were somewhat neglected, though prices were steadier in mid-week.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Feb. 4	7,425	11,680	93.1	131.0
Feb. 7	6,910	12,670	91.7	130.9
Feb. 8	6,950	9,763	91.0	130.9
Feb. 9	7,040	11,013	90.9	130.9
Feb. 10	6,810	10,690	90.7	131.0
1938 High...	...	...	97.2	131.0
Low...	...	...	90.7	129.2
			Jan. 12	Jan. 3
			Feb. 10	Jan. 3

† Approx. total recorded in S.E. List. * July 1, 1935 = 100. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 151 industrial ordinary share prices, at 70.9 on Tuesday last (February 8th), showed the greatest fall in any week during this year. A week ago the index stood at 72.5, and a month ago at 74.2. The yields are 5.04, 4.93 and



4.81 per cent., respectively. A selection from the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Jan. 11, 1938	Feb. 1, 1938	Feb. 8, 1938	
	1938	1938	1938	
Cotton (6)	37.1	34.5	33.3	37.1
Electric mfg. (12) ..	129.7	127.5	123.9	129.7
Iron and steel (17) ..	66.4	62.4	59.2	66.4
Motors (6)	38.5	38.5	37.7	39.0
Oil (4)	81.9	78.6	75.6	84.9
Home rails (4)	68.0	68.8	67.3	71.0
Shipping (6)	19.5	18.4	17.1	19.5

Group	Yields %			Prices 1938 Low
	Jan. 11, 1938	Feb. 1, 1938	Feb. 8, 1938	
	1938	1938	1938	
Cotton	2.57	2.69	2.72	33.3
Electric mfg.	4.43	4.48	4.59	123.9
Iron and steel	6.10	6.50	6.86	59.2
Motors	6.08	6.11	6.26	37.7
Oil	5.86	6.38	6.66	75.6
Home rails	3.18	3.08	3.16	67.2
Shipping	2.86	3.02	3.27	17.1

New York

Wall Street re-assembled with the encouragement of a two-dollar rise at the end of the previous week in hand, but proceeded to demonstrate that this was little more than a flurry in "war" stocks. For a time on Tuesday, and early on Wednesday, it seemed that the long-awaited partial recovery was at hand. Tuesday's rally, led by steel and other pivotal stocks, reached \$5, but the market turned easier in mid-week after an early rise. The discussions between the United States Steel Corporation and the C.I.O., with their provisional agreement regarding wages and prices, had little effect, and they were overshadowed by the announcement of reduced steel prices. Longer-sighted operators, however, stressed the fact of lower prices upon a potential recovery in consumption. It is significant of the unenterprising speculative condition of the market that motor shares were not bought on the steel news. Building shares, however, continued their rise. The *Iron and Steel Institute* estimate of current steel production is 30.7 per cent. of capacity, against 30.5 per cent. a week ago and 80.6 per cent. a year ago. The report that early consideration will be given to railway pooling and co-ordination schemes helped rail stocks slightly, and speculative rail bonds were a feature of an otherwise lifeless bond market.

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):—

WEEKLY AVERAGES

	1938			Jan. 20, 1938	Feb. 2, 1938	Feb. 9, 1938
	Low	High	Feb. 2			
	Feb. 2	Feb. 12	Feb. 12			
347 Ind's.	93.0	101.5	91.8	93.0	94.6	
32 Rails	27.5	31.4	27.7	27.5	27.6	
40 Utilities	69.8	78.8	73.6	71.5	69.8	
419 Stocks	78.9	86.4	79.8	78.9	79.6	
Av. yield % ..	8.15	7.63	8.33	8.15	8.09	
	High	Low				

* 50 Common Stocks. † February 9.

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

Feb. 3	Feb. 4	Feb. 5	Feb. 7	Feb. 8	Feb. 9
101.3	103.4	105.7	103.6	108.1	107.3

High: 116.9 January 11th. Low: 101.3 February 3, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares	Bonds	
	000's	000's	000's
Feb. 3	1,090	7,260	188
Feb. 4	810	6,040	146
Feb. 5	450	2,790	61
Feb. 7	510	4,870	75
Feb. 8	770	5,400	113
Feb. 9	750	5,900	127

* Two hour session

New York Prices

Close Latest Feb. 10, 1938	Close Latest Feb. 9, 1938
3.10	3.10

1. Rails & Transport	4. Manufactures
Atchafalpa .. 33 36½	Briggs .. 207½ 24
Balt. & Ohio .. 8½ 9½	Chrysler .. 50½ 55½
B.M.T. 9½ 10½	Elec. Autolite .. 17 18½
Can. Pacific .. 31½ 32½	Gen. Motors .. 31½ 34½
Ches. & Ohio .. 19½ 20½	Hudson Mtr. .. 7½ 8½
G.N. Ry. Pl. .. 19½ 20½	Nash Kelntr. .. 9½ 9½
Illinois Cent. .. 9½ 10½	Packard Mtr. .. 4½ 4½
N.Y. Central .. 15½ 16½	Bendix Avtn. .. 11½ 12
Northern Pac. .. 10½ 11½	Boeing Airplan .. 26½ 29½
Pennsylv. R. .. 20½ 21½	Douglas Air. .. 20½ 21½
Southern Pac. .. 16½ 17½	United Aircraft .. 20½ 21½
Southern Ry. .. 10½ 11½	Air Reduction .. 46½ 49½
Union Pac. 74½ 78½	Allied Chem. .. 157 163
Greyhound ... 8½ 8½	Col. Carbon .. 64 67

2. Utilities and Communications	U.S. Ind. Alc.	68 74
Am. W. Works	Alv. Chalmers	38 44
C.W. & S.	Gen. Electric	37 40
Con. Edison	West. Elec.	88 97
Col. Gas & Elc	American Can	77 80
El. Bond & Sh	Addressograph	20 23
Nat. Power & Lt	Caterpillar	40 46
N. American	Cont. Can.	38 41
Pac. Gas & Elc	Ingersoll Rand	56 57
Pac. Lighting	Johns Manville	68 79
Pub. Serv. N.J.	Am. Radiator	113 131
Stan. Gas & El	Corn Prods.	58 64
United Corp.	1 J Case & Co.	81 83
Un. Gas Imp.	Glidden	21 22
Amer. Tel.	G. Am. Trans	35 44
Internat. Tel.	Eastm'n Kdk.	105 121
Westn. Union	Ind. Rayon	18 21
Radio	Colgate Palm.	8 8
" B. Pref.	Eastm'n Kdk.	150 156

3. Extractive and		Lambert Co.		40½ 48½	
Am. Rol. Mill	17½ 19¼	Loews	.....	10½ 18	
Beth. Steel	51 56½	20th Cen. Fox	.....	21½ 22	
Beth. Steel Pf	90 95				
Republic St.	16 17½				
U.S. Steel	50½ 54½				
U.S. Steel Pf	105 106½				
Alaska Indu	12½ 12½				
Am. Metal	29½ 32½				
Am. Smelting	45½ 49½				
Anaconda	28½ 32½				
Bohm Alum.	26 26				
Cerro de Pas.	37½ 40½				
Int. Nickel	47½ 49½				
Kennecott	31½ 38				
Patino Mines	10½ 11½				
Tex. Glt. Sul.	29½ 31½				
U.S. Smelt.	66½ 68				
Vanadium	15½ 17½				
Atlantic Refg.	20½ 21½				
Phillips Petr.	34½ 38				
Shell Union	15½ 15				
Shell Un. Pf.	98 98½				
Socony Vac.	14½ 15½				
Stan. Oil Cal.	29½ 31				
Stan. Oil N.J.	47 49½				
Texas Corp.	37½ 41½				

Capital Issues

CAPITAL ISSUE TOTALS

Week ending Feb. 12	Nominal Capital	Conversions	New Money
To the Public	5,000,000	4	4,995,000
To Shareholders	551,460	45,223	1,395,252
By S.E. Introduction ..	450,000	...	464,375
By Permission to Deal ..	367,575	...	499,725
Sav. Certs. w.e Feb. 5	Nil	...	...

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	36,227,950	25,401,453
1937 (New Basis)	78,559,219	70,924,837
1938 (Old Basis)	26,012,070	15,187,573
1937 (Old Basis)	37,621,231	30,136,749

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1938 (New Basis)	21,664,454	3,708,894	30,105
1937 (New Basis)	49,744,775	20,026,922	1,153,140
1938 (Old Basis)	8,957,277	502,500	5,647,796
1937 (Old Basis)	16,594,041	4,004,787	9,537,921

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	12,205,365	1,684,758	11,513,330
1937 (New Basis)	21,031,595	7,361,081	42,530,761
1938 (Old Basis)	8,957,277	502,500	5,647,796
1937 (Old Basis)	16,594,041	4,004,787	9,537,921

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

City of Birmingham.—Issue of £5,000,000 3½ per cent. stock at 98. A trustee stock. Redeemable at par July, 1962, or from 1957 on notice. Ranks with other stocks, subject to prior charges existing in 1900. Estimated population, 1,043,000; rateable value, £7,027,859; total net debt, £55,700,000 (of which £42,479,000 productive); rates, 15s.

PRIVATE PLACINGS

Severn Valley Gas.—This Corporation has placed privately 25,000 £1 4½ per cent. cumulative preference shares.

London County Freehold and Leasehold Properties.—This company has placed privately £250,000 3½ per cent. first mortgage debenture stock.

TENDER

Bridlington Gas.—Offer by tender of £50,000 4½ per cent. redeemable £10 preference shares at minimum price of par. Tenders must be received by February 28th.

BONUS SHARES

United Dominions Trust.—A 20 per cent. capital bonus is proposed, by capitalising £100,000 of reserve and distributing to ordinary stockholders one new ordinary share for £5 stock held. When this offer has been made, there will remain £400,000 unissued capital.

Bairns-Wear.—A bonus distribution is recommended on the ordinary shares of one share for every 20 held.

ISSUES TO SHAREHOLDERS ONLY

Bibiani (1927).—Issue of 250,000 4s. shares at 20s. to existing holders, in the proportion of one in nine.

Grootvlei Proprietary Mines.—Issue of 301,460 £1 shares at 75s. (South African currency) per share.

Mount Morgan.—Shareholders are now offered at par 200,000 £1.8 per cent. preference shares. Applications (in even hundreds) from shareholders as at February 15th will be given priority. Lists close on February 25th.

CONVERSIONS AND REPAYMENTS

Olives Paper Mills.—Issue at par to debenture and shareholders of £60,000 5 per cent. first mortgage convertible debenture stock, to repay on February 15th, £45,223 7 per cent. prior lien debenture stock.

SHORTER COMMENTS

Company Results of the Week.—The first important brewery company result to appear this year is that of PETER WALKER (WARRINGTON) AND ROBERT CAIN AND SONS. The report shows a considerable improvement. Net profits are £456,547, against £400,227, the greater part of the increase coming from the Peter Walker and Son, Warrington and Burton dividend. Considered as a whole, gas company results for 1937 are only slightly changed. Among the larger undertakings are WANDSWORTH AND DISTRICT GAS, with net profits of £194,116, against £198,312, and SOUTH SUBURBAN GAS, whose net earnings of £148,437 are some £6,400 higher. Both companies report small increases in the quantity of gas sold. Net profits of LISTER AND COMPANY, LTD., are 10 per cent. higher at £74,312 to £94,860. Preference arrears up to November, 1935, are being paid off. Investment trust results show satisfactory increases in revenue. RAILWAY SHARE TRUST AND AGENCY COMPANY has increased the ordinary dividend from 6 to 6½ per cent., while BRITISH INVESTMENT TRUST maintain the former rate of 12 per cent., after earning £182,693, against £163,624. COOK SON AND COMPANY (ST. PAULS) are returning to the dividend list with a distribution of 1½ per cent. The full report of JOHN WHITE (IMPREGNABLE BOOTS) confirms the satisfactory impression made by the increase in dividend. Net profits of £46,797 are a new record, the company's forward purchasing policy having helped to meet rising costs. The directors note a tendency towards a return to easier and more stable prices. Owing to important changes in shareholdings, the CINZANO, LTD., profits of £85,556 are not strictly comparable with those of previous year. The chief change is the sale of shares in The French Cinzano Company, and certain

preference shares have consequently been redeemed and a return of capital is being made to "A" and "B" ordinary shareholders. Thanks to a rise in net profits from £58,772 to £82,044, ENGLISH CHINA CLAYS are paying 3½ against 2 per cent.

RAILWAYS

Beira Railway.—Total revenue increased by £115,869 to £557,899 in year to September 30, 1937. Net balance after £76,944 exceptional charges was £201,221, or £40,341.

Southern Railway Company.—Gross receipts increased by £1,312,769 during 1937 compared with 1936 and net revenue increased by £325,964. Final dividend 3 per cent. on preferred ordinary stock, making 5 per cent. for the year, as before. 1½ per cent. is to be paid on the deferred ordinary stock, compared with one half per cent. for 1936. Carry forward raised from £220,809 to £226,804. Dividends payable March 3rd.

MISCELLANEOUS

Dickins and Jones, Ltd.—Profit for year ended January 31, 1938, £125,097, against £120,504. After 4½ per cent. debenture interest, 5½ per cent. preference dividend, £7,000 for tax and N.D.C., £12,500 for extinction of leases, and £10,000 (nil) for improvements, etc., final ordinary dividend of 7½ per cent. is recommended, making 12½ per cent. for the year (same). Carry forward £47,861, against £53,497.

Borax Consolidated.—Report for year to September 30, 1937, shows trading profit £458,775, against £427,820. Deferred ordinary dividend, 7½ per cent., and cash bonus 2½ per cent., making 10 per cent. for the year, absorbing £130,000, against £97,500 (7½ per cent.). To special reserve £50,000. Carry forward raised from £236,160 to £237,068.

Radio Corporation of America.—Net profit for 1937, \$9,000,000 or 41c. per

common share, against \$6,156,000, or 20c. share, for 1936.

Lewis's, Ltd.—Profit for year ended February 1, 1938, after debenture interest, £808,000, against £806,846. Distribution on deferred shares maintained at 275 per cent.

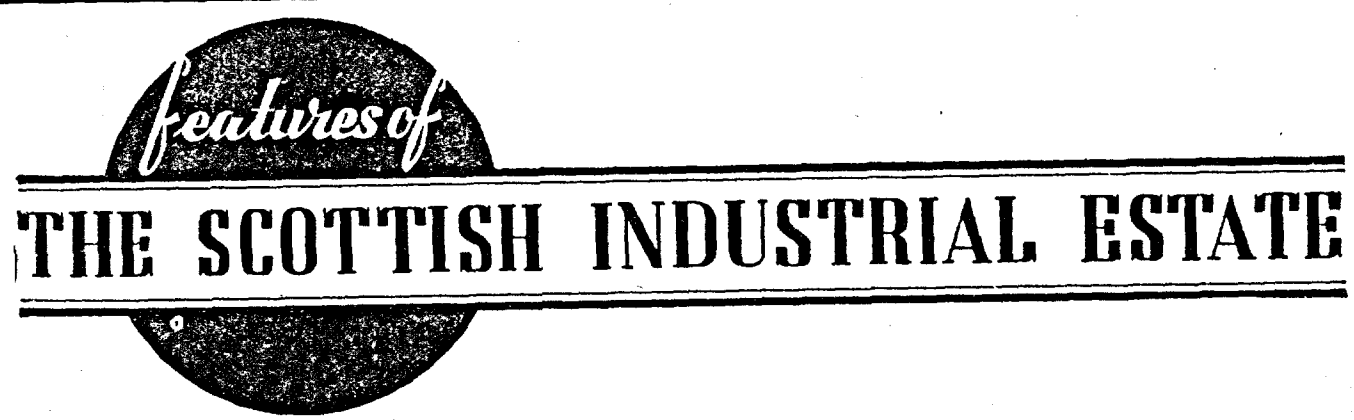
Platt Brothers and Company (Holdings).—The scheme of capital reduction to replace the earlier plan was considered at a meeting held at Oldham on February 9th. It is understood that, though the scheme was opposed by a section of shareholders, there was a preponderating majority in favour.

Wandsworth and District Gas.—Balance of revenue account for 1937 £280,377, against £268,422. From income tax account £12,500 (same). Dividend on consolidated stock 7 per cent., as before. To employee co-partners £27,423, against £26,963. Gas sales increased by 1.6 per cent.

Wm. France Fenwick and Company.—Profits for year, 1937, £118,477, an advance of £55,690. To reserve for surveys and contingencies, £40,000 (£13,956). A transfer of £11,249 (against nil) is also made to reserve. Ordinary dividend raised from 5 to 10 per cent. Carry forward increased from £7,213 to £12,213.

Foy, Morgan and Company.—Net profit for 1937, before tax, £83,109, compared with £40,068. Provision for tax and N.D.C., £8,000, against £2,100. Tax free dividend on £1,000 ordinary shares, 3,600, against 1,000 per cent. Staff bonus doubled at £5,000. To preference share redemption fund £4,000. Carry forward increased from £9,084 to £9,941, after providing £7,000 additional for tax.

San Francisco Mines of Mexico.—Operating profit for year to September 30, 1937, £453,058, compared with £204,566. Net profits, after depreciation, etc., is £85,027 higher at £276,344. Total ordinary dividend 22½ against 7½ per cent.



No. 4 RENT, CONCESSIONS, and LOANS

The Scottish Industrial Estate is in the "Special Areas," and manufacturers who start production there are eligible (1) For concessions towards rent, rates, and Income-tax and (2) For advances of capital. The sources from which such help comes are:—

- (1) The Commissioner for the Special Areas;
- (2) The Special Areas Reconstruction Association Ltd. and Nuffield Trustees.

The Commissioner is empowered under the Special Areas (Amendment) Act, 1937, to make concessions

For full information and particulars of the Estate apply to

SCOTTISH INDUSTRIAL ESTATES LTD

29, ST. VINCENT PLACE
GLASGOW
C. I.

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are 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 last dividends, account being taken of any increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Feb. 9, inclusive				Name of Security	Price, Feb. 9, 1938	Change since Feb. 2, 1938	Yield Feb. 9, 1938	Prices, Year 1938 Jan. 1 to Feb. 9, inclusive				Last two Dividends		Name of Security	Price, Feb. 9, 1938	Change since Feb. 2, 1938	Yield Feb. 9, 1938
High	Low	High	Low	High	Low	(a) %	(b) %					(c) %									
84 1/2	73 1/2	78 1/2	74 1/2	113	105 1/2	111 1/2	109 1/2	Consols 2 1/2 (alt. 1957)	78 1/2	+1 1/2	3 1/4	13 1/2	12 1/2	6 1/2	6 1/2	6 1/2	Com. Bk. of Aus. 10-1/2	12 1/2	...	4 3/4	3 1/2
101 1/2	91 1/2	98 1/2	94 1/2	107 1/2	97 1/2	102 1/2	100 1/2	Conv. 2 1/2, 1944-49	99 1/2	+1 1/2	2 12 9	90 1/2	85 1/2	3 1/2	3 1/2	3 1/2	En. S. & Aust. 4 1/2	87 1/2	...	4 16 0	4 7 0
106 1/2	99 1/2	104 1/2	102 1/2	108 1/2	105 1/2	106 1/2	104 1/2	Do. 3 1/2, 1948-53	101 1/2	...	2 17 8	105 1/2	100 1/2	10 1/2	10 1/2	10 1/2	Hambros 10 1/2	104 1/2	...	4 7 0	6 7 11
108 1/2	105 1/2	106 1/2	104 1/2	111 1/2	107 1/2	108 1/2	106 1/2	Do. 3 1/2 after 1961	104 1/2	+1 1/2	3 5 0	109 1/2	104 1/2	12 1/2	12 1/2	12 1/2	Hong. and S. 11 1/2	108 1/2	...	6 7 11	3 18 6
117 1/2	111 1/2	112 1/2	110 1/2	117 1/2	114 1/2	115 1/2	113 1/2	Do. 4 1/2, 1940-44	106 1/2	...	2 6 6	64 1/2	59 1/2	6 1/2	6 1/2	6 1/2	Lloyds 15 1/2	61 1/2	...	3 18 10	3 12 9
92 1/2	82 1/2	91 1/2	89 1/2	96 1/2	89 1/2	97 1/2	95 1/2	Fund. 2 1/2, 1944-64	115 1/2	...	2 13 3	93 1/2	86 1/2	8 1/2	8 1/2	8 1/2	Martins 10 1/2	88 1/2	...	3 12 9	4 10 0
101 1/2	92 1/2	99 1/2	97 1/2	101 1/2	97 1/2	102 1/2	100 1/2	Fund. 2 1/2, 1952-57	97 1/2	+1 1/2	3 0 6	62 1/2	57 1/2	5 1/2	5 1/2	5 1/2	Nat. Dis. 12 1/2	38 1/2	...	3 19 6	5 10 0
116 1/2	109 1/2	114 1/2	112 1/2	99 1/2	96 1/2	97 1/2	95 1/2	Fund. 3 1/2, 1959-69	99 1/2	+1 1/2	3 1 0	41 1/2	37 1/2	11 1/2	11 1/2	11 1/2	Nat. of Egypt 10 1/2	38 1/2	...	3 19 0	3 19 0
99 1/2	96 1/2	100 1/2	98 1/2	116 1/2	114 1/2	115 1/2	113 1/2	Fund. 4 1/2, 1960-90	114 1/2	+1 1/2	3 1 0	41 1/2	38 1/2	9 1/2	9 1/2	9 1/2	N. of Ind. 12 1/2	40 1/2	...	5 10 0	3 19 0
105 1/2	99 1/2	103 1/2	101 1/2	99 1/2	96 1/2	97 1/2	95 1/2	Nat. D. 2 1/2, 1944-48	99 1/2	+1 1/2	2 9 6	15 1/2	14 1/2	7 1/2	7 1/2	7 1/2	N. Prov. 12 1/2	15 1/2	...	3 19 0	3 19 0
105 1/2	99 1/2	103 1/2	101 1/2	114 1/2	112 1/2	113 1/2	111 1/2	Victory Bonds 4 1/2	112 1/2	...	3 11 6	48 1/2	47 1/2	8 1/2	8 1/2	8 1/2	Roy. Bk. of Scot. 4 1/2	48 1/2	...	3 9 9	4 12 0
102 1/2	99 1/2	100 1/2	98 1/2	105 1/2	103 1/2	104 1/2	102 1/2	War L. 3 1/2, af. 1952	103 1/2	+1 1/2	3 4 0	47 1/2	46 1/2	9 1/2	9 1/2	9 1/2	St. of S.A. 12 1/2	15 1/2	...	4 12 0	4 4 3
96 1/2	84 1/2	91 1/2	89 1/2	102 1/2	99 1/2	100 1/2	98 1/2	Local Loans 3 1/2	89 1/2	+1 1/2	2 7 3	51 1/2	47 1/2	3 1/2	3 1/2	3 1/2	Union Dis. 11 1/2	47 1/2	...	4 4 3	4 3 0
72 1/2	67 1/2	70 1/2	68 1/2	85 1/2	74 1/2	81 1/2	79 1/2	Austria 3 1/2, 1933-53	100 1/2	...	2 18 6	98 6	91 1/2	9 1/2	9 1/2	9 1/2	West. 14 1/2	96 1/2	...	4 3 0	4 3 0
85 1/2	74 1/2	81 1/2	79 1/2	98 1/2	87 1/2	94 1/2	92 1/2	India 2 1/2	67 1/2	...	3 14 1	28 1/2	27 1/2	50 1/2	40 1/2	40 1/2	Insurance	28 1/2	...	3 4 3	2 13 3 1/2
119 1/2	112 1/2	116 1/2	114 1/2	109 1/2	105 1/2	107 1/2	105 1/2	Do. 3 1/2	80 1/2	...	3 14 6	15 1/2	14 1/2	14 1/2	14 1/2	14 1/2	Atlas 11 1/2	15 1/2	...	2 13 3 1/2	3 19 0
109 1/2	105 1/2	107 1/2	105 1/2	105 1/2	101 1/2	104 1/2	102 1/2	Dom. & Col. Govts.	108 1/2	+1 1/2	3 13 7	107 1/2	106 1/2	20 1/2	20 1/2	20 1/2	Com. Un. 11, fy. pd.	10 1/2	...	3 19 0	3 8 0
105 1/2	101 1/2	104 1/2	102 1/2	118 1/2	114 1/2	115 1/2	113 1/2	Austria 7 1/2, 1957	101 1/2	...	2 15 6	31 1/2	29 1/2	25 1/2	25 1/2	25 1/2	Gen. Acc. 11, 5/2 pd.	10 1/2	...	3 8 0	2 15 0
110 1/2	104 1/2	107 1/2	105 1/2	107 1/2	103 1/2	104 1/2	102 1/2	Canada 4 1/2, 1945-62	104 1/2	...	2 12 5	93 1/2	87 1/2	16 1/2	16 1/2	16 1/2	Lon. & Lanc. 11 1/2	30 1/2	...	3 8 0	2 15 0
107 1/2	103 1/2	104 1/2	102 1/2	114 1/2	110 1/2	111 1/2	109 1/2	Nigeria 5 1/2, 1950-60	114 1/2	+1 1/2	3 10 10	118 1/2	113 1/2	3 1/2	3 1/2	3 1/2	N.Brit. & Mer. 11 1/2	111 1/2	...	2 15 0	2 14 3 1/2
114 1/2	110 1/2	112 1/2	111 1/2	103 1/2	93 1/2	96 1/2	94 1/2	N. Zealand 5 1/2, 1946	107 1/2	...	4 1 1	20 1/2	19 1/2	13 1/2	13 1/2	13 1/2	Pearl 11, fy. pd.	20 1/2	...	2 14 3 1/2	3 16 0
107 1/2	103 1/2	104 1/2	102 1/2	103 1/2	99 1/2	100 1/2	98 1/2	Queens. 5 1/2, 1940-60	107 1/2	+1 1/2	4 6 10	16 1/2	15 1/2	6 1/2	6 1/2	6 1/2	Phoenix 11, fy. pd.	15 1/2	...	3 16 0	2 14 0 1/2
114 1/2	110 1/2	112 1/2	111 1/2	103 1/2	93 1/2	96 1/2	94 1/2	S. Africa 5 1/2, 1945-75	112 1/2	...	3 1 4	35 1/2	34 1/2	10 1/2	10 1/2	10 1/2	Prudential 11 A	35 1/2	...	2 14 0 1/2	1 17 6 1/2
103 1/2	93 1/2	96 1/2	94 1/2	105 1/2	101 1/2	104 1/2	102 1/2	Foreign Governments	96 1/2	...	4 17 10 1/2	91 1/2	90 1/2	19 1/2	19 1/2	19 1/2	Do. 11, with 4s. pd.	105 1/2	...	1 17 6 1/2	3 15 0
105 1/2	97 1/2	102 1/2	99 1/2	91 1/2	84 1/2	89 1/2	87 1/2	Arg. 4 1/2, Stg. Bds.	92 1/2	-1 1/2	5 13 7	16 1/2	15 1/2	6 1/2	6 1/2	6 1/2	Royal Exchange 11	11 1/2	...	3 15 0	3 19 6
102 1/2	95 1/2	96 1/2	94 1/2	33 1/2	24 1/2	33 1/2	31 1/2	Austria 7 1/2, 1957	101 1/2	...	6 17 0	82 1/2	81 1/2	10 1/2	10 1/2	10 1/2	S. U. & N. L. 12 1/2	16 1/2	...	3 15 0	3 19 6
89 1/2	37 1/2	37 1/2	35 1/2	68 1/2	53 1/2	60 1/2	58 1/2	Belg. 4 1/2, red. by 1970	96 1/2	+1 1/2	4 4 0	87 1/2	86 1/2	13 1/2	13 1/2	13 1/2	Sun. 11, 10 1/2 pd.	8 1/2	...	2 10 0	2 10 0
28 1/2	15 1/2	19 1/2	17 1/2	49 1/2	35 1/2	45 1/2	39 1/2	Bulgaria 7 1/2	33 1/2	...	7 9 3m	81 1/2	8 1/2	10 1/2	10 1/2	10 1/2	Investment Trusts	263	...	4 15 1	4 16 0
95 1/2	54 1/2	60 1/2	40 1/2	62 1/2	47 1/2	58 1/2	56 1/2	Brazil 5 1/2, Ed. 1914	25 1/2	-3 1/2	Nil	267	260	8 1/2	8 1/2	8 1/2	Anglo-Celtic Ord.	26 1/2	...	4 16 0	5 5 0
108 1/2	101 1/2	105 1/2	104 1/2	100 1/2	92 1/2	97 1/2	95 1/2	Chile 6 1/2 (1929)	191 1/2	...	4 1 0	267	260	8 1/2	8 1/2	8 1/2	Brit. Assets Trust 5 1/2	10 1/2	...	4 16 0	4 8 9
106 1/2	100 1/2	103 1/2	101 1/2	18 1/2	13 1/2	14 1/2	13 1/2	China 5 1/2 (1912)	48 1/2	+1 1/2	10 6 2 1/2	65 1/2	62 1/2	9 7 1/2	9 7 1/2	9 7 1/2	For. Amer. & Co., Def.	75	...	5 6 8	5 6 6
118 1/2	114 1/2	116 1/2	114 1/2	66 1/2	52 1/2	60 1/2	58 1/2	Do. 5 1/2 (1913)	51 1/2	+2 1/2	9 14 3	11 1/2	9 7 1/2	7 1/2	7 1/2	7 1/2	Guardian Investment	131 1/2	...	5 6 6	4 12 9
107 1/2	103 1/2	104 1/2	102 1/2	49 1/2	35 1/2	45 1/2	39 1/2	Czechoslovakia 8 1/2	105 1/2	...	7 12 5	233	223	4 1/2	4 1/2	4 1/2	Ind. and Gen. Ord.	248	...	4 15 0	4 15 0
114 1/2	110 1/2	112 1/2	111 1/2	62 1/2	47 1/2	58 1/2	56 1/2	Denmark 3 1/2	97 1/2	...	3 1 0	75	70	2 1/2	2 1/2	2 1/2	Invest. Trust Def.	274 1/2	...	4 15 0	4 15 0
103 1/2	93 1/2	96 1/2	94 1/2	49 1/2	35 1/2	45 1/2	39 1/2	Egypt United 4 1/2	102 1/2	...	3 17 6	137 1/2	131 1/2	2 1/2	2 1/2	2 1/2	Lake View Ind. 10 1/2	16 1/2	...	4 15 0	4 19 7
105 1/2	97 1/2	102 1/2	99 1/2	68 1/2	53 1/2	60 1/2	58 1/2	French 4 1/2 (British)	11 1/2	-1 1/2	5 5 0	254	248	7 1/2	7 1/2	7 1/2	Mercantile Inv.	241 1/2	...	5 2 5	5 0 0
91 1/2	84 1/2	89 1/2	87 1/2	95 1/2	82 1/2	87 1/2	85 1/2	Ger. 5 1/2, Dawes Lf.	55 1/2	-2 1/2	12 14 6	275 1/2	271	8 1/2	8 1/2	8 1/2	Metropolitan Trust	240	...	5 0 0	5 0 0
102 1/2	95 1/2	96 1/2	94 1/2	88 1/2	53 1/2	60 1/2	58 1/2	Do. 5 1/2, Young Lf.	41 1/2	-2 1/2	13 8 3	17 1/2	15 6	6 1/2	6 1/2	6 1/2	Scottish Inv. 5 1/2	4 1/2	...	4 3 3	3 5 4 0
33 1/2	24 1/2	33 1/2	31 1/2	94 1/2	57 1/2	64 1/2	62 1/2	Greek 6 1/2, Stab. Lf.	32 1/2	...	7 1 0	252 1/2	241	3 1/2	3 1/2	3 1/2	Scottish Mort. & Co.	202 1/2	...	3 5 4 0	4 13 3
89 1/2	37 1/2	37 1/2	35 1/2	124 1/2	110 1/2	122 1/2	120 1/2	Hungary 7 1/2	56 1/2	-2 1/2	6 12 6	154	146 1/2	3 1/2	3 1/2	3 1/2	Trustees Corp. Ord.	189 1/2	...	4 13 3	5 5 6
95 1/2	54 1/2	60 1/2	40 1/2	61 1/2	46 1/2	52 1/2	50 1/2	Japan 5 1/2, 1936-65	54 1/2	+1 1/2	10 3 9	251 1/2	240	5 1/2	5 1/2	5 1/2	United States Deb.	189 1/2	...	5 5 6	4 0 0
108 1/2	101 1/2	105 1/2	104 1/2	83 1/2	56 1/2	72 1/2	69 1/2	Do. 6 1/2 (24) red. 1959	56 1/2	+2 1/2	10 14 3	27 1/2	26 1/2	3 1/2	3 1/2	3 1/2					

Industry and Trade

Iron and Steel Developments.—The world's iron and steel producers continue valiantly to resist the pressure on prices exerted by the dwindling demand for their products. Thus, on February 4th both the International Tinplate Cartel and the Tube Convention decided to maintain their prices. Both industries have derived considerable benefit from international co-operation. In a note on recent developments in the tinplate industry in *The Economist* of February 5th, on page 310, we pointed out that operations in Wales had already fallen to 60 per cent. of capacity, against an average rate of 80 per cent. in 1937. The International Tube Convention, formed at the beginning of 1937 after two years of keen competition in the export markets, remains in a strong position. The communiqué issued after its meeting on February 4th indicated that the agreement was to continue, and that the members of the Convention intended to "shape their policy in order to deal with competition as and when it arises." It remains to be seen, however, whether the attempt to maintain prices will be successful in the face of a further substantial decline in demand. Meanwhile, iron and steel producers in the United States have at last been compelled by circumstances to make a beginning with the reduction of prices, a cut of about 5 per cent. in certain finished sheet products having been announced on Wednesday. The British price structure has so far been unshaken by developments abroad, and domestic consumption has so far been well maintained. The decline of 22,400 tons to 1,081,400 tons in crude steel output between December and January was entirely seasonal.

* * *

Cotton Reorganisation Proposals.—During the last few weeks the Joint Committee of Cotton Trade Organisations and its constituent Associations have been actively engaged with the formulation of proposals for the reorganisation of the cotton industry. A special and important meeting of the Joint Committee will take place in Manchester next Tuesday to receive reports from the constituent organisations. This week the Special Committee appointed by the Manchester Chamber of Commerce, consisting of export merchants, has considered the draft proposals, and these have been approved. An Enabling Bill has been drawn up, and it is expected that after the meeting next week the leaders of the industry will be in a position to place definite plans before the Government with an appeal for its passage by Parliament. It is understood that certain influential Lancashire circles take exception to the proposals, and that representations have been made to the Board of Trade. So far, however, there has not been any public opposition in Lancashire. It will also be necessary to secure the support of the trade unions. Consequently, the proposals are to be considered at a meeting of the Legislative Council of the United Textile Factory Workers' Association in Manchester next Monday. Owing to the decline in activity during the past three months, it is being urged that there should be no delay in pressing upon the Government the importance of immediate action.

* * *

Employment in January.—The latest employment returns are somewhat less discouraging than those relating to December. The number of insured persons in employment in Great Britain declined from 11,437,000 on December 13th, to 11,309,000 on January 17th, a fall of 128,000. During the same period the number of unemployed persons on the registers of the employment exchanges of Great Britain rose by 162,000, from 1,665,000 to 1,828,000. This reduction, though substantial, is entirely seasonal and below the average of recent years. If allowance is made for seasonal movements the last month actually witnessed a slight improvement; for our

index of employment (which is corrected for seasonal changes) rose from 109½ (1935=100) in December to 110½ in January. Nevertheless, there is little reason for congratulation. Although the number in employment last month was still 87,000 higher than a year ago, the number of unemployed persons on the registers shows an increase of as much as 195,000 over the corresponding month last year. The incidence of recent changes in unemployment is shown in the following table:—

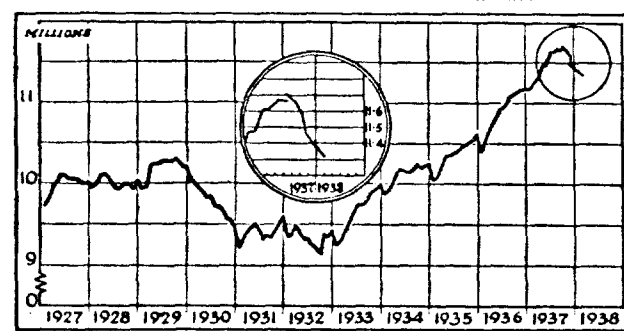
UNEMPLOYMENT BY INDUSTRIES IN GREAT BRITAIN

Industrial Group	Numbers in Thousands			Percentage	
	Jan. 25, 1937*	Dec. 13, 1937	Jan. 17, 1938*	Jan. 17, 1938	Approximate change since Jan. 25, 1937
Coal mining	138.4	101.5	99.5	11.5	- 4.0
Engineering	47.7	45.7	55.6	6.8	- 1.6
Motor vehicles, cycles and aircraft	16.3	19.1	23.5	6.7	+ 1.5
Metal goods manufactures	33.1	37.9	49.2	14.7	+ 2.2
Building	173.6	214.2	196.5	18.9	+ 1.9
Public works contracting	120.5	119.6	115.5	39.3	+ 2.4
Cotton	47.9	61.2	78.6	19.2	+ 7.8
Woolen and worsted	15.8	41.5	48.7	21.8	+ 11.1
Tailoring	24.5	30.3	36.3	16.9	+ 5.2
Hotel, boarding-house, etc., service	73.4	77.4	82.0	18.5	+ 1.6
Distributive trades	200.6	168.9	205.5	9.9	+ 0.1
All persons registered (including other trades)	1,689.2	1,665.4	1,827.6	...	...

* These figures are not strictly comparable, owing to the change made last September in the method of counting the number of unemployed persons.

Until recently, unemployment was generally lower than a year ago in most industries. The January returns, however, indicate that unemployment in many industries is now greater than a year ago. In coal mining—exceptionally—the number unemployed last month was still 38,910 less than a year ago. The accompanying chart

ESTIMATED NUMBER OF INSURED PERSONS EMPLOYED IN GREAT BRITAIN



(which shows changes in the number of insured persons employed in Great Britain since 1927) affords *prima facie* evidence of a decline in business activity since last autumn. But it also shows that the current level of employment is still substantially higher than in 1929.

* * *

Science and Industry.—A reader with an inquiring turn of mind will find a wealth of interesting material in the Report for 1936-37 of the Department of Scientific and Industrial Research (published, at 3s. net, by the Stationery Office). The department exists to encourage industrialists and others to make the fullest use of scientific technique and discoveries; and the layman will be astonished at the range of its work. He will learn that its experts have evolved a new system of refrigeration, and that they have been experimenting with the gas storage of fruit and vegetables. He will doubtless be surprised to discover that better bacon is made from pigs which have been rested before slaughter and that the pigs, while awaiting

their fate, should be kept warm—for shivering is a form of muscular exercise which leads to fatigue! Researches have been made by the Department into the question of the best colour for street lighting and into the effects of "shock waves" on the speed of aircraft in flight. The Report also records the progress made by the research associations formed on a co-operative basis in various industries under the department's auspices. These now cover such diversified trades as those producing footwear, confectionery, automobiles, textiles, electrical equipment and metal goods. Typical of the varied content of this section are the descriptions of an exhaustive examination into the factors responsible for cylinder wear in motor cars and of an inquiry into the effect of variations in the quality of condensed milk on the keeping properties of toffee. There is everything to be said for the endeavour to strengthen the contacts between industry and the National Physical Laboratory. It is gratifying, therefore, to learn that the charges made by the Laboratory are to be reduced in certain instances; and that arrangements have been made by which its staff will be able to visit works and plan investigations on the spot. These, the Report truly states, are developments which should be welcomed by industry.

* * *

Setback in the Carpet Trade.—As was to be expected, the building boom of the past few years and the growing interest taken by the public in interior decoration have led to a remarkable revival of the carpet trade. According to the Census of Production, the output of carpets rose from 21.5 million square yards in 1930 to 33.1 millions in 1935. The progress of the industry is also reflected in the employment figures; for the number of insured persons actively engaged in the industry rose from 25,270 in June, 1929, to 31,470 in the corresponding month last year. Exports of carpets also showed an increase from 6,480,600 square yards in 1929 to 6,848,200 square yards in 1937. During the same period retained imports fell, partly as a result of the imposition of duty, from 7,234,950 square yards to 5,502,290 square yards. Since last summer, however, the industry has experienced a serious setback. The number of insured persons unemployed last December was 17.2 per cent., compared with 4.6 per cent. a year earlier, and the Imperial Economic Committee's index of total wages paid by the industry fell from 150.0 (January, 1926 = 100) to 121.4 during this period. It is estimated that the industry is now operating at half time, with Scotland in a slightly better, and Kidderminster in a slightly worse, position. In the main, the setback is a natural consequence of the decline in middle-class dwelling-house construction, though the price policy of the industry may have hastened it. In January, 1937, carpet prices were advanced by 10 per cent. and in July a further 10 per cent. was added, the industry's justification for the advance being increased costs. Producers, however, had been warned of this increase well in advance, with the result that there had been a rush of orders before June 30th, which necessitated considerable overtime. Following the normal summer decline in activity came the sudden drop in wool prices, which caused buyers of both wool and carpets to keep out of the market—the former waiting for further falls and the latter being enabled to wait for a reduction in prices by the large stocks they had accumulated during the summer. Meanwhile, a recent cut in prices has failed to evoke much response from buyers.

* * *

Speculation in Cocoa.—The sharp fluctuations in cocoa prices during the last twelve months provide a striking instance of the effect of the entry of speculators on a large scale into a commodity market. Before 1934, writes a correspondent, the cocoa market was saddled with a surplus which, though fairly small, had its effect in keeping prices at a low level. Far from being diminished, this surplus was actually increased during 1934, 1935 and 1936 since in each year production continued in excess of consumption. The comparative figures (taken

from the statistical *Cocoa Journal The Gordin*) are shown in the following table:—

	World Production Metric Tons	World Consumption Metric Tons
1934	593,209	579,576
1935	678,141	666,721
1936	711,574	697,918

In the autumn of 1936, however, speculators were encouraged at the outset by the rapid rise in American and British consumption to enter the raw cocoa market. Cocoa prices at once began to rise, and by the middle of January, 1937, the ex quay Liverpool price per cwt. had reached 59s. 0d., against 23s. 9d. at the corresponding period in 1936. Rumours that the Gold Coast crop would be much less than anticipated, and that in consequence there would be a world shortage of cocoa, were largely responsible for the duration of this boom. At this time, moreover, responsible quarters pointed out in vain that, even on the basis of some of the low figures which were quoted for the Gold Coast crop, there would be no actual shortage. The crop, in fact, reached a record high level, and with the publication of the final estimate, the last reason for presupposing a shortage vanished. Apart from one or two short periods, prices slipped steadily back from February, 1937, till by the end of the year they were at the low levels which had ruled during the years preceding the season 1936-1937.

* * *

The decline in prices, though it was a direct result of the withdrawal of speculators, was wrongly attributed by the Gold Coast farmers to the buying agreement drawn up this year between the merchants operating on the Gold Coast, and since November a hold-up of cocoa stocks has been in force. Reports have been issued during the past week that the farmers are beginning to burn the cocoa. These, however, are entirely unfounded, and it is hoped that a settlement will be reached in the near future. Actually, deliveries of cocoa to American manufacturers declined during 1937 by about 24 per cent. (the total being 3,447,062 bags in 1937, against 4,573,095 bags in 1936), while British consumption fell by roughly 8 per cent. (94,168 tons in 1937, against 102,088 tons in 1936). The *Gordin* production figures for 1937 are expected to show a decline as a result of the Gold Coast hold-up, but it is anticipated that this will be fully balanced by an increase during 1938, when the bulk of the 1937 crop will be released.

* * *

Crisis in the Poultry Industry.—That the British poultry industry is struggling under an almost impossible handicap of diseased or weakly stock is the conclusion reached in the Report of the Poultry Technical Committee for Great Britain, published on Tuesday (price 1s.) by His Majesty's Stationery Office. This situation follows the unprecedented demand for stock, hatching eggs and day-old chicks in the post-War years, under the stimulus of high egg prices. Deaths at egg-laying trials have consequently risen from 6.6 per cent. in 1926-27 to no less than 17.7 per cent. in 1936-37. To cope with the present emergency, the Committee suggests the establishment of a Poultry (Stock Improvement) Commission for Great Britain, with Advisory Councils for England and Wales and for Scotland, and with a Standing Executive. The duties of the Commission would include, *inter alia*, the compulsory registration of the distributors of stock, hatching eggs and day-old chicks and the application of various conditions necessary to secure the production of higher quality stock. It would also examine the possible repercussions of the importation of poultry and hatching eggs on the problem of mortality at home. Some assistance from the Exchequer is contemplated. The total annual cost of the proposals, tentatively estimated at about £110,000, must, as the Committee rightly points out, be considered in relation to the value of the industry's output, which now amounts to some £30 millions annually. If prosperity is not to be permanently impaired, action along lines similar to those recommended by this Report would seem imperative.

Less Bacon.—The farmers' dissatisfaction with the working of the Pig Marketing Scheme, which caused the breakdown of the contract system at the end of 1936, was reflected in a sharp reduction in the pig population last year. Inevitably, therefore, the annual report of the Bacon Marketing Board, issued last week-end, records a sharp contraction in the output of the bacon-curing industry in 1937. The amount of bacon put into cure by the registered producers 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 2,756,808 cwt., in 1936. Last year's output, however, declined by 11 per cent. to 2,448,186 cwt. Consequently, the restriction of imports was slightly relaxed in order that total supplies might be maintained. Changes in imports since 1931 are shown below:—

	Empire	Foreign '000 cwt.	Total	Per cent. Reduction on 1931 %
1931	436	11,529	11,965	...
1932	541	11,651	12,192	...
1933	911	9,042	9,953	17
1934	1,457	6,870	8,327	30
1935	1,589	6,015	7,604	36
1936	1,898	5,343	7,241	39
1937	2,227	5,373	7,600	36

The Board still favours the principle of a levy on bacon imports, to be applied as a subsidy to pig producers at home. In a statement in the House of Commons in July, however, the Minister of Agriculture declared that the grant of financial assistance should be conditional upon the reorganisation of the curing industry so that both farmers and curers might work at a profit. Rationalisation is essential to the restoration of profitability in the bacon industry, and proposals to that end are now being discussed by the Ministry of Agriculture and the Bacon Board.

* * *

Labour Relations in the Steel Trades.—The iron and steel industry offers an outstanding example of the benefits of peaceful negotiation between employers and employed. The employers have lately agreed to the principle of paid holidays; and although detailed arrangements have still to be made, there is little doubt that the majority of the operatives will benefit from eleven days' paid holidays this year. The cordial relations existing in the iron and steel trades are doubtless partly the cause and partly the effect of the sliding scales, which have been a notable feature of the industry's wage agreements since the pre-war years. Basic rates (generally piece rates) have been

fixed for all the major operations, and are increased by a certain percentage for every rise in the ascertained selling price of the principal product. Wages in the steel melting and rolling trade, for instance, fluctuate in accordance with variations in the ascertained selling price of steel plates. When prices are rising, therefore—as in recent years—wages automatically follow suit. But the actual selling prices (which are ascertained monthly by independent accountants) usually lag well behind quoted prices, for the makers may still be occupied on old contracts entered into at a lower price level. Thus, although quoted prices are unlikely to rise further, it is possible that wages in some cases have not yet reached their peak. These sliding-scale arrangements are general throughout the industry except in the Sheffield special steel trade, where the engineering bonus system is in force. Together with the machinery of conciliation boards, the sliding scales have made a valuable contribution to the cause of industrial peace.

* * *

Coal Output per Miner.—The geological structure of coal seams is an important factor in determining the possible extent of mechanisation of production and hence of the average output per miner. How great is the variation of the daily output of coal per miner in the principal European countries is shown in the table below. To some extent these figures are also affected by differences in the number of hours worked per shift.

AVERAGE DAILY OUTPUT OF COAL PER MINER IN 1937

	Cwts.		Cwts.
Poland	35.5	Great Britain	22.5
Holland	34.7	France	16.0
Germany	31.4	Belgium	14.9

The two countries which head the list are both relative newcomers to coal mining. Poland received the richest part of the Silesian coal basin after the war, and has since expanded her output to meet internal industrial needs and an important export trade. As the Silesian coal field is relatively "young" and as long hours are worked in Poland, the high output per man-shift in that country is not surprising. Holland produced no coal before the war, but her output from Limburg and the Venlo district is now sufficient to satisfy domestic requirements and to leave a margin for a small export trade with France and Belgium. That Great Britain, France and Belgium, the leaders of the industrialisation of Europe, have relatively low outputs per man-shift is due to the exhaustion of the best seams, the difficulties of mining and the shorter hours worked. The recent increase in mechanisation has been unable appreciably to raise output per head.

INDUSTRIAL REPORTS

THE unemployment returns for January issued this week are rather more satisfactory than those for December, for the seasonal reduction in the number of insured persons employed was smaller than usual. The latest reports from industrial centres continue to bear evidence to a gradual slowing down in activity. Consumption of iron and steel remains at a high level and output of coal is well maintained, but new business is decidedly smaller. In the cotton trade the position is rapidly deteriorating owing to the insufficiency of replacement orders, and operations have been further curtailed. In the wool textile industry, also, unemployment is now considerably higher than a year ago. Business in jute goods, on the other hand, has been a little more active. Meanwhile, there are no indications of an early change of trend.

Coal

Cardiff.—There has been little change on the Cardiff coal market. Shipments have been adversely affected

by delayed tonnage and a dislocation of colliery stems, but the pits have been regularly employed. Domestic demand is good, and in the export trade there are few arrears in contract commitments. Substantial orders are reported to have been placed for sized coals, and in some cases the periods of delivery extend into 1939.

Prices are nominally unchanged, and the elimination under the district control scheme of the practice of supplying block tonnages to merchant firms is protecting the collieries against price cutting on the part of middlemen. In one or two of the other exporting districts there are complaints of under-cutting by contractors, and the matter is receiving the attention of the Exports Committee of the Central Council. There is a steady demand for coke, but the patent fuel market is quiet.

*

Newcastle-on-Tyne.—Despite a lack of inquiry the North-East coal market is steady, all grades being fairly comfortably stemmed. Northumberland

steam collieries are relying mostly on old contracts, whilst in Durham collieries are largely depending upon home trade. Coking and gas coals are well booked for some weeks ahead, whilst collieries producing bunker classes are comfortably placed. Patent oven coke is now a weak market owing to the lack of export trade and increasing production.

*

Glasgow.—The feature of the Scottish coal trade is the slowing-down of export business, which is now distinctly smaller than for a long time past. Shipments last week showed a further marked reduction to only 163,000 tons, compared with 193,000 tons in the previous week and 249,000 tons in the corresponding week of last year. Prices naturally have weakened, and concessions continue to be made in respect of most qualities in the East Coast districts.

Continental imports appear to be carrying fairly large stocks, and it is not expected that the position will show

any marked improvement for some weeks. In contrast with export business, home demand remains good, and collieries catering mainly for this trade continue to operate on a satisfactory basis. Most classes of Lanarkshire and Ayrshire coals are fully taken up.

*

Sheffield.—Prices are unchanged. Domestic demand is strong, and at most pits output is at a high level. The call for manufacturing fuel is on a big scale, and collieries working on contracts will be kept busy for some time. Any surplus is readily cleared. Small coal is in full request and firm. The demand for house coal has receded and is below the average for the time of year. Gas coal is freely inquired for. Coke is a firm market at unchanged prices.

Export business continues quiet, and there is no indication of an early improvement, although inquiries for spring delivery are about due. Bunkering trade is disappointing. The laying up of a large number of steam trawlers does not help the position.

COAL OUTPUT AND EMPLOYMENT

District	Week ended January 22, 1938		Week ended January 29, 1938	
	Output	Wage- earners	Output	Wage- earners
Northumberland	306.7	45.5	306.4	45.5
Durham	716.9	117.4	709.5	117.5
Yorkshire	991.0	142.5	956.7	142.7
Lancs, Cheshire and N. Wales	366.4	69.0	367.7	69.2
Derby, Notts & Leicester	765.9	98.3	753.6	98.5
Staffs., Worcs, Salop & War- wick	434.5	67.6	425.1	67.6
South Wales and Monmouths	835.1	136.5	826.7	136.7
Other English districts	126.3	22.5	126.2	22.4
Scotland	665.7	91.3	653.7	91.0
Total	5,208.5	790.6	5,125.6	791.1

* Including Cumberland, Westmorland, Gloucester, Somerset and Kent.

*

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that whilst satisfactory conditions continue to rule in practically all departments so far as the home trade is concerned, export demand fails to develop any sustained improvement. As a consequence those branches which rely largely upon export business are not so well supplied with orders as those which serve the home trade. Nevertheless, the decline has not been sufficient to affect the price position.

In the pig iron market the consuming industries continue to absorb a large proportion of the output and neither producers nor consumers are averse to putting a certain amount of iron into stock. New business is scarce, largely in view of the fact that consumers have bought heavily over the first half of this year. Specifications against contracts, however, are coming forward at a satisfactory rate.

The demand for semi-finished steel is good and the consuming industries which a short time ago were suffering from a tightness of supplies are now obtaining all the material they need as a result of the arrangements for supplementing home production by imports.

In the finished trades there is a strong demand in most departments. The works producing joists, plates and

sections, in particular, are being pressed to the utmost to keep abreast of deliveries. In the case of some materials orders cannot be accepted for execution in less than five or six months.

*

Sheffield.—While the volume of business in iron remains fair, there is undoubtedly a rather easier tendency. Consumers are well covered by contract and deliveries of forge and foundry pig iron appear to be equal to requirements. Some consumers, indeed, are able to begin building up reserves, and producers find themselves in a position to put a limited portion of their output into stock. Odd parcels of pig iron are well taken up, but there is little forward buying. Difficulty in securing supplies of hematite are much less pronounced, although supplies of special hematite are somewhat meagre. Business in finished iron continues to be on a good scale, although crown bars are less active. All prices are fixed over the first six months of the year, but already there is talk of some revision at the end of that period in favour of consumers.

Steel market business continues at a high level, and the demand for basic and acid billets is still ahead of supply. Structural steel requirements show no decline, and delivery delays are persistent. Business in strip and wire rods is good, while the call for stainless steel sheets shows no sign of easing. There is no change in the iron and steel scrap market. For iron sorts the pressure has recently become less pronounced, but heavy basic steel for melting remains in very active request.

Sheffield industries report a steady flow of new orders, both from home and overseas sources, and some firms have enough work on hand to keep them fully employed throughout the whole of the year.

*

Glasgow.—Steelmakers in this district are still exceedingly busy and have succeeded in overtaking a considerable proportion of arrears. While they have still much work on hand, they are now in a position to offer material within a reasonable period. Export business in most branches is quiet, but home demand is brisk, and most makers of finished materials as well as steel makers are well employed. Constructional engineers in Glasgow have received orders covering a heavy tonnage, while Clyde shipbuilders and marine engineers have also secured some important contracts.

*

Cardiff.—Quiet conditions are ruling in the tinplate industry. The latest output returns were certified at only 61 per cent. of capacity. At 6,497 tons, shipments at Swansea last week were about 1,800 tons less than in the corresponding period last year. Stocks are increasing despite reduced production and are now 5,100 tons heavier than a year ago. In view of the high production costs it was decided last week by the International Tinplate Cartel to maintain the minimum price at 22s. 6d. f.o.b. per basis box. Galvanised sheets are steady at £16 15s. per ton f.o.b. Quotations for pig iron and steel bars are firm at the scheduled prices of the Iron and Steel Federation.

*

Middlesbrough.—The market is steady but quiet, consumers of foundry pig iron being well supplied. Merchants

are being requested to take out deliveries of Cleveland foundry pig iron against old-standing contracts. East Coast hematite is being steadily taken up against existing contracts with users here and in the Midlands; small quantities are also being offered for export. Prices remain unaltered at the official bases. A further blast-furnace in this district has been put out of operation for repairs.

Further quantities of semi-finished steel have arrived from abroad and these, together with home supplies, are keeping re-rollers well furnished with their requirements. The demand for all classes of finished steel continues steady and specifications against existing contracts come forward freely. The scrap market is quiet but steady, and the official minimum prices are maintained. Ore imports are ample and the easier freight rates have been of some assistance.

Textiles

Cotton (Manchester).—Business has shown no improvement, and bulk spinners and manufacturers have had to make arrangements for curtailing production on a larger scale. Prices for raw cotton have risen on bullish reports from the United States concerning the limitation of next season's crop by legislation. But there is still some doubt concerning the Government's policy. The stock of cotton in the Government loan now totals 4,884,000 bales, to which must be added 1,600,000 bales carried over from last season.

The yarn market has continued flat. Despite the substantial restriction of output, sales have been less than production. About twenty-five mills engaged on medium weight American yarns have been closed this week. Some Egyptian spinners are now making rather freer deliveries to Germany, but trade prospects on the Continent are very uncertain. The voluntary selling price agreement for two-fold yarns suitable for poplins and voiles has been abandoned.

Manufacturers of piece-goods have had another unsatisfactory week, turnover being very disappointing. Producers and distributors continue to be harassed by heavy stocks. Demand for India has fallen off, sales being much smaller than in recent previous weeks. Some cables from Shanghai have been a little more encouraging, but trade of any importance for China cannot be expected. A few more orders have been booked in bleaching styles for Egypt. The position in West Africa remains very difficult. Necessary buying has occurred for the Dominions and the home trade. Reports indicate that more looms have been stopped.

RAW COTTON delivered to Spinners
(Million bales)

Variety	Week ended		Total Deliveries	
	Jan. 28, 1938	Feb. 4, 1938	Aug. 1, 1936-1937	Aug. 1, 1937-1938
American	24.0	27.7	632	692.4
Brazilian	3.8	3.2	196	180.8
Peruvian, etc.	2.1	2.6	85	70.9
Egyptian	6.0	10.5	205	184.1
Sudan Sakel	2.2	2.8	78	89.8
East Indian	8.0	8.3	219	157.2
Other countries	3.1	2.5	112	65.0
Total	50.1	54.6	1,527	1,480.2

	Feb. 2 1938	Feb. 9 1938		Feb. 2 1938	Feb. 9 1938		Feb. 2 1938	Feb. 9 1938
	<i>Cents</i>	<i>Cents</i>		<i>Cents</i>	<i>Cents</i>		<i>Cents</i>	<i>Cents</i>
GRAINS (per bushel)—			METALS (per lb.)— <i>cont.</i>			MISCELLANEOUS (per lb.)— <i>cont.</i>		
Wheat, Chicago, May	93 1/2	95 7/8	Tin, N.Y., Straits spot	41.00	40 87 1/2	Cotton, Am. Mid., Feb.	8 40 1/2	8 75
Winnipeg, May	126 1/2	129 1/2	Lead, N.Y., Spot	4.90	4.75	Lard, Chicago	8 47 1/2	8.65
Maize, Chicago, May	58 1/4	59 7/8	Spelter, East St. Louis, spot ..	5.00	4.75	Petroleum, Mid-cont. crude		
Oats, Chicago, May	31	31 1/8				33 deg. to 35-90, at well,		
Rye, Chicago, May	74 1/8	77 1/4	MISCELLANEOUS (per lb.)—			per barrel	116	116
Barley, Winnipeg, May	64 1/8	65 1/8	Cocoa, N.Y., Accra, March ...	5.26	5.59	Rubber, N.Y., smkd. sheet spot	14 1/8	14 1/4
			Coffee, N.Y., cash			Do, Do, Mar.	14 1/8	14 1/4
METALS (per lb.)—			Rio, No. 7	5 1/2	5 1/2	Sugar, N.Y., Cuban Cent., 96		
Copper, N.Y., Domestic spot ..	9.72 1/2	9.47 1/2	Santon, No. 4	8 1/2	8 1/2	alg., spot	3.16	3.15
Piedmont, spot	9.72 1/2	9.75	Cotton, N.Y., Am. mid., spot ..	8.52	8.87			

BRITISH WHOLESALE PRICES

	Feb. 2, 1938	Feb. 9, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—	s. d.	s. d.
No. 2, N. Man. 496 lb.	59 3	58 3
Eng. (Gaz. av.), per cwt.	8 4	8 3
Liv. March, per cental	7 7½	7 8½
Flour, per 280 lbs.—		
Strait, d. d. London	36 6	36 6
Manitoba, ex store	39 6	39 6
Barley, Eng. Gaz. av.	41 0	41 0
Oats	13 0	12 10
Maize, La Plata, landed, 480 lb.	8 7	8 5
Do, January	33 6	34 0
Rice, No. 2 Burma, per cwt.	8 3	8 4½
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 8	4 10
Argentine chilled hinds	5 6	5 6
Mutton, per 8 lbs.—		
English wethers	4 6	4 5
N.Z. frozen wethers	4 9	4 8
Lamb, per 8 lbs.—		
N.Z. frozen	2 10	2 10
Pork, English, per 8 lbs.	4 2	4 2
BACON (per cwt.)—		
English	98 0	98 0
Danish	98 0	98 0
Irish	93 0	93 0
United States	92 0	92 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	107 0	110 0
New Zealand	108 0	111 0
Danish	126 0	127 0
CHEESE (per cwt.)—		
Canadian	75 0	75 0
New Zealand	69 0	68 6
English Cheddars	96 0	96 0
Dutch	65 0	63 0
COCOA (per cwt.)—		
Accra, L.L.	27 0	28 0
Trinidad	29 0	29 0
Grenada	45 0	43 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	32 0	32 0
Costa Rica, medium to good	52 0	52 0
Kenya, medium	70 0	70 0
EGGS (per 120)—		
English (15-15½ lb.)	17 0	15 0
Danish (15½ lb.)	17 6	16 0
FRUIT—		
Oranges, Jaffa	13 0	12 6
" Brazilian	13 3	12 9
Lemons, Malaga	8 3	8 3
" Sicilian	15 0	15 0
Apples, Amer. (var.)	10 3	10 3
" (var.)	13 0	12 9
Grapes, Almeria	14 6	14 0
Grapefruit, Jaffa	21 0	25 0
LARD (per cwt.)	8 0	8 0
Irish, finest bladders	11 0	10 9
U.S.	12 6	11 0
PEPPER, per lb.—		
Black Lampung (in Bond)	12 6	11 0
White Muntok	14 9	17 6
POTATOES (per cwt.)	64 0	64 0
Kang Edward	70 0	70 0
SUGAR (per cwt.)	50 0	50 0
Centrifugal, 96, prpt. shipm.	52 6	52 6
c.i.f. U.K. Cont.		
Refined—London	5 4½	5 2¼
Yellow Crystals	19 0	18 10½
Cubes	23 3	23 1½
January 20 and 27 respectively.	23 9	23 7½
and do not include the Government tax.		

	Feb. 2, 1938	Feb. 9, 1938
SUGAR (per cwt.)—cont.		
Crushed	s. d.	s. d.
Granulated	21 6	21 4½
Home Grown	19 3	19 1½
TEA (Auction Average) (per lb.)—		
N. India	14 22	14 33
S. India	14 38	14 52
Ceylon	15 87	16 36
Java	12 53	12 51
Sumatra	11 71	11 57
Africa	13 25	13 25
Total	14 55	14 79
TOBACCO (per lb.)—		
Virginia stemmed and un-	0 8	0 8
stemmed, common to fine	2 6	2 6
Rhodesian stemmed and un-	0 9	0 9
stemmed	1 10	1 10
Nyasaland stemmed and un-	0 7	0 7
stemmed	1 4	1 4
East Indian stemmed and un-	0 7	0 7
stemmed	1 10	1 10
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	d. s.	d. s.
" Sakellaridis, F.G.F.	4 89	5 01
" Griza, F.G.F.	8 29	8 30
Yarns, 32's Twist	7 46	7 47
" 40's Twist	10 8	10 8
" 60's Twist (Egyptian)	17 3	17 3
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.
" 16, 32's & 50's	18 2	18 2
" 36 in. Shirtings, 75 yds.	24 8	24 8
" 19, 19, 32's & 40's	10 6½	10 6½
" 38 in. ditto, 38 yds.	9 6½	9 6½
" 16, 16, 10 lb.	9 6½	9 6½
" 39 in. ditto, 37½ yds.	9 6½	9 6½
" 16, 15, 8½ lb.	9 6½	9 6½
FLAX (per ton)—		
Livonian ZK	69 10	69 10
Pernau HD	71 0	71 0
Slanetz Medium, 1st sort	85 0	85 0
HFMP (per ton)—		
Italian PC	69 0	71 0
Manilla, Feb.-Apr. "J2"	28 0	26 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	£19 0/0	£18 13/9
Jan.-Feb.	£18 0/0	£17 15/0
Dance 2 3 c.i.f. Dundee, Jan.-Feb.	£15 10	£17 10
SISAL, African, Feb.-Apr.		
Canton	17 0	19 0
SILK (per lb.)—		
Japan	6 6	6 6
Italian, raw, fr. Milan	7 6	7 6
WOOL (per lb.)—		
English, Southdown, greasy	16½	16½
" Lincoln hog, washed	14½	14½
Queensland, scd. super combg.	25	25
N.S.W. greasy, super combg.	14	14
N.Z., greasy, half-bred 50-56	11	11
" Crossbred 40-44	12	12
Tops—		
Merinos 70's average	29	29
" 64's	27	27
Crossbred 48's	16½	16½
" 40's	16	16
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	22 0	22 0
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d.d.	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tin plates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	£39 16 3	£39 0 0
Three months	£40 1 3	£39 0 0
Tin—		
Standard cash	£182 0 0	£181 15 0
Three months	£182 5 0	£181 10 0
Lead, soft foreign—		
Cash	£15 15 0	£15 0 0
Spot	£15 16 3	£15 6 3
Spelter, G.O.B.—		
Standard cash	£14 15 0	£14 2 6
Three months	£14 17 6	£14 3 9
Aluminium, ingots and bars	100 0	100 0
" rolling billets	102 0	102 0
Nickel, home and export	180 0	180 0
Antimony, Chinese	67 0	67 0
Wolfram, Chinese	68 0	68 0
Platinum, refined, per oz.	7 0	7 0
Quicksilver, per 76 lbs.	12 17 0	12 17 0
These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—		

	Feb. 2, 1938	Feb. 9, 1938
MISCELLANEOUS		
CEMENT, best Eng. Portland, d.d. site, London area, each, or paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s. per ton	
1 and up to 4-ton loads	44s. per ton	
CHEMICALS—		
Acid, citric, per lb., less 5%	s. d.	s. d.
" Nitric	1 0 4	1 0 4
" Oxalic, net	0 2 0	0 2 0
" Tartaric, English, less 5%	0 5 0	0 5 0
Alcohol, Plain Ethyl	1 1 1	1 1 1
Ammonia, carb.	12 0	12 0
Sulphate	20 0	20 0
Arsenic, lump	21 0	21 0
Borax, gran.	7 12 6	7 12 6
" powder	35 0 0	35 0 0
Nitrate of soda	5 0	5 0
Potash, Chlorate, net	0 4 0	0 4 0
Sulphate	0 4 0	0 4 0
Soda Bicarb.	10 0	10 0
Crystals	11 0	11 0
Sulphate of Copper	5 0	5 0
COPRA (per ton)—		
S.D. Straits, c.i.f.	13 1/3	12 16/3
HIDES (per lb.)—		
Wet salted, Australian	0 5 8	0 5 8
West Indian	0 5 8	0 5 8
Cape	0 4 0	0 4 0
Dry and Drysalted Cape	0 4 0	0 4 0
Market Hides, Manchester—		
Best heavy ox and heifer	0 4 8	0 4 8
Best cow	0 5 0	0 5 0
Best calf	0 4 8	0 4 8
INDIGO (per lb.)—		
Bengal, g.d. red-vio. to fine	5 6	5 6
LEATHER (per lb.)—		
Sole Belts, 8, 14 lb.	2 2	2 2
Bark Tanned Sole	2 4	2 2
Shoulders from DS Hides	0 7 2	0 7 2
" Eng. or WS do.	0 9 0	0 9 0
Bellies from DS do.	0 5 0	0 5 0
" Eng. or WS do.	0 6 0	0 6 0
Dressing Hides	1 4	1 4
Ro. Eng. Calf, 20/35 lb. per doz.	3 6	3 6
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit, No. 1, London	1 6	1 6
Petroleum, Amer. rid. brl. Lond.	0 10 4	0 10 4
Fuel oil, in bulk, for contracts		
ex instal. Thames—		
Furnace	0 3 4	0 3 4
Diesel	0 4 2	0 4 2
ROSLIN (per ton)—		
American	£15 15 0	£15 10 0
RUBBER (per lb.)—		
St. nibbed smoked sheet	s. d.	s. d.
Fine hard Para	0 7 0	0 7 0
SHELLAC (per cwt.)	0 6 8	0 6 2
TN Orange	41 0	41 0
TALLOW (per cwt.)—		
London town	20 0	20 0
TIMBER—		
Swedish u/s 3 x 8	per std.	23 0 0
" 2½ x 7	22 10 0	22 5 0
" 2 x 4	20 0 0	19 15 0
Canadian Spruce, Dis.	23 10 0	23 10 0
Pitchpine	11 0 0	11 0 0
Rio Deals	35 0 0	35 0 0
Teak	27 0 0	27 0 0
Honduras Mahogany logs c. ft.	0 12 0	0 12 0
English Oak Planks	0 6 0	0 6 0
English Ash Planks	0 7 0	0 7 0
VEGETABLE OILS (per ton net)—		
Linseed, naked	27 7 6	26 17 6
Rape, refined	36 0 0	36 0 0
Cotton-seed, crude	18 10 0	18 5 0
Cocnut, crude	18 0 0	17 15 0
Palm	16 2 6	15 15 0
Oil Cakes, Linseed, Eng.	10 0 0	10 0 0
Oil Seeds, Linseed—		
La Plata, Feb.	12 13 9	12 13 9
Calcutta	14 17 6	14 17 6
Turpentine	s. d.	s. d.
per cwt.	32 9	33 3

COMPANY MEETINGS

GAS LIGHT AND COKE COMPANY

INCREASED SALES AND REVENUE

SIR DAVID MILNE-WATSON ADDRESS

The two hundred and thirty-first ordinary general meeting of the Gas Light and Coke Company was held, on the 4th instant, in London.

Sir David Milne-Watson, Bt., LL.D., D.L. (the governor), dealing with the accounts, said that sales of gas had gone up by 1.32 per cent., or about three and a quarter million therms. The increase had brought in an additional revenue of about £100,000. The rental of meters and stoves showed an increase of £71,000; coke and breeze were both very satisfactory markets and had brought in an additional £319,000; and tar products showed an increase of £56,000.

The sum available was £851,000, which enabled the directors to recommend the dividend on the new 3½ per cent. redeemable preference stock (1970), the usual dividends on the 4 per cent. consolidated preference stock and the 3½ per cent. maximum stock, and a dividend—unchanged—at the rate of £5 12s. per cent. per annum on the ordinary stock.

THE PRICE INCREASE

Continuing, he said: At the end of the year the directors, with great reluctance, decided that it would be necessary to raise the price of gas. During the year the cost of raw materials which we use, other than coal, went up by 15 per cent., also wages increased by 6 per cent. under the national agreement, and in the circumstances it became necessary to put up the price of gas by 3d. per therm. This advance barely covers the increase in the costs to which I have already referred, and, as I said at the time, it only means ¼d. a week to the average automatic consumer and 1d. a week for an ordinary consumer whose gas bill is 25s. to 30s. a quarter.

In a time of rising costs it is almost impossible to avoid a time lag in the adjustment of price, and, as you can see, the result in this case is that the proprietors have, in effect, suffered a loss of £100,000, which is reflected in the reduction of the amount carried forward.

EXPANSION OF BUSINESS

The sale of gas for the year showed, as I have mentioned, an increase of 1.32 per cent. over the preceding year. One of the greatest of all factors affecting the demand for gas is the weather, or, to speak more strictly, the temperature. With all our personal efforts, it still remains true that Jack Frost is the company's best salesman; 1937 was, on the whole, a warmer year than its predecessor, and the increase in the figures indicates, therefore, a larger genuine expansion in our business than the percentage I have quoted. Moreover, 1936 was a leap year, and therefore contained an extra day, so that the 1937 increase indicates a steady and continued rise in our sales, which is a source of great satisfaction to us. The increase represents in absolute quantity a vast amount of heat.

And there is another point. Recently our increases have been achieved in the face of the enormous change-over from older to newer and more efficient appliances in all parts of our area.

Hundreds upon hundreds of thousands of older appliances have come in and been replaced by up-to-date apparatus of greatly improved design, giving the same amount of effective heat for a gas consumption anything from 10 per cent. to 25 per cent. less. This has been, in a short-term sense, a drag on the wheels of our progress. Now we have reached a point where reasonably complete replacement of older appliances is in sight. For this reason I believe that during the coming years we may see from all the constructive work that has gone to the building up of the company's business more obvious results.

FINDINGS OF THE JOINT COMMITTEE ON CHARGES

At the beginning of the year the Government decided, in view of a protest which had been made regarding the introduction of a new tariff in South London, that an inquiry should be held into the whole system of gas charges. A strong joint committee from the Lords and Commons came to the following important conclusion:

That the basic price and dividend system afforded adequate protection to the consumer, having regard more especially to the competition to which gas companies are subject, and that no new formula is needed, or indeed can be found, which would look after the interests of both gas companies and their consumers.

Especially they repudiated the claim of the local authorities that no increase of price should be permitted without an inquiry by the

local authorities, and emphasised more than once the effectiveness of public opinion as a check on unreasonable charges to consumers.

Not only did the report emphasise the national importance of the industry in peace and war, but it drew attention to some of the avoidable and unfair handicaps under which we are made to operate, and expressed its opinion about them in the following memorable words: "It is contrary to public interest to lay burdens on gas to which electricity is not subject, or even to permit gas as the older of two competitors to suffer any longer than is necessary from adhesions of restraint because of a monopoly which it once enjoyed but has lost."

COAL POSITION

Throughout the country the price of coal has been considerably, and in many instances heavily, increased. Difficulties have been experienced in getting the classes of coal required and in obtaining satisfactory delivery. The Committee of Investigation, which purport to offer a means of redress to aggrieved consumers, have proved entirely ineffectual. It is true that under the Bill the Committees of Investigation are to be somewhat strengthened and that a central Appellate Tribunal is to be set up, but as a practical means of remedying grievances these bodies will have very little more value than their predecessors.

In my view, and it is shared by a large number of those in responsible positions who have given much anxious thought to the question, it is the monopoly itself which should be regulated. Its obligations to consumers should be strictly defined by Parliament. In the past when Parliament has authorised monopolies or semi-monopolies it has not failed to regulate them in such a way as to ensure that there can be no exploitation of the public by those to whom they have been granted.

It is surely contrary to the national interest that the monopoly in the sale of coal should alone escape regulation, and it cannot be beyond the wit of man to devise a scheme whereby such regulation might satisfactorily effect its purpose without interfering with the right of the coal worker to a reasonable wage. It has been done in other cases, and it can be done in the case of coal.

I sincerely hope, therefore, that the Government will see the wisdom of accepting the suggestion which has already been put forward that Part 1 of the Coal Mines Act of 1930, which deals with this question, should only be continued for such a period as will enable them to bring in further remedial legislation in the interests of consumers generally. In my judgment the coal question is one of the most important matters of home policy which has ever come before Parliament.

VAST SIZE OF COMPANY'S BUSINESS

The vast size which the company's business has now attained may be illustrated by some figures. We now have over 1,650,000 separate accounts on our books—an increase in 1937 of some 47,000. The Rental Department has to deal with transactions respecting over 2,000,000 appliances on the district; there are some 1,330,000 appliances on hire and roughly 750,000 on hire-purchase. The number of separate individual orders received for coke was roughly 676,000, 50 per cent. of them being received over the telephone by a staff specially trained for that purpose. Over 6,200 of these orders were successfully handled in one day, the peak day of the year.

Last year I was able to report the impending completion of the company's model housing estate at Kensal Green. It has proved up to the hilt all our claims for it; its effect on the lives of the tenants in greater leisure, lighter labour and lower bills has been striking. The tenants' average consumption of gas and coke for the very full service which the Kensal House equipment provides represents under the appropriate two-part tariff an average fuel bill of less than 4s. 6d. weekly, which is substantially less than what the average London working-class household pays for the average inadequate, dirty and laborious fuel service.

THE STERLING TRUST, LIMITED

INCREASED INCOME

The twenty-first ordinary general meeting of the Sterling Trust, Limited, was held, on the 8th instant, at Winchester House, London, Baron Emile B. d'Erlanger (the chairman) presiding.

The Chairman, in moving the adoption of the report and accounts, said that were it not for the thick clouds in which so many foreign countries were shrouded and the shadow which those threw over their own country they would be better able to see how brightly the sun was shining above them.

Trade and industry had enjoyed a prosperous year, and it was mainly due to a psychological pessimistic complex that less favourable results for 1938 were predicted. He said "mainly" because the sharp fall that had taken place in many commodities must affect manufacturers and traders who had bought their stocks at considerably higher price levels than those then prevailing. Another factor to be taken into consideration was that of labour. He would not say that the working classes were content, because that would be evincing crass ignorance of humanity. He did believe they realised, however, that more and more interest was being taken in their welfare by statesmen of all parties, and what was equally, if not more, important, by the employers of labour; the standard of living had been raised to a level unattained in any other civilised country, and, as a consequence, the relations between employed and employers were better than they had ever been.

COMPANY'S GOOD DIVIDEND RECORD

Investment trust companies had been subjected to a certain amount of public criticism of late, the geographical distribution of investments being one of the main objectives of that criticism. At a previous general meeting he had pointed out how severely trust companies had suffered by investing on that principle, but the self-investing individual had acted on the same principle and, if he had confined himself to home securities, he would not have avoided the losses consequent upon the war and world crisis. The record of this company—which had been formed during the war, in 1916—was that they had been able to pay dividends varying between 5½ per cent. and 9½ per cent. or, throughout the 21 years of their existence, an average of 7 per cent. per annum, and, notwithstanding the heavy fall of security values during 1937, the break-up value of their ordinary stock at December 31, 1937, was 144 per cent. What private investor—he did not say speculator—had done as well?

With regard to the accounts for the past year, their income showed an increase of £6,163 at £209,996 after deduction of income tax, which had been increased last year. On the present occasion the board did not propose to place anything to reserve but were appropriating £40,000 to write down investments and, after paying the preference interest, they proposed to pay 5 per cent. on the ordinary stock, making 7 per cent. for the year. In view of the great fall in all security values, shareholders might like to know that the depreciation in their portfolio was under 5 per cent. and, as stated in the report, such depreciation was well taken care of by the reserve of £560,000.

Since they had heard so much of late with regard to the "geographical distribution" of funds, it might interest them to know that more than 50 per cent. of their funds was invested in the British Empire, 46½ per cent. in Great Britain and 6½ per cent. in the Dominions and Colonies. The rest of the funds were distributed as to approximately 19 per cent. in Europe, ½ per cent. in Africa, 3½ per cent. in Asia, 9½ per cent. in North America—chiefly the United States of America—and 14½ per cent. in South America.

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 Bowyerie Street,

Fleet Street,

London, E.C.4.

Telephone: Central 8631

STANDARD TRUST, LIMITED

INCREASED DIVIDEND

The thirty-fifth annual general meeting of the Standard Trust, Limited, was held, on the 4th instant, at the offices of the company, 25-31 Moorgate, London.

Mr Alfred Shepherd, W.S. (the chairman), who presided, said that the item "income from investments, £111,191," compared with £98,108 for the previous year, showed an increase of over £13,000. Those figures in both years gave revenue derived from interests and dividends received applicable to the year embraced in the accounts, excluding certain income received in the shape of arrears due in previous years but only paid during the year under review. Those arrears had been dealt with by adding them to the balance brought forward from the preceding year, as set out in the appropriation account and the report. This year the arrears, after deduction of income tax, amounted to £1,944, as against £2,612 last year.

The increase of what might be called the current revenue from the company's investments for the year was eminently satisfactory, but the amount of arrears was less and would tend to diminish.

After payment of expenses, interest on debenture stock, income tax, dividends paid and recommended on the preference and ordinary stocks, there remained a balance of £10,443, as against £5,506 the previous year, and if they added to that sum the amount brought forward, with the addition of arrears, there was a sum of £41,503, as against £34,762 last year. That balance had been arrived at after deducting a final dividend on the ordinary stock of 3 per cent., making 5 per cent. for the year, an increase of 1 per cent. on last year's dividend, and had enabled the board to transfer £10,000 to general reserve, £1,597 to staff superannuation fund, and to carry forward £29,906, as against £29,116 brought in. The figures as regards the company's revenue must be satisfactory to the stockholders.

There seemed to be unanimity on the part of the chairmen of the big banks, whose annual meetings had just been held, that the condition of trade and commerce in this country, and the prospect of a continuation of that position, was such that pessimism as regarded the immediate future of home industries had no justification. Unless the world position became worse, the present feeling of uncertainty should disappear and better conditions return.

The report and accounts were unanimously adopted.

BIBIANI (1927), LIMITED

VAST ORE BODIES REVEALED

Speaking at the eleventh ordinary general meeting of Bibiani (1927), Limited, held in London, on the 4th instant, the chairman, Mr. J. H. Batty, reviewing the year's work, said they had been successful in treating 129,603 tons, as against 93,000 tons in 1936 and 67,000 tons in 1935.

The present plant had been altered almost out of recognition so that it might earn something for the shareholders. It was now producing about 11,000 tons per month.

Some disappointment had been caused by the delay in the erection of the new 30,000-ton treatment plant, but everything possible was being done to speed this up. The difficulties were due to delays in the delivery of machinery, and especially of structural steel. Every endeavour would be made to have the new plant completed within the next 12 months.

Developments this year had been extraordinarily successful, resulting in an addition of 758,500 tons to the reserve, making the stupendous total of 2,807,800 tons of an average value of 7.25 dwts. at a cost of about 1s. 1d. per ton. The consulting engineer's report indicated an ore body of tremendous volume and huge tonnage, which went to prove that they had the largest ore body known in West Africa, and he believed there were very few similar instances elsewhere. They had a great mine, and he anticipated that when the new treatment plant was running satisfactorily the capacity would eventually be brought to 60,000 tons.

Ore had been developed to the extent of nearly 3,000,000 tons on a capital of £450,000.

Total working costs came to 30s. per ton, which full production should reduce to about 25s. If this was realised, and the new plant gave an 85 per cent. extraction, the estimated profit on the 30,000 tons output should be about £27,000 per month.

Profits this year amounted to £108,325, and the directors recommended the payment of a dividend of 15 per cent., less income tax. To meet the commitments necessary for development of the company's resources it was proposed to issue the balance of the authorised share capital—namely, £50,000, consisting of 250,000 4s. shares—for which shareholders would be invited to apply in the proportion of one for every nine shares in their names at 20s. per share.

The report was unanimously adopted.

ASHANTI GOLDFIELDS CORPORATION, LIMITED

RECORD PROFITS AND IMPORTANT DEVELOPMENTS

Mr J. H. Batty, the chairman, speaking at the forty-first ordinary general meeting, held in London, on the 4th instant, said the investments this year consisted of British Government securities—£252,536 being identical with the amount shown in last year's balance sheet. These securities remained intact. Shares in other companies, £645,388, were £70,000 more than last year. Two additional companies, namely, Marlu Gold Mining Areas, Limited, and Gold Coast Selection Trust, Limited, had paid maiden dividends. The appreciation on investments exceeded a million pounds.

The profit and loss account showed, for the first time in their history, a profit of over a million pounds from the winning of gold. In dealing with this profit they had written off £12,854 re-opening of Justices and Ayeinm Mines, and set aside for the National Defence contribution £25,000 and £10,000 for income tax. They had already paid the first and second interim dividends costing £450,000. It was recommended that £10,000 be placed to the credit of the pensions fund, and a final dividend of 50 per cent.—£500,000. After these sums were deducted there would be a carry-forward of £100,360, as against £94,170 last year.

During the twelve months under review 216,602 tons had been treated, an increase of 2,889 tons over the previous year.

The grade of ore treated was 22.94 dwts., or 1.77 dwts. higher than in 1936. The yield of gold was 218,647 ounces, an increase of 12,315 ounces. These figures established further records and were highly satisfactory. The intention during the present year was to maintain the present output.

The Ayeinm shaft had been sunk 194 ft. to a total depth of 948 ft., and a new Sansu shaft started, which had reached a depth of 330 ft., and was to be extended another 300 ft. to 300 ft. below the old company's workings.

At Sansu a compressed air station and a 2,000 cubic feet compressor was installed.

During this year it was intended to extend the Main shaft 250 ft. to 31 level, and also the South shaft down two levels to No. 20 level. Ayeinm shaft would be sunk two levels of 123 ft. each to No. 10 level.

This year the programme was to extend levels 8, 9, 12, 14, 15 and 18 Cote d'Or to the south and to explore the new south shoot on the Obuasi reef at 19, 20 and 26 levels. At 29 level it was proposed to put a rise up to 28 level and crosscut back to the Main shaft.

ORE RESERVES STRENGTHENED

The ore reserves at September 30th last were 1,595,113 tons of an average value of 19.7 dwts.—an increase of 137,082 tons and a reduction in grade of 0.3 dwts.

Among the developments, that on 29 level was of paramount importance, in that it established the persistence of high values at the present lowest level in the mine and promised continuance in depth. With crosscuts 3 and 8 reported in December a shoot of about 300 ft., at an average assay value of, say, 34 dwts., over an average width of 19 ft., was now established.

NEW PLANT TO MEET THE FUEL PROBLEM

In the Metallurgical Department their operations had been hampered in the early part of the year not only by a shortage of labour which affected the supply of firewood, but also by inferior quality firewood. Although the situation had improved they did not feel justified in increasing the output beyond 18,500 tons per month. The position would, of course, be reviewed as circumstances improved, but it would be a false economy to overload the furnaces at the sacrifice of the recovery of gold which at present stood at over 90 per cent.

The firewood supply was a constant anxiety and to see how the situation could best be met they had obtained a report from that eminent metallurgist, Mr S. B. McCluskie. His recommendations were the erection of a re-treatment plant of a capacity of 600 to 700 tons a day to treat current residues and also of a wet flotation plant of 20,000 tons capacity, to replace the existing dry crushing and roasting plant.

Both the new plants were on order and it was hoped to have the former in commission by the end of the year with the object of treating current residues and of eventually treating accumulated residues estimated at about 1,500,000 tons.

The complicated nature of the wet treatment plant called for patience, and it might be two years before it was in commission. They were assured, however, that the expenditure involved would be more than justified by a considerable gain in revenue.

BEIRA RAILWAY COMPANY, LIMITED

SUCCESSFUL YEAR'S WORK

The thirty-seventh ordinary general meeting of the Beira Railway Company, Limited, was held, on the 8th instant, at 2 London Wall Buildings, London.

Baron Emile B. D'Erlanger, the chairman, in the course of his remarks, said: The gross revenue for the year at £972,273, was £170,921 higher than in the previous year, and as expenditure increased by only £45,108, the net revenue was higher by £125,813. Traffic showed all-round improvement. The main increases were in imports of general merchandise and export of minerals. General merchandise traffic was exceptionally good, the tonnage increasing by 62,254 tons, and the revenue by £116,135.

The result is a profit of £201,221. Your directors propose a dividend of 2s. per share, less tax at 3s. 7d. in the £; that £80,000 be transferred to reserve and £20,000 to dividend equalisation account; and that £30,203 be carried forward. The reserve fund will then stand at £300,000.

Last year Sir Henry Birchenough and I pointed out that the maximum rate of dividend paid by a public utility company could not be a material increase on last year's dividend of 1s. 8d. per share, without arousing criticism and possible legislation against the company. This year we are paying 2s. per share, and I consider that you should look upon this sum as the maximum payment that can safely be made in all the circumstances.

Our company has been receiving an allowance in excess of its mileage proportion on certain special rates on through traffic, and the Rhodesia Railways, Limited, who work our line at cost, have intimated that we should now agree to accept our mileage proportion only on this special traffic. We have agreed, as a temporary arrangement, to accept this proportion as from October 1, 1937. Having regard to our greatly improved financial position, I think it is equitable. It does not refer to traffic carried at ordinary class rates, upon which we get our published tariff rates, but only to special traffics which are carried at special through rates.

Generally speaking, trade conditions in the territories we serve are very good, and altogether I anticipate that the current financial year will prove to be a very good one.

The report was adopted.

Evered and Company.—First accounts show a gross profit of £49,490 for 1937; net profit, £32,336. Ordinary dividend, 10 per cent. for year. To reserve fund £15,686. An amount of profit on realisation of trade investment, of £12,450 has been placed to this fund, making it £35,000. Carry forward increased from £45,318 to £47,437.

Lester and Company.—Trading profits for year to November 30, 1937, £94,860, compared with £74,312. It is proposed to pay 2½ years dividend to November 30, 1935, on the 5 per cent. preference shares, absorbing £75,000. Carry forward slightly higher at £2,822.

Power Securities Corporation.—Net profit for 1937 £104,811, compared with £103,427. Administration, etc., expenses, including tax and N.D.C. absorbed £31,655, compared with £29,491. Ordinary dividend maintained at 7 per cent. To investment reserve £50,000, against £30,000 to general reserve. Carry forward reduced from £31,340 to £16,384.

Cinezano Capital Repayment.—It is proposed to repay in cash 2s. 6d., or 50 per cent., on each "A" and "B" ordinary share; this will require £623,847. The accounts for year to September 30, 1937, show that income from investments fell from £154,745 to £121,856. Ordinary dividend maintained at 6 per cent. Carry forward reduced from £91,342 to £79,244.

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND	FMK
RESERVES - - -	541,000,000
DEPOSITS AND CREDIT	
BALANCES December, 1937	4,129,000,000

Head Office: HELSINKI (Helsingfors) FINLAND

Our large network of branches, comprising 202 BRANCHES ensures prompt and efficient execution of your collections and payment orders

Telegraphic Address: KANSALLISPANKKI

CURRENT STATISTICS

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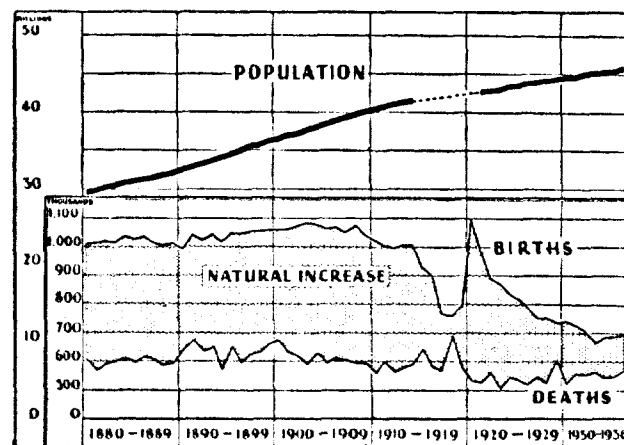
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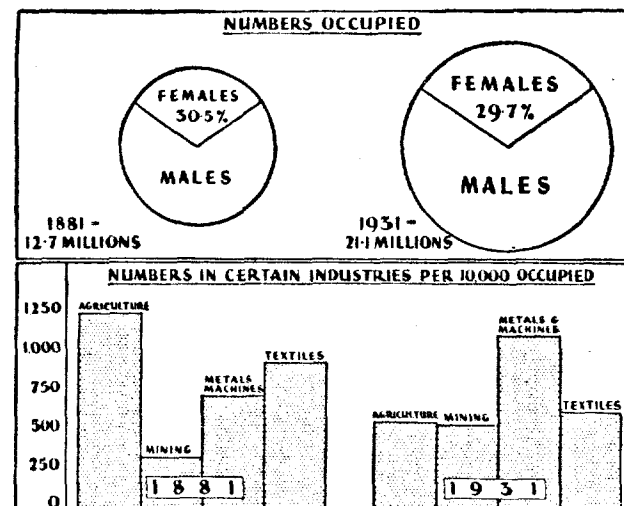
The Last Half-Century in Britain

In a leading article on page 333 we discuss Professor Clapham's recently published account of the last fifty years in Britain's economic history. The four charts below illustrate certain tendencies in Britain's social and industrial life during that period. Chart I indicates the course of population in Great Britain and shows the recent tendency for its growth to be arrested. In Chart II an attempt is made with the use of figures not wholly comparable to show the growth of the occupied population of Great Britain (over ten years of age) between 1881 and 1931, and to contrast the relative importance of certain industries at these two dates. Chart III illustrates certain aspects of the overseas trade of the United Kingdom, and Chart IV shows the course of wages and prices.

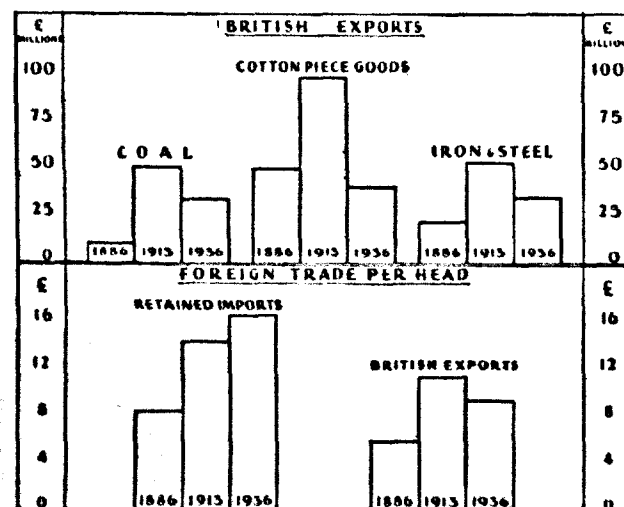
I. POPULATION, BIRTHS AND DEATHS



II. OCCUPATIONS

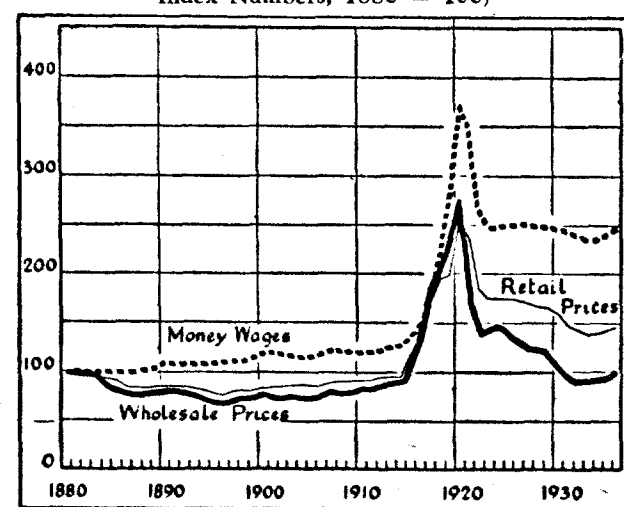


III. OVERSEAS TRADE



IV. PRICES AND WAGES

Index Numbers, 1880 = 100



Finance

GOVERNMENT FINANCE

For the week ended February 5, 1938, the total ordinary revenue was £45,170,000, against ordinary expenditure of £18,536,000. The deficit accrued since April 1st last is thus £65,804,000, against a deficit of £59,416,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1936-37	April 1, 1937, to Feb. 6, 1937	April 1, 1937, to Feb. 5, 1938	Week ended Feb. 5, 1937	Week ended Feb. 5, 1938
Ordinary Revenue	288,150	167,022	190,798	27,473	31,771
Inc. Tax	58,000	30,730	31,310	4,620	4,740
Stamps	80,000	72,760	76,090	2,700	1,850
Duties	29,000	21,440	17,850	710	160
N.D.C.	2,000	...	242	...	53
Other In. Rev. Duties	1,500	350	1,050	60	120
Total I. Rev.	467,650	292,302	317,340	35,563	38,694
Customs	219,850	179,080	188,460	3,818	3,948
Excise	113,150	94,400	98,100	1,100	928
Total Cust. and Excise	333,000	273,480	286,560	4,918	4,876
Motor Duties	34,000	31,841	33,550	459	333
P.O. Net Receipts	11,800	13,250	12,800	950	1,200
P.O. Fund Crown Lds.	1,350	1,240	1,190	...	...
Rec. from Sun. Loans	4,300	4,481	5,161	67	67
Misc. Rec.	11,000	16,328	11,413	2	...
Total Ordinary Revenue	863,100	632,902	668,039	41,959	45,170
SELF-BAL. REVENUE					
Post Office and Broadcasting	75,198	58,800	62,450	1,400	1,450
Total	...	691,702	730,489	43,359	46,620

Expenditure	Issues out of the Exchequer meet payments (£ thousands)				
	Est. for 1936-37	April 1, 1937, to Feb. 6, 1937	April 1, 1937, to Feb. 5, 1938	Week ended Feb. 5, 1937	Week ended Feb. 5, 1938
Ordinary Expend.	224,000	198,983	202,904	8,747	8,462
Int. & Man. of Nat. Dt.	8,000	5,828	6,373	414	428
Payments to S. Ireland	3,200	2,539	2,864	1	...
Other Cons. Fund Serv.	300	420	...	...	...
P.O. Fund	...	...	...	...	...
Total	235,500	207,770	212,141	9,162	8,890
Supply Serv.	762,734	484,548	521,702	14,601	9,646
Total Ordry. Expend.	862,848	692,318	733,843	23,763	18,536
Sinking Funds	...	7,146	7,359	...	...
SELF-BAL. EXPEND.					
P.O. and Broadcasting	75,198	58,800	62,450	1,400	1,450
Total	...	758,264	803,652	25,163	19,986

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.
§ Now transferred as charge against revenue.

After reducing Exchequer balances by £179,356 to £2,572,492, the other operations for the week (as shown in the next column, but excluding £2,800,000 issued under the Defence Loans Act and £40,000 Suez Canal drawn shares issued to reduce debt), reduced the gross National debt by £23,974,000 to about £8,190 millions.

CHANGES IN NATIONAL DEBT (£ thousands)

NET INCR. IN DEBT		NET REPAYMENTS, ETC.*	
Public Department Advances	2,010	Treasury Bills	25,644
Land Sett. (Fac.)	10	P.O. and Tel. (Money) Act	550
Tithe Act	200		
	2,220		26,194

* Excluding £2,800,000 issued under Section 1 (1) of the Defence Loans Act 1937. † Excluding £40,000 Suez Canal drawn shares issued to reduce debt.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to February 5, 1938, are shown below:—

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Est. for 1936-37	733,843	Dec. in bices.	128
Actual to date	200,000	Gross	280,344
Issues under Defence Loans Act	7,300	Less: New S.F. 7,359	
		Old S.F. 9	
		Net borrowing	272,976
	941,143		941,143

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Feb. 6	550.0	170.0	36.1	...	756.1	206.1
Mar. 31	500.0	174.6	23.5	...	698.1	198.1
Dec. 4	617.0	301.8	42.6	10.2	971.6	344.4
" 11	622.0	305.3	45.3	1.5	974.1	350.6
" 18	622.0	317.3	41.6	...	980.9	358.9
" 25	622.0	319.9	41.1	...	983.0	361.0
" 31	889.7*	...	39.4	55.7	984.9	...
1938						
Jan. 8	622.0	312.4	41.6	7.0	983.0	354.0
" 15	612.0	308.9	35.3	...	956.2	344.2
" 22	597.0	301.0	28.1	...	926.2	329.1
" 29	587.0	292.3	31.6	...	910.9	323.9
Feb. 5	572.0	281.7	33.6	...	887.3	315.3

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for		
1937				
Feb. 5	35.0	78.6	35.0	10 4.31
Nov. 19	45.0	65.0	45.0	11 1.15
" 26	50.0	62.3	50.0	15 0.22
Dec. 3	50.0	84.4	50.0	18 2.16
" 10	50.0	91.5	50.0	15 8.91
" 17	50.0	76.8	50.0	13 9.17
" 24	50.0	68.4	50.0	12 0.64
" 31	50.0	80.5	50.0	10 11.59
1938				
Jan. 7	40.0	81.8	40.0	10 4.20
" 14	35.0	81.8	35.0	10 0.07
" 21	35.0	88.2	32.0	9 11.46
" 28	30.0	86.5	30.0	10 0.80
Feb. 4	30.0	88.4	30.0	10 0.98

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills. On February 4th, applications at £99 17s. 6d. per cent. for bills to be paid for on any day except Tuesday of the following week were accepted as to about 18 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Tuesday at £99 17s. 7d. per cent. and above were allotted in full. £30.0 millions of Treasury bills are being offered on February 11th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
3 wks. to: Jan. 23, 1937		2,251,278		1,668,458	
Jan. 22, 1938		2,225,254		1,668,940	
Week to: Jan. 23, 1937		700,651		525,488	
Jan. 15, 1938		713,189		534,692	
Jan. 22, 1938		816,211		612,158	

Net Exchequer receipts, week to January 22, 1938: £50,000.

BANK OF ENGLAND RETURNS

FEBRUARY 9, 1938

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In circuit, 476,071,214		Other Govt. Securities...	11,015,100
In Bnkg. Department...	50,335,946	Securities...	188,312,224
		Other Secs.	661,897
		Silver Coin...	10,779
		Am't of Fid. Issue...	200,000,000
		Gold Coin & Bullion	326,407,160
	526,407,160		526,407,160

BANKING DEPARTMENT

Capital: £		Govt. Secs.: £	
Capital	14,553,000	Govt. Secs.	93,273,165
Res.	3,619,962	Other Secs.	9,559,472
Public Depts.	16,076,379	Discs, etc.	18,956,679
Other Depts.	...	Securities	28,516,101
Bankers	102,867,133	Notes	50,335,946
Other	32,549,283	Gold & Silv. Coin	580,745
	138,456,416		172,705,957
	172,705,957		172,705,957

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	Am't, Feb. 9, 1938	Last Week
COMBINED LIABILITIES		
Note circulation	476,071	623 + 21,078
Deposits: Public	16,077	4,672 + 4,381
Bankers	102,867	8,475 + 3,750
Others	35,349	1,041 + 1,795
Total outside liabilities	630,604	5,467 + 27,413
Capital and res.	18,173	29 - 5
COMBINED ASSETS		
Govt. debt and securities	292,600	4,514 + 12,419
Discounts and advances	9,559	919 + 3,050
Other securities	19,619	7 - 938
Silver coin in issue dept.	11	2 + 1
Gold coin and bullion	326,988	Same + 12,876
RESERVES		
Res. of notes & coin in banking department...	50,917	623 - 8,202
Proportion of reserve to outside liabilities—		
(a) Bankg. dept. only ("proportion")	32.9%	1.3% - 7.0%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.9%	0.5% - 0.2%

COMPARATIVE ANALYSIS

	1937		1938	
	Feb. 10	Jan. 19	Jan. 26	Feb. 2
Issue Dept.:				
Notes in circ.	455.0	475.7	473.2	476.7
Notes in bankg. dept.	58.7	50.7	53.2	49.7
Govt. debt and securities	198.9	199.7	199.4	199.3
Other sec.	1.0	0.3	0.6	1.0
Gold	313.7	326.4	326.4	326.4
Deposits:				
Public	11.7	11.0	13.6	11.4
Bankers	99.2	124.4	113.1	102.9
Others	37.3	36.9	37.3	36.5
Total	148.2	172.3	164.0	154.5
Bkg. Dept. Secs.:				
Government	81.2	104.4	98.9	98.1
Discounts, etc.	6.5	13.0	10.4	10.5
Other	19.5	21.8	18.9	18.7
Total	107.2	139.1	128.3	127.3
Banking dept. reserve	59.1	51.3	53.6	50.3
"Proportion"	39.9	29.8	32.8	31.6
Reserve ratio†	52.1	50.5	51.4	51.9

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £10,779; capital, £14,553,000; res., £3,619,962.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Rumania appeared in *The Economist* of December 25, 1937; Denmark, of January 15; Czechoslovakia, Danzig, Lithuania and Sweden, of January 29; Reichsbank, Argentina, Finland, Greece, Hungary, India, Yugoslavia, New Zealand, Portugal and South Africa, of February 5.

U.S. FEDERAL RESERVE BANKS

Assets	Feb. 11, 1937	Jan. 13, 1938	Feb. 10, 1938	Feb. 9, 1938
12 U.S.F.R. BANKS				
Gold certificates on hand and due from Treas.	8,848	9,120	9,116	9,116
Total reserves	9,138	9,512	9,508	9,504
Total cash reserves	277	404	431	438
Total bills discounted	2	11	11	11
Bills in open market	3	1	1	1
Industrial advances	6	12	12	12
Total U.S. Govt. secs.	2,430	2,564	2,564	2,564
Total bills and secs.	2,436	2,575	2,575	2,575
Total resources	12,271	12,814	12,794	12,747
LIABILITIES				
F.R. notes in actual circulation	4,166	4,190	4,138	4,125
Aggregate of excess mkt. bank res. over reqts.	2,180	1,390	1,390	1,410
Deposits—Member-bank reserve account	6,771	7,193	7,249	7,205
Govt. deposits	132	115	143	156
Total deposits	7,213	7,710	7,775	7,795
Cap. paid in and surplus	705	309	309	309
Total liabilities	12,271	12,814	12,794	12,747
Ratio of total res. to deposit and F.R. note liab. combined	80.3%	80.1%	80.2%	80.2%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	11,387	12,755	12,755	12,756
Treasury and Nat. Bk. currency	2,531	2,640	2,657	2,661
LIABILITIES				
Money in circulation	6,360	6,395	6,323	6,306
Treasury cash and deposits with F.R. bks.	2,695	3,743	3,791	3,806

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

Assets	Feb. 11, 1937	Jan. 13, 1938	Feb. 10, 1938	Feb. 9, 1938
Total gold reserves	3050.1	3714.9	3848.8	3817.4
Total bills discounted	1.6	3.7	3.1	3.2
Bills in open market	1.1	0.2	0.2	0.2
Total U.S. Govt. secs.	652.3	739.5	739.5	739.5
Total bills and securities	660.8	747.8	747.1	747.4
Deposits—Member-bank reserve acct.	3132.8	3181.4	3323.3	3242.4
Total res. to dep. and Fed. Res. note liabilities combined	86.5%	84.9%	85.4%	85.3%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

Assets	Jan. 27, 1937	Dec. 19, 1937	Jan. 19, 1938	Jan. 26, 1938
Loans, total	8,943	9,387	9,089	9,038
Investments	13,684	12,015	12,196	12,237
Reserve with Federal Reserve banks	5,355	5,427	5,647	5,735
Due from domestic bks.	2,255	1,886	2,023	2,046
LIABILITIES				
Deposits: demand (adjusted)	15,530	14,431	14,487	14,583
Time	5,052	5,205	5,199	5,213
U.S. Government	526	691	654	653
Inter-bank	6,443	5,532	5,754	5,747

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

Assets	Feb. 1937	Jan. 1938	Feb. 1938	Feb. 1938
Gold*	57,359	58,933	58,933	55,806
Advances on gold coin	1,147	9,615	9,171	12,914
Bills: Commercial	1,295	856	831	818
Bought abroad	3,785	3,909	3,824	3,976
Advances on securities	1,086	723	925	1,178
Thirty-day advances				
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	19,772	31,909	31,904	31,904
Negotiable bonds	5,610	5,580	5,580	5,580
Sinking Fund Dept.	4,048	4,248	3,835	4,131
Other assets				
LIABILITIES				
Notes in circulation	86,987	93,474	92,255	93,387
Deposits: Public	2,214	3,271	2,689	2,494
Private	15,015	18,272	23,522	19,500
Other liabilities	2,791	3,558	3,483	3,511
Gold reserve to sight liabilities	55.0%	51.2%	49.7%	48.3%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.

BANK OF CANADA

Assets	Feb. 1937	Dec. 1937	Jan. 1938	Feb. 1938
Reserve, of which				
Gold coin and bullion	195.3	202.0	199.3	199.8
Securities	164.4	186.2	178.8	179.3
LIABILITIES				
Notes in circulation	122.1	166.8	154.3	152.6
Deposits: Dom. Govt.	46.5	12.4	14.4	17.6
Chartered banks	194.3	196.4	198.7	198.3
Reserves to notes and deposit liabilities	55.2%	53.3%	53.0%	53.9%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

Assets	Feb. 1937	Jan. 1938	Jan. 1938	Jan. 1938
Gold and English stg.	18.00	16.00	16.00	16.00
Other coin, bullion, &c.	5.78	5.32	5.66	5.34
Money at short call—London	18.99	27.92	27.56	26.79
Short-term loans	10.87	92.77	93.21	93.45
Securities and Treas. bills	9.23	12.16	12.25	12.37
LIABILITIES				
Notes issued	47.04	54.03	49.53	49.53
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	75.21	88.68	94.23	93.72

AUSTRIAN NATIONAL BANK

Assets	Jan. 1937	Jan. 1938	Jan. 1938	Jan. 1938
Cash reserve: Gold coin and bullion	242.8	243.2	243.2	243.2
Net foreign exchange	100.0	161.2	163.7	167.5
Bills discounted	202.3	187.9	186.1	186.8
Federal debt	620.1	611.8	611.8	611.8
LIABILITIES				
Notes in circulation	895.5	943.9	805.4	892.3
Deposits	244.9	252.6	399.1	315.5

N.B.—5.976-30 schillings = 1 kg. fine gold Dec. 31, 1937, and after.

NATIONAL BANK OF BELGIUM

Assets	Jan. 1937	Jan. 1938	Jan. 1938	Jan. 1938
Gold	3,563	3,550	3,533	3,519
Silver and other coins	15.48	15.2	7.54	5.3
Foreign exchange, etc.	950	1,009	1,009	1,009
Bills and securities	597	586	588	578
Advances	33	33	29	38
LIABILITIES				
Notes in circulation	4,365	4,292	4,282	4,345
Deposits: Govt.	42	23	33	14
Other	697	831	813	754

* Owing to changes in the form of return, a comparison with the position a year ago cannot be shown.

NATIONAL BANK OF BULGARIA

Assets	Jan. 1937	Dec. 1937	Jan. 1938	Jan. 1938
Gold holdings	1,652	1,900	1,994	1,994
Balances abroad and foreign currencies	827	643	706	813
Discounts and advances	1,283	1,265	1,245	1,205
LIABILITIES				
Reserves	1,241	1,203	1,202	1,202
Notes in circulation	2,399	2,558	2,632	2,469
Sight liab. and deposits	2,513	3,681	3,639	3,799

NATIONAL BANK OF EGYPT.

Assets	Dec. 1936	Oct. 1937	Nov. 1937	Dec. 1937
Banking Department: LIABILITIES				
Capital	19,316	19,316	19,316	19,316
Reserves	2,922	2,922	2,922	2,922
Government deposits	7,717	7,988	8,112	8,995
Other deposits	20,377	19,333	18,400	18,552
Other accounts	3,144	4,233	3,855	3,255
Cash: Notes	1,776	1,411	1,322	1,773
Gold, silver, etc.	0.69	0.66	0.62	0.65
Money at call, etc.	2.15	0.58	0.57	1.59
Investments	21,552	23,233	23,077	22,488
Advances	6,775	6,332	6,338	6,443
Bills	2,007	1,977	1,255	1,177
Other accounts	2,113	3,212	3,022	2,552
Note Issue Department: LIABILITIES				
Notes issued	24.90	23.20	22.60	22.40
Assets				
Gold	6.24	6.24	6.24	6.24
Brit. Treas. bills & bonds	9.44	7.74	7.14	6.94
British War Loan at par	7.71	7.71	7.71	7.71
Egyptian Govt. secs. at market price	1.50	1.50	1.50	1.50

BANK OF JAPAN

Assets	Jan. 1937	Dec. 1937	Jan. 1938	Jan. 1938
Coin and bullion: Gold	195.1	801.0	801.0	801.0
Other	31.9	36.3	25.0	25.8
Discounts and advances	783.4	619.9	510.0	509.7
Government bonds	591.1	698.0	1,149.6	1,006.2
Agencies accounts	91.9	93.7	94.7	104.4
LIABILITIES				
Notes issued	1413.7	1864.3	1859.3	1774.6
Deposits: Government	312.0	256.2	313.7	329.7
Other	71.3	83.6	105.1	83.4

BANK OF ESTONIA

Assets	Jan. 1937	Dec. 1937	Jan. 1938	Jan. 1938
Gold coin & gold bullion	34.17	34.21	34.21	34.21
Net foreign exchange	10.79	14.41	15.56	15.70
Home bills discounted	11.81	13.64	12.72	12.52
Loans and advances	10.04	10.23	9.48	9.57
LIABILITIES				
Notes in circulation	45.22	51.26	47.00	49.61
Sight dep. and current accts., of which				
(a) Govt.	28.81	30.31	34.90	31.81
(b) Bankers	20.85	20.95	22.22	20.55
(c) Others	5.96	7.63	9.92	8.51
Reserve to current liabilities	60.7%	59.6%	60.8%	61.3%

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss francs of 0.29 grammes)

Assets	Jan. 1937	Nov. 1937	Dec. 1937	Jan. 1938
Gold in bars	39.0	13.8	13.8	16.3
Cash	30.7	25.9	52.3	37.6
Sight funds	49.4	18.6	17.1	13.3
LIABILITIES				
(a) Commercial bills	144.9	146.1	110.6	127.8
(b) Treasury bills	25.4	47.6	38.4	44.8
Time funds at interest	253.3	275.7	294.5	298.4
Sundry bills & invests.	1.5	2.2	1.1	1.1
Other assets				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	22.1	23.2	23.2	23.2
Long-term commitments:				
(1) Annuity trust account deposits	153.3	153.7	153.5	153.8
(2) Govt. deposits	121.5	109.5	109.4	108.5
Short-term and sight deposits:				
(1) Central banks:				
Own account	149.8	181.7	178.8	176.9
(2) Central banks:				
For acct. others	4.7	2.6	2.3	3.2
(3) Other deposits	0.3	6.8	6.3	5.5
Sight deposits—gold	27.1	8.4	8.4	9.4
Miscellaneous items	42.6	42.3	43.0	44.1

BANK OF JAVA.—Million florins

Assets	Jan. 1937	Jan. 1938	Jan. 1938	Jan. 1938
Gold and silver	107.66	134.39	134.71	135.23
Discounts, advances & other investments	80.71	84.04	73.89	76.59
Foreign bills	1.96	3.86	3.64	3.19
Other assets	40.25	66.63	71.23	63.16
LIABILITIES				
Notes in circulation	176.58	187.24	184.85	185.01
Deposits and bills	40.45	87.12	83.63	78.11

BANK OF LATVIA

Assets	Feb. 1937	Jan. 1938	Jan. 1938	Jan. 1938
Gold coin and bullion	76.88	77.55	77.55	77.55
Silver coin	15.95	13.42	13.96	13.95
Foreign currency	31.77	43.39	43.17	43.10
Treas. notes and change	10.14	8.40	9.65	8.87
Short-term bills	49.98	51.70	46.57	46.58
Loans against securities	68.58	87.66	87.10	83.43
LIABILITIES				
Notes in circulation	42.13	62.90	60.90	62.30
Deposits & current accts.	140.71	149.22	138.81	135.27
Government accounts	63.25	54.07	63.16	62.96

NETHERLANDS BANK

Assets	Feb. 1937	Jan. 1938	Jan. 1938	Feb. 1938
Gold	869.6	1335.8	1405.8	1415.8
Silver	18.5	16.4	17.6	16.9
Home bills, &c.	21.6	2.8	9.1	9.0
Foreign bills	2.3	5.1	5.2	5.2
Loans and advances in current account	174.3	201.6	226.3	237.2
LIABILITIES				
Notes in circulation	780.5	874.9	886.1	869.4
Deposits: (a) Govt.	68.5	175.5	188.0	141.5
(b) Other	254.6	578.6	606.0	690.0

BANK OF NORWAY

Assets	Jan. 30, 1937	Dec. 31, 1937	Jan. 22, 1938	Jan. 31, 1938
Coin and bullion (gold reserve)	118.8	135.3	135.3	135.3
Bal. abroad & for bills funds provisionally in gold, not in gold res. Norwegian and foreign Govt. securities	95.4	193.8	191.7	194.4
Discounts and loans ...	96.2	44.9	44.9	44.9
LIABILITIES	98.9	106.4	109.5	109.9
Notes in circulation ...	179.6	122.9	99.6	99.0
Deposits at sight	401.3	448.9	419.5	421.2
	95.2	102.4	114.4	117.3

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Feb. 3, 1938	Feb. 4, 1938	Feb. 5, 1938	Feb. 7, 1938	Feb. 8, 1938	Feb. 9, 1938
London—	Old Par	5-00 1/2	5-00 1/2	5-00 1/2	5-00 1/2	5-00 1/2	5-00 1/2
60 days	New Par	5-00 1/2	5-01 1/8	5-01 1/8	5-01 1/8	5-01 1/8	5-01 1/8
Cables		5-00 1/2	5-01 1/8	5-01 1/8	5-01 1/8	5-01 1/8	5-01 1/8
Demand		5-00 1/2	5-01 1/8	5-01 1/8	5-01 1/8	5-01 1/8	5-01 1/8
Paris, Fr.		6-63	3-27 1/2	3-29	3-28 1/4	3-27 3/8	3-28 1/4
Brussels, Bel.		23-54	16-93 1/2	16-95	16-95 1/4	16-96	16-97 1/2
Switz'd Fr.		32-67	23-19 1/4	23-22	23-22	23-19 1/2	23-19 1/4
Italy, Lira		8-91	5-26 1/4	5-26 1/4	5-26 1/4	5-26 1/4	5-26 1/4
Berlin, Mk.		40-33	40-37 1/2	40-39	40-39	40-37 1/4	40-38
Vienna, Sch.		23-82	18-93	18-93	18-95	18-95 1/8	18-95
Madrid, P.		32-67	6-10	6-10	6-10	6-10	6-10
Amst'dm Gldr		68-06	55-86	55-90	55-91	55-89	55-89
Cop'h'n, Kr.		45-37	22-37 1/2	22-40	22-37 1/2	22-37 1/2	22-37 1/2
Oslo, Kr.		25-17 1/2	25-20	25-20	25-20	25-20	25-20
St'm, Kr.		25-82 1/2	25-85	25-85	25-85	25-85	25-85
Athens, Dr.		1-29 1/2	0-92	0-92	0-92	0-92	0-92
M'ntal, Can. \$		169-31	100-014	100-030	100-030	100-045	100-030
Y'o'hama, Yen		84-40	29-05	29-07	29-07	29-04	29-04
Shanghai, \$		...	29-75	29-70	29-70	29-70	29-75
B. Aires, Pso		...	31-06	31-10	31-08	31-10	31-09
Rio, M. \$		11-96	5-95	5-95	5-95	5-95	5-95

Usance: T.T.

* Dollars per £1.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended February 10, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
	£	£		£	£
Gold			Gold		
British W. Africa	145,480	...	British India	2,500	...
British S. Africa	2,417,957	...	Germany	3,370	...
British India	188,125	...	Netherlands	596,977	...
Canada	...	493,000	France	1,013	153,382
Netherlands	377,950	53,119	Switzerland	540,120	986
France	42,122	...	Jugoslavia	19,800	...
U.S.A.	...	212,500	Morocco	...	5,550
Total*	3,242,799	765,604	Total*	571,015	757,395
Silver			Silver		
British S. Africa	562	...	Aden, etc.	...	17,620
British India	43,987	...	Denmark	2,400	...
Hongkong	1,057,390	...	Portugal	1,913	...
Australia	22,075	300	Liberia	...	10,000
Germany	14,800	...	Saudi Arabia	...	1,500
Netherlands	...	357	Muscat, etc.	...	3,360
France	...	155	U.S.A.	30,722	...
Total*	81,435	1,058,820	Total*	41,487	33,555

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance January, 1938	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	45,186	1,990	8,198	3,749	45,520	9,406	58,062	3,118	34,815	37,074	3,803	250,921
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland	11,628	835	2,226	2,977	9,909	2,690	11,673	273	7,185	9,589	1,724	60,709
Items in transit	...	...	...	...	3,450	620	...	...	...	...	...	4,070
Money at call and short notice	26,358	2,801	8,635	7,877	26,922	6,465	20,765	4,787	20,745	22,309	6,071	153,735
Bills discounted	62,640	1,577	6,295	792	44,009	3,833	106,811	1,475	40,450	61,720	1,668	331,270
Investments	101,970	8,884	29,614	10,856	111,521	31,175	117,314	14,314	85,449	112,966	11,495	635,558
Advances to customers and other accounts	193,815	9,800	29,869	10,445	170,257	42,609	206,578	16,653	139,250	131,725	14,458	965,459
Liabilities of customers for acceptances, endorsements, etc.	8,730	848	9,301	3,445	28,747	8,672	20,294	282	9,062	20,527	1,368	111,276
Bank premises account	7,381	412	1,580	740	7,526	2,656	9,685	667	7,297	5,098	1,068	44,110
Investments in affiliated banks and subsidiary companies	6,973	...	...	...	3,525	...	7,874	...	2,514	2,993	...	23,879
	404,681	27,147	95,718	40,881	451,386	108,126	559,056	41,569	346,767	404,001	41,655	2,580,987
Ratio of cash to current, deposit and other accounts	10-52	8-19	10-19	10-54	11-46	10-25	11-36	8-36	10-89	10-16	10-11	10-77
LIABILITIES												
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,154	1,500	9,479	9,320	1,875	78,192
Reserve fund	10,750	1,000	2,976	530	9,500	3,500	12,405	1,130	8,500	9,320	800	60,412
Current, deposit and other accounts	429,343	24,299	80,464	35,556	397,322	91,773	511,203	37,318	319,726	364,821	37,612	2,329,437
Acceptances, endorsements, etc.	8,730	848	9,301	3,445	28,747	8,672	20,294	282	9,062	20,527	1,368	111,276
Notes in circulation	...	...	...	...	7	21	...	1,339	...	13	...	1,380
Reduction of bank premises account	...	...	...	290	...	...	...	...	...	...	...	290
	464,681	27,147	95,718	40,881	451,386	108,126	559,056	41,569	346,767	404,001	41,655	2,580,987

Scottish and North Country Investment Fund.—A progress report for the half-year to February 4, 1938, shows that the distribution for the half-year is at annual rate of £4 9s. gross per cent. on the initial price of £1, compared with £4 for previous half-year. The report sets out the principal changes in the composition of the fund.

First Provincial Trusts.—The management company, First Provincial Fixed Trust, Ltd., have issued a statement to certificate holders announcing that there is no intention of offering a conversion scheme inviting the exchange of sub-units into shares of a managed investment trust.

Edmundsons Electricity Corporation.—The results of the group's operations during January, 1938, as compared with January, 1937, show an increase of 12 per cent. of units sold.

Trinidad Petroleum Development.—Production for January, 223,366 barrels (deliveries being 218,633 barrels); for week ended February 5th, 52,063 barrels.

Artock Oil Company.—The directors estimate profit for 1937 (after drilling expenditure, but before major depreciation), at about £50,000, against £22,472 for 1936. Total production is now at rate of about 1,270 barrels average daily.

Trinidad Leaseholds, Ltd.—Oil produced during January, 50,689 tons; purchased during January from other companies, 76,748 tons.

Anglo-Ecuadorian Oilfields.—Production for January was 22,862 tons.

Phoenix Oil and Transport Company.—Gross production of crude oil of the Phoenix Group for January, 1938, was 55,891 tons.

Trinidad Consolidated Oilfields.—Production for January, 1938, 51,630 barrels, an increase of 2,788 barrels over December, 1937.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Feb. 6 (£'000)				Aggregate Gross Receipts, 5 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L. M. & S.	364	480	298	778	1,820	2,340	1,419	5,579
1937	384	494	310	804	1,905	2,383	1,555	5,843
1938	248	200	257	505	1,234	1,588	1,295	4,117
1937	248	200	257	505	1,234	1,588	1,295	4,117
1938	248	200	257	505	1,234	1,588	1,295	4,117
Great Western	156	186	120	306	792	920	593	2,305
1937	161	201	127	328	802	975	636	2,413
1938	161	201	127	328	802	975	636	2,413
Southern	247	51	28	326	1,251	282	173	1,706
1937	255	54	36	345	1,293	282	186	1,761
1938	255	54	36	345	1,293	282	186	1,761
Total	1,014	1,017	703	2,734	5,087	5,130	3,480	13,707
1937	1,014	1,017	703	2,734	5,087	5,130	3,480	13,707
1938	1,014	1,017	703	2,734	5,087	5,130	3,480	13,707

(a) Week ended February 5.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross receipts, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross receipts, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross receipts, first half 1938, over first half 1937	+ 264	+ 224	+ 108	+ 55
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 52-80	+ 44-80	+ 21-60	+ 11-00
Latest week compared with 1937	+ 47	+ 81	+ 27	+ 19
Latest week compared with average 1937-38	- 123	- 140	- 50	- 12

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended February 4 (£'000)			Aggregate Gross Receipts 5 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
British & Co. Down	1-6	0-5	2-1	8-2	2-2	10-4
1937	1-6	0-4	2-0	8-6	2-0	10-6
1938	1-6	0-4	2-0	8-6	2-0	10-6
Great Northern	7-5	8-7	16-2	36-5	42-3	78-8
1937	7-9	8-4	16-3	39-7	40-0	79-7
1938	7-9	8-4	16-3	39-7	40-0	79-7
Great Southern	27-2	37-7	64-9	131-3	214-3	345-6
1937	28-2	36-2	64-4	138-7	207-5	346-2
1938	28-2	36-2	64-4	138-7	207-5	346-2

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
RAILWAYS														
Bengal Duars	2 1/2	...	Mar. 23	2 1/2	Bent and Son	10	17 1/2	...	...	Int. Nickel Com. Stk.	50c.	...	Mar. 31	50c.
London Transport	1 1/2	...	Mar. 28	1 1/2	Bentley Brewery	20	...	...	...	Jackson Bros. (Knolly)	12 1/2	17 1/2	...	15
Southern Ry. Pl. Ord.	3 1/2	...	Mar. 3	5	Blackwell Colliery	5 1/2	8 1/2	...	8 1/2	Johnson & Slater	...	5	...	7 1/2
Do. Def. Ord. Stk.	1 1/2	...	Mar. 3	1 1/2	Bolsover Colliery	10 1/2	14	...	11	Larson Investments	...	7 1/2	...	...
INSURANCE														
Pear Assurance	30 1/2	55	...	51 1/2	Bovril Deferred	4 1/2	6 1/2	...	...	L.D.C. Founders Stk.	...	45 1/2	...	...
Prudential "A"	114 5/8	19 5/8	...	19 0/8	Briggs (Henry)	a 3 1/2	...	...	21 1/2	Lewis's (Def.)	...	275	...	275
"B"	...	50	...	50	Brit. Assets Ltd.	...	10	...	...	London Brick Co.	a 5 1/2	20	...	22 1/2
TEA AND RUBBER														
Abercrombie Plns.	4	...	Mar. 5	...	Chandlers	(a) 5 1/2	10	Mar. 21	12 1/2	Man. Ship Canal Ord.	...	2	...	1 1/4
Batu Kawan Rubber	a 2 1/2	a 3	Feb. 25	3 1/2	Chargin Gardner, etc.	5 1/2	...	Feb. 16	10	Do. Pref. Stk.	...	10 1/2	...	17 1/2
Batu Sentang Rub.	3 1/2	...	Feb. 22	4	Collins	10	36 1/2	...	30	Mann and Co.	...	10 1/2	...	10
Chunglun Rub.	4	...	Mar. 5	...	Consolidated Signal	...	...	...	8	Northampton Elec.	...	2 1/2	...	2 1/2
Gadiah Rubber	2 1/2	...	Mar. 4	...	Crossley Building	...	8	...	8	Provincial Newspapers	...	2	...	Nil
Jabi Rubber	3 1/2	...	Mar. 4	...	Davies and Metcalfe	10 1/2	15	...	8 1/2	Pub. Bench Boat Del.	...	7 1/2	...	5
Sereway Rub.	2 1/2	...	Mar. 2	Nil*	Dickins and Jones	7 1/2	12 1/2	...	12 1/2	Rly. Deb. & Gen. Trust	31 1/2	51 1/2	...	5 1/2
Sungei Geyah Rub.	2 1/2	...	Mar. 2	...	Dolton Bourmes, etc.	7 1/2	10	Mar. 1	...	Railway Share Trust	4 1/2	6 1/2	...	6
Tebing Rubber	2 1/2	...	Mar. 3	...	Eburite Containers	(a) 20	25	...	25	Raplup	a 10	40	...	35
Tonghurst Rubber	4	...	Mar. 5	...	Electrolux Corp.	40c.	...	Mar. 15	...	Kidings Stores	...	...	Mar. 31	10c.
MINING														
Guthrie River Gold	61 1/2	...	Feb. 23	Nil*	Eng. & Scot. Investors	...	5	...	4	Rubber and Ind. Tst.	21 1/2	...	Feb. 22	4
Kuala Kampar Tin	5	...	Feb. 23	...	Fife Coal	...	12 1/2	...	10	Sears, J. & Co.	...	13 1/2	...	13 1/2
San Francisco Mines	10 1/2	22 1/2	...	7 1/2	Ford Motor (Holland)	14	20	...	10	Shirley's Colliery	5 1/2	7	...	3
Ulu Klang Tin	5	...	Feb. 23	...	Four per Cent. Dwags.	12 1/2	24	Feb. 18	24	Slazengers	...	6	...	5
OTHER														
Anglo-Ind. and Co.	110 1/2	115	...	10 1/2	Gen. Hydraulic Rvr. Gen. Ther. (Prof. Ord.)	4 1/2	7	...	7	Snia Viscoma	...	30 Lire	...	22 Lire
Allied Industrial	22 1/2	...	Feb. 22	102 1/2	General Investors, etc.	a 7 1/2	a 11	...	11	United Gas Indust.	5 1/2	...	Feb. 28	5
Anglo-French Expln	...	10	...	102 1/2	General Motors Com.	25c.	...	Mar. 12	25c.	Walker (P.) & Cain (R.)	5 1/2	7 1/2	...	6
Burns & Warr	a 15	...	...	15	Greenwood (John)	2 1/2	...	...	5*	Waterbottom Tractn.	...	10	Mar. 1	10

THE WEEK'S COMPANY RESULTS

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. Amount	Ordinary Amount	Rate				
Total, 1938, to Feb. 5	163 Cos.	£ 7,830,247	£ 18,611,983	£ 26,442,230	£ 267,578	£ 11,591,998	% ...	£ 3,129,199	£ 9,045,253	£ 161,342	% ...
Banks											
Anglo-International Bank...	Dec. 31	Dr 487,023	Dr 41,771	Dr 528,794	...	...	...	...	Dr 528,794	Dr 65,218	Nil
Breweries											
Walker (P.) & Cain (R.)	Dec. 31	84,539	456,547	541,086	160,000	170,250	7½	111,400	99,436	400,227	6
Financial Land, etc.											
L.D.C. Founders Shares	Jan. 31	...	(b) 5,548	5,548	...	5,500	5½	...	48	(a)	(a)
Power Securities Corp.	Dec. 31	31,340	104,811	136,151	26,833	42,933	7	50,000	16,385	103,427	7
Propty. & Revsny Investment	Dec. 31	7,057	17,968	25,025	5,625	9,000	8	2,500	7,900	20,377	8
Wharnclyffe Dwellings	Dec. 31	1,210	5,208	6,418	2,531	1,688	3	1,500	699	6,000	3
Gas											
Cardiff Gas Light	Dec. 31	20,831	42,886	63,717	4,338	37,612	6	500	21,267	42,654	6
Commercial Gas	Dec. 31	4,530	86,353	90,883	...	88,750	5	...	2,133	86,512	5
Gloucester Gas Light	Dec. 31	8,992	16,737	25,729	...	13,462	5	352	11,915	13,504	5
Ipswich Gas Light	Dec. 31	25,023	16,493	41,516	300	14,739	6½	373	26,104	16,795	6½
Malton Gas	Dec. 31	6,203	3,285	9,488	...	3,000	12½†	...	6,488	3,218	12½†
Portsmouth, etc., Gas	Dec. 31	52,051	66,115	118,166	3,665	65,333	8½	...	49,168	65,363	8½
South Staff Mond Gas	Dec. 31	21,779	14,281	36,060	4,950	8,427	2½	...	22,683	14,594	2½
South Suburban Gas	Dec. 31	18,443	148,437	166,880	52,672	92,626	6	...	21,582	141,752	6
Tottenham Gas	Dec. 31	54,543	101,328	155,871	25,703	73,153	6½	...	57,015	99,220	6½
Wandsworth Gas	Dec. 31	31,591	194,116	225,707	114,029	95,977	7	Dr. 12,500	28,201	198,312	7
Woking District Gas	Dec. 31	6,430	3,501	9,931	2,724	5,525	11 & 7½	...	1,682	7,547	11 & 7½
York Gas	Dec. 31	9,718	17,007	26,725	1,500	13,875	5	1,715	9,635	17,864	5
Iron Coal and Steel											
Bolover Colliery	Dec. 31	84,332	758,448	842,780	62,500	280,362	14	384,000	115,918	490,244	9
Rubber											
Batu-Kawan	Sept. 30	1,574	10,882	12,456	...	8,100	5	3,898	458	5,367	3½
Krian	Dec. 31	6,079	12,085	18,164	...	7,500	10	4,500	6,164	7,478	5
Taiping	Sept. 30	20,100	28,916	49,016	...	19,647	9	12,700	16,669	11,349	4½
Val d'Or	Oct. 31	8,206	10,104	18,310	...	6,604	7½	2,133	9,573	4,762	5
Wampoe	Oct. 31	4,287	8,743	13,030	...	7,000	4	...	6,030	3,063	2
Shipping											
France (Wm.), Fenwick	Dec. 31	7,213	146,623	153,836	6,188	56,249	10	79,395	12,004	87,224	5
Shops and Stores											
Public Benefit Boot	Dec. 31	6,465	52,331	58,796	30,394	8,438	7½	5,000	14,964	43,079	5
Textiles											
Aristoc, Ltd.	Dec. 31	23,192	73,638	96,830	7,500	41,250	27½	20,000	28,080	64,240	20
Ashton Brothers and Co.	Jan. 1	6,371	37,821	44,192	16,267	...	...	14,059	13,866	47,667	Nil
Lister and Company	Nov. 30	2,738	75,084	77,822	75,000	...	...	...	2,822	68,179	Nil
Trusts											
British Investment Trust	Jan. 1	167,370	182,693	350,063	56,719	90,729	12	35,245	167,370	163,624	12
General Funds Invest.	Jan. 15	3,147	14,913	18,060	5,625	6,187	5½	2,600	3,648	14,874	5
Gen. Invstrs. & Trustees	Jan. 31	5,438	61,415	66,853	14,033	35,937	11	10,000	6,883	57,068	11
Guardian Invest. Trust	Jan. 20	27,659	49,055	76,714	16,875	26,250	7	5,000	28,589	45,025	6½
Railway Deb. and General	Jan. 15	33,714	76,997	110,711	29,250	35,750	5½	8,000	37,711	73,616	5½
Railway Share Trust	Jan. 15	42,187	106,683	148,870	49,500	39,000	6½	15,500	44,870	101,824	6
Scottish Central Invest.	Jan. 15	14,062	45,963	60,025	22,676	10,582	3½	...	26,767	39,045	3
Waterworks											
South Staffordshire	Dec. 31	23,713	132,163	155,876	39,752	91,962	7	...	24,162	134,487	7
Other Companies											
Angus (George) and Co.	Dec. 31	11,168	29,322	40,490	4,800	18,813	1s. 2d.	...	16,877	24,630	11d.
Barracks Fabric Printing	Dec. 31	...	(c) 26,980	26,980	3,000	14,062	18½	6,700	3,218	(a)	(a)
Birmingham Rail. Carriage	Dec. 31	17,382	51,386	68,768	4,500	37,162	5	...	27,106	46,650	5
Bluestone and Elvin	Dec. 31	4,630	47,712	52,342	6,750	22,500	20	18,400	4,692	(c) 42,580	18
Borax Consolidated	Sept. 30	236,161	373,732	609,893	80,000	130,000	10	162,825	237,068	272,027	7½
Cinzano, Ltd.	Sept. 30	91,342	85,556	176,898	22,792	74,862	6	...	79,244	123,576	6
Cook, Son & Co. (St. Pls.)	Dec. 31	34,351	74,702	109,053	56,875	12,517	1½	7,116	32,545	61,366	Nil
Devas, Routledge and Co.	Dec. 31	19,751	3,894	23,645	...	4,200	3	...	19,445	4,282	3
English China Clays	Dec. 31	7,200	82,044	89,244	27,936	52,381	3½	...	8,927	58,772	2
Fore Street Warehouse	Dec. 31	5,090	12,325	17,415	...	10,800	3	1,000	5,615	11,269	3
Foy, Morgan & Co.	Dec. 31	9,084	78,109	87,193	22,252	36,000	3,600†	19,000	9,941	35,468	1,000†
Gray (William) C. & Sons	Dec. 31	36,334	51,428	87,762	16,269	21,000	7½	14,493	36,000	56,454	7½
Griffiths (William)	Oct. 31	14,908	9,774	24,682	...	6,874	5	1,000	16,808	7,958	5
Heath (G. H.) and Co.	Dec. 31	15,879	71,697	87,576	9,000	22,500	15	40,564	15,512	68,089	15
Imperial Tobacco (G.B. & I.)	Oct. 31	1,183,767	10,750,608	11,934,375	852,208	9,390,762	25†	250,000	1,441,405	106,361	1,063,615
Jackson (Bros.) Knigly	Dec. 31	17,994	30,434	48,428	2,925	10,270	17½	11,500	23,733	18,313	15
Johnson and Slater	Dec. 31	2,458	25,229	27,687	8,438	5,625	5	10,102	3,522	29,320	7½
Nth. of Ireland Paper Mills	Dec. 31	25,139	12,776	37,915	...	6,000	5†	...	31,915	870	Nil
Peerless Kitchen Cabinets	Dec. 31	23	16,598	16,621	2,851	3,750	10	8,086	1,934	(a)	(a)
Prior Burners	Dec. 31	163	7,993	8,156	...	5,156	2½d†	2,000	1,000	(a)	(a)
Range Boilers	Dec. 31	1,648	23,325	24,973	2,700	10,500	20	9,896	1,877	15,117	15
Redfern's Rubber Works	Dec. 31	13,396	32,169	45,565	9,000	14,000	17½	8,241	14,324	28,068	17½
Sheldiff Cabinet Company	Dec. 31	987	17,309	18,296	3,900	6,000	15	7,500	896	16,855	15
Squirrel Confectionery	Dec. 31	2,534	11,821	14,355	469	8,250	15†	2,384	3,252	11,886	10†
Webley and Scott	Dec. 31	9,086	27,340	36,426	...	11,306	15	15,000	10,120	29,110	15
West Ham Stadium	Dec. 31	1,996	41,879	43,875	16,000	20,500	82	...	7,375	26,416	49
White (John) (Impreg. Boots)	Dec. 31	4,873	46,797	51,670	7,289	15,625	12½	22,262	6,494	42,913	10
Total, 1938, to Feb. 12, 221 Cos.	...	10,464,902	33,735,269	44,200,171	466,082	23,025,842	...	4,469,952	12,044,095	304,593	...

(a) No comparable figure. (b) August 17, 1937, to January 31, 1938. (c) Eleven months. † Free of income tax. (d) March 16, 1936, to December 31, 1936.

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INDUSTRY AND TRADE</

his post. But the Ministry of the Interior, under which Dr Skubl will work, is to be in charge of Dr Seyss-Inquart, an Austrian citizen of Sudetic German origin who is said to be *persona grata* to Dr von Schuschnigg, but is also believed to be much more decidedly Nazi in his sentiments than his predecessor, Dr Glaise-Horsienau. It is significant that almost the first act of the new Minister has been to depart post haste for Berlin, where he is presumed to be discussing with Herr Hitler the implementing of further terms of the agreement for ensuring closer collaboration between the two States.

Other conditions of the settlement have already emerged in the release of political prisoners—including the murderers of Dr Dollfuss. It is also widely asserted that among the terms are the demand that Austria shall join the Anti-Comintern Pact. Economic matters are also believed to have played a part in the agreement, though in what precise form is not yet known.

The first point that must strike any observer is that the verbal renewal of Germany's recognition of Austria's independence has been given the lie in an act that is more eloquent than any number of words. Where is the independence of a State when its head has been summoned by the head of another State to meet him on foreign soil and has been virtually commanded to make specific—and crucial—changes in the composition of his own Cabinet?

Herr Hitler appears to have given Dr von Schuschnigg an ultimatum with a time limit expiring on Wednesday; and threatened that if the latter refused to agree to what was being demanded of him the Bundeskanzler would find himself confronted with an immediate resumption of a Nazi campaign of terrorism in Austria which might have been reinforced by action—rising to the degree of energy necessary for achieving the object—from the other side of the Austro-German frontier. If Herr Hitler has really achieved his purpose without resorting to naked physical force, that is a triumph for him in every way. A Power which can make its will prevail by mere threats is more formidable than one which cannot win without accepting a challenge to the ordeal of battle. At the same time, a bloodless victory would be far less dangerous for Herr Hitler both externally and internally. Externally, it reduces to vanishing point the likelihood of any forcible intervention by third parties; internally, it repeats the lesson of March, 1936. The "wild men" of the Nazi Party duly achieve their sensational aims; but they achieve them without a breach of the peace—in the teeth of all the warnings of the Prussian Colonel Blimps. What more effective way is there of making the Generals and the Junkers look silly?

If Herr Hitler really did reap this harvest last week, he can well afford to wait to see it garnered. And the date depends on whether the points that he has gained will suffice to set in motion an irresistible movement sweeping through the country, transforming social and political life and handing over power to Nazi enthusiasts. On the analogy of what happened in the Reich in 1932-33, the omens are all in Herr Hitler's favour; for this was just the technique by which Dr Brüning was deposed and Herr Hitler raised to power (that time, too, with the help of Herr von Papen's good offices). But Austria is not Germany; and since she has proved herself, time and again in history, to be not as Prussia is, the answer to the query is by no means certain. Within the boundaries of the Reich it might be easy to treat the Catholics, the Socialists and the Jews of Austria as they have been treated in Germany. Their resistance in a State with more tolerant traditions and where German pressure is indirect may be another matter. *Reculer pour mieux sauter* may be the Bundeskanzler's tactics, and who knows whether he may not succeed in securing, after all, that Austria's re-affirmed independence shall still be genuine? For example, it is a hopeful sign that he has to some extent balanced the complete amnesty which he has

been compelled to give to the Austrian Nazis by amnestying the Social-Democrats as well.

Some light—though not necessarily a very penetrating one—will be thrown on these problems by Herr Hitler's speech in the Reichstag on Sunday. Meanwhile, certain reflections of a disquieting kind suggest themselves. The first is that the threat of force has once again been used to compel the Government of a friendly State to do something which it did not wish to do. Germany has intervened in Austria's domestic affairs with impunity. Hitherto her repudiations of the Versailles conditions have been concerned with matters that could be described as "internal." This is the first positive action abroad. Where will it stop? It is not surprising that rumours are rife that a similar set of demands has been prepared for presentation to the Government at Prague. And common prudence dictates that all interested parties should be considering what they will do if this should prove to be the case.

Secondly, the belief that equipoise in Austria could be safely assumed to be secure because of the rival interests of Italy and Germany has been shown to be one more illusion. So challenging a move obviously could not arouse enthusiasm, and must have been watched with misgivings by Italians bred in the tradition of Italy's relations with her northern neighbour. But the Duce has said no word except of approbation. In view of commitments elsewhere he could do no other. But victories in Spain or even Abyssinia would be small compensation for a serious threat in the Tirol. Does Signor Mussolini's acquiescence mean that he has bartered his anticipated opposition for German help in Spain and other Mediterranean fields, or was he, too, caught unawares? The answer to this question is one which must be sorely perplexing the chancelleries of Western Europe. In any case it would be very simple-minded to assume that the Duce will not seek to turn the crisis in Austria to his own advantage in other fields.

All this must gravely deepen the anxiety of all who are responsible for international affairs, and it is imperative that the Western democracies should take stock of their responsibilities and obligations. While there are many who would agree that the refusal to allow Austria to unite with Germany in 1919 was a profound mistake, Austria has since that time developed in a direction which is certainly not Nazi; and to-day democratic countries could not watch with indifference the absorption of a community—under the threat of force—into a system which large sections of them mistrust and many of them detest.

The members of the League of Nations have certain very specific responsibilities in regard to the integrity and independence of Austria and in conjunction with France and Italy, Great Britain re-affirmed this interest at Stresa in 1934. It has also been repeatedly made clear by British statesmen that one of the conditions of our collaboration with Germany in Europe is that changes shall not be made by force. The events of the week have laid Germany under the gravest suspicion of having broken this condition—in effect if not in actual fact. So long as this suspicion remains, the smaller nations must live under the menace of fear and Europe as a whole tremble once more on the brink of war.

Only one man can allay these fears. If, as many believe, Herr Hitler genuinely wishes to avoid the risk of war, it is essential for Germany's immediate prosperity and in the long run for her own security that Europe should believe in her peaceful intentions. He must convince the peoples of Central Europe that though he may be concerned for the welfare of Germans living within their borders, it is no part of his policy to dictate their form of government or their economic and political policy. If he cannot do this Europe must remain in a state of the gravest unrest under the dark shadow of power politics. The world is anxiously waiting to see whether by deed—or by word on Sunday—Herr Hitler can dissipate the gathering clouds.

The Law of Libel

BRITISH justice is one of those things of which the average Englishman is extremely proud; and it is not uncommon to hear him contrast its fairness and impartiality with the tradition and practice of other countries, to the latter's disparagement. When pressed for particulars, it is an even chance that he would include among its special merits our law of libel. He would point out that while we enjoy the inestimable benefit of a free Press, the threat of damages in an English court of law preserves us from the scurrility and the menace of defamation—amounting almost to blackmail—which obtains in some other countries.

There is much truth in this general belief, and with the general principles of our British law few would quarrel. But there is another side to the story. Even a good thing may be misused, and in recent times there have been regrettable signs of a tendency to attach exaggerated attention to personal criticisms and to assess damages out of all proportion to the real damage done. There is danger in this hypersensitiveness, for not only does it produce quite unmerited windfalls for the lucky litigants, but also it may tend to check and restrain the Press in the exercise of its duty of making legitimate criticism and comment.

As long ago as 1934, *The Economist* described an imaginary libel action in which Johnny Briggs, professional cricketer of Lancashire, claimed and recovered damages for libel, on the strength of a published statement that he had bowled four half-volleys in one over. Our article, which was composed in a strain of irony, was intended as a parody, a wild and ridiculous parody, of the actions which even four years ago were engaging much of our judges' time. But fact has a queer trick of catching up with fiction; the mad extravaganzas of 1934 is the solemn history of 1938. Following the lead of other plaintiffs, our professional athletes, in fact, have caught the libel bacillus and learnt to meet the criticism of sporting journalists with writ and pleadings.

The latest example is Mr Boy McCormick, the former boxing champion, whose great years in the ring were between 1919 and 1922. Mr McCormick is now described as a traveller salesman and boxing instructor. Professionally, his boxing skill can be a matter of little moment to him to-day. But in the modern law court age does not stale a good case for defamation, and the sympathy of a jury flows as freely to a stale scar as to a running wound.

The libel on Mr McCormick appeared in a book written recently by a sporting journalist, in a chapter that described the amazing skill of Jimmy Wilde; and to illustrate Wilde's great gifts the author referred to a bout that Wilde once had with Mr McCormick. Before going further, let us refer back to *The Economist's* extravaganza of four years ago and the imaginary libel which was then considered the height of absurdity:—

In one over no less than four half-volleys from Johnny Briggs were clumped to the pavilion rails.

Here, on the other hand, is the actual libel complained of by Mr McCormick:—

When . . . Wilde was invited to put on the gloves with Boy McCormick, the then light-heavyweight champion of Great Britain, he knocked him out as easily as if he had been asked to do nothing more formidable than brush a fly off a pat of butter.

For this defamation Mr McCormick received last week from a special jury in the High Court 1,000 guineas damages, plus costs.

As a verdict, that seems to us to be ludicrous. Is there

anything in a statement that a man was knocked out twenty years ago by Jimmy Wilde which an ordinary man, using ordinary language in its ordinary sense, could describe as defamatory? And even if the statement were defamatory, could anyone, outside a jury-box, conceive that it is worth a thousand guineas of damage?

The word "defamatory" connotes normally a slur on character, and in that sense no man's character is impugned because it is said of him that he lost a boxing match. Why, then, should it be held in a court of law to be defamatory? Because, by the law, a man is defamed if he is held up to ridicule or contempt, and the jury in this case held that Mr McCormick, twenty years after the alleged incident, was so held up. Was any evidence offered that the ridicule had inflicted any material damage on the plaintiff? None whatever. But the plaintiff in a libel action need not prove that he has suffered any damage or indicate that he is a penny worse off after the ridicule than he was before. The damages in a libel action are "at large." Once the jury are satisfied that there has been a holding up to ridicule they may give what rein they please to their imagination, and assess the damages in maiden meditation, fancy free. They are in the delightful position of putting the defendant's money into the plaintiff's pocket without regard to facts, circumstances, loss, suffering or damage to character.

Now let us go back 25 years, to 1913. In that year there came to the House of Lords from the Scottish courts a libel case called *Stubbs v. Russell*. The facts were that *Stubbs Weekly Gazette* published regularly a list of firms who had had issued against them a "decree in absence." In one number Russell's name appeared for £9 19s. 6d. That, however, was a mistake; the debt had been paid; and Russell complained that it was a serious libel to include his name erroneously in what was to all intents and purposes a black list. But the House of Lords, in 1913, thought otherwise, and gave judgment for the paper on the ground that the entry did not indicate inability to pay. In Lord Kinnear's words, "it certainly did not hold the pursuer up to hatred, ridicule and contempt."

Between *Stubbs v. Russell* in 1913 and *McCormick v. Rich and Cowan*, in 1938, there is a world of difference. In 1913, it was no libel to accuse a man of not meeting his liabilities. In 1938, it is a serious libel to accuse him of having been knocked out 20 years ago. This is, indeed, a revolution rather than a change; and it has come about without any alteration in the law, which stands now where it stood in 1913. It has come about because of the looseness of our libel law, because of the ridiculous ambiguity of the words "ridicule and contempt," and because of the antiquated doctrine that damages can be awarded without damage being proved.

With the law in its present fluid state, the injustice of libel actions is practically certain to develop and increase. It is a matter of importance that legislation should be introduced to fix the law in a clear, reasonable and intelligible form. To attain that form need not be difficult, for the ideal is tolerably clear. It is to indemnify all whose characters have been defamed by written statements; to protect a man's trade and livelihood from inaccurate and unfair criticism; and to maintain a standard of severity high enough to make recklessness on the part of authors, publishers and newspapers unprofitable and dangerous. If that is accomplished, the public has full protection. But at present such is the uncertainty of the law that the most prudent publisher or printer will in all probability soon be unable to insure any part of his libel risk.

Britain's Overseas Markets

THE nature of British imports and exports is governed by our position in the world's economy. As 73½ per cent. of our total imports in 1937, by value, were foodstuffs and raw materials, primary producing countries are our main source of supply. These countries are among the main outlets for our exports, of which 85 per cent. consisted last year of coal and articles classified as wholly or mainly manufactured.

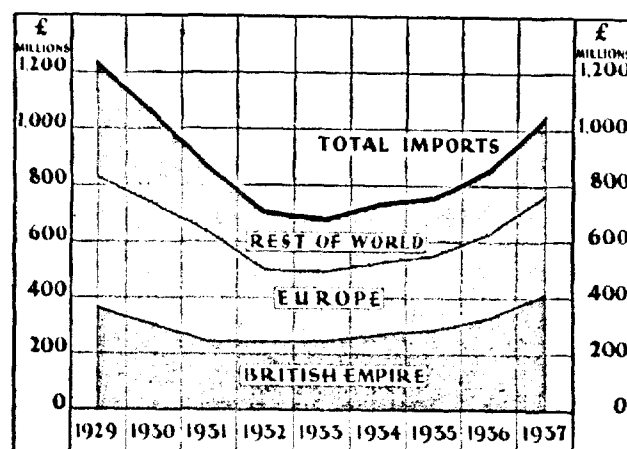
The main factors shaping the general course of imports and exports in 1937 were discussed in *The Economist* of January 22nd on pages 155-156. Between 1935 and 1936 exports made practically no headway, while imports showed a substantial increase. In the past year, however, both imports and exports rose considerably in value, but a substantial part of the increase was due merely to higher prices. Total imports, for example, rose by 21.4 per cent. in value last year, but by only 6.2 per cent. in volume; while exports of home-produced goods increased by 18.3 per cent. in value, but by only 9.5 per cent. in volume.

These general tendencies find their reflection in the geographical distribution of our trade, which is shown for recent years in the two charts on this page and in greater

shown little change during the past eight years. It was 31.9 per cent. in 1937, 31.2 per cent. in 1936 and 32.0 per cent. in 1929. The brunt of the changed distribution, in this case, has fallen on our trade with non-European countries, whose share in our total exports declined from 23.6 per cent. in 1929 to 19.6 per cent. in 1936, though it showed a slight increase to 19.7 per cent. last year.

When we examine the figures of our trade with individual countries some striking contrasts emerge. The percentage increase in our imports, between 1936 and 1937, from Empire countries like the Straits Settlements, the West Indies, West Africa and South Africa, was above the average, and from others, like Eire, Australia, New Zealand and Canada, well below it. The rate of increase in our exports to Eire, South Africa, and India and Ceylon was substantially below the general average. The Straits Settlements and West Africa alone increased their purchases by more than the average. Among European countries, the U.S.S.R., Latvia, Sweden, Norway, Holland and Italy increased their sales to us by considerably more than the world as a whole, while the converse applied to our purchases from Denmark, Poland,

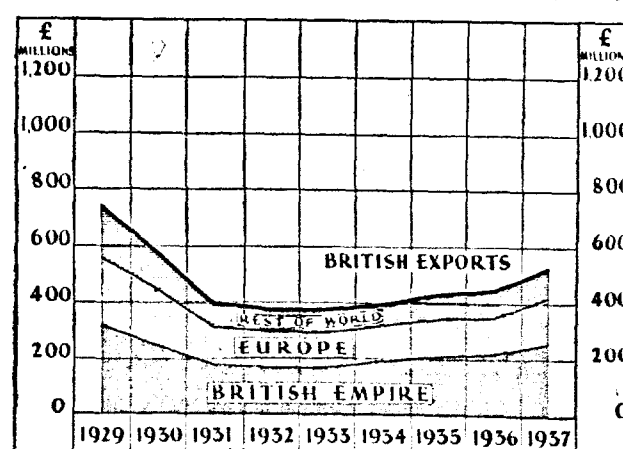
SOURCES OF BRITAIN'S IMPORTS, 1929-37



detail in the tables on page 428. Since 1929 the most significant feature on the import side has been the absolute and relative growth in our purchases from countries within the British Empire. Our total imports in 1937 were £191.7 millions less than in 1929, but our Imperial imports were £46.4 millions more. This tendency continued during the latest year, but at a diminishing rate. The Imperial proportion of our total imports rose from 29.4 per cent. in 1929 to 39.2 per cent. in 1936, but increased only to 39.4 per cent. in 1937. The diversion of our purchases has been felt most keenly by non-European countries whose exports compete with those of the Empire. Thus, the proportion of our total purchases abroad which came from non-European countries declined from 35.5 per cent. in 1929 to 26.6 per cent. in 1936. The latter ratio, however, remained unchanged in 1937, and that year's slight increase in the Empire's percentage was achieved at the expense of European countries, whose share in our total imports, which had declined from 38.1 per cent. in 1929 to 34.2 per cent. in 1936, was further reduced to 34.0 per cent. last year.

In recent years the growth of the proportion of our total exports taken by the Empire has been less marked than that of our purchases from Empire countries. Between 1929 and 1936 the Empire's share of our total exports rose from 44.4 per cent. to 49.2 per cent. During the past year, however, the percentage declined to 48.4. Rather surprisingly, the proportion of our exports despatched to Europe has

DESTINATION OF BRITAIN'S EXPORTS 1929-37



Germany, France, Portugal, Spain, Hungary, Greece and Roumania. On the export side, among European countries, Estonia, Finland, Latvia, Italy, Czechoslovakia and Roumania showed particularly large percentage increases in the value of their purchases of British goods. The only European country which bought less from us in 1937 than in 1936 was the U.S.S.R. Among non-European countries, the average increase of 21.4 per cent. in our total imports was substantially exceeded by Irak, Iran, Chile and Argentina. Shipments from Egypt, China, Cuba, Peru, Brazil and Uruguay were substantially below the average. British exports showed a more than average increase in the case of Turkey, Irak, Iran, Japan, Cuba, Mexico, Colombia, Brazil and Argentina. Sales to Egypt, China, Peru and Chile, on the other hand, showed a less than average increase. Imports from the United States were increased by 22.5 per cent., but the rise in exports was only 13.8 per cent.

In general, the increase in our overseas trade last year was relatively well spread. Broadly, the Empire, for its part, takes nearly half our exports. Europe takes slightly more than one-third of our exports and supplies roughly one-third of our imports. The remaining quarter of the world, taken as a whole, supply us with raw materials, but take less than a fourth of our exports.

Roumania's Crisis

ROUMANIA, since Christmas, has plunged into a severe constitutional crisis. At the elections on December 27th, the Liberal Government of M. Tatarescu was decisively beaten. It resigned, and was followed by the brief pseudo-Fascist interlude of M. Goga, who, with an even smaller popular backing, succeeded in 45 days in irritating every Great Power and bringing confusion to the whole administrative and economic machinery of the country. Finally, on Friday of last week, King Carol dismissed M. Goga, suspended the Constitution and installed a new Cabinet with the Patriarch as its head and a galaxy of ex-Premiers as its members. If these events occurred in some remote principality they might be shrugged off. But Roumania is not Ruritania. She is a country larger in area than the United Kingdom and in population than the whole of Scandinavia. Her policy decides whether Russia has a corridor to her Czechoslovak ally or is faced with a *cordon sanitaire* from the Baltic to the Black Sea. Roumania is the largest and vital central member of the Little Entente, the only one of the victorious successor States of the Great War which is not in direct contact with either Germany or Italy, and she is an important source of grain and oil. Her strategic importance can hardly be exaggerated.

Roumanian politics require a little explanation. There are two large traditional parties in the country. Of these the Liberals are the senior. This is the party built up by the three Bratianu brothers, which governed Roumania during the War, and was responsible for the enormous expansion of the country as a result of the Peace Treaties. Its present titular leader is M. Dinu Bratianu, the last of the three brothers. Traditionally, the Liberals represent the administrative, military and commercial oligarchy. The opposing party is the Tsarunist or National Peasant Party, a combination of the Peasant Party of pre-War Roumania and the Roumanian Nationalist Party of Transylvania, which, under the leadership of M. Maniu, fought for the National cause in the old Hungarian Parliament. M. Maniu continues to dominate the united party, and it is due to him that the National Peasants stand, more than any other party, for democracy.

Since the War these two parties have alternated in office. The alternation has not been quite regular, since the Liberals have had many more years in office than the National Peasants; nor has it been due to any precise measurement of changes in the opinions of the electorate. In Roumania, Governments make elections, not elections Governments, and the alternation has been due only to a healthy realisation on the part of the leading politicians on both sides that neither party can be permanently and safely excluded from the sweets of office without provoking an explosion. "The sweets of office" is, in Roumania, a literal expression. The spoils system reigns unchallenged, and each change of Government is followed by a sweeping reconstruction of the whole administrative machine. Civil Service salaries are very low, and corruption is prevalent in Roumania to an extent that is unknown elsewhere in Europe.

It was the Liberals who drove King Carol, then Crown Prince, into exile; it was the National Peasants, under M. Maniu, who brought him back for the purpose of breaking up oligarchic domination which the Liberals were Great England up over politics and commerce. M. Maniu had been asked to build up a genuine constitutional monarchy, but off a path had different ideas. He wished to rule with the

For this Army, and the password of his policy towards from a shas consistently been *divide et impera*. He has damages, the case of each of the two larger parties, the As a vod—that of selecting for particular favour one

of the minor figures of the party, to the exclusion of its real leaders. The National Peasant Government, for example, was entrusted to M. Vaida-Voevod, who was later encouraged to secede from the party altogether and form a new semi-Fascist body under the name of the Roumanian Front. M. Goga, the 45-day Prime Minister, is also a former adherent of the National Peasants, who, not without encouragement, seceded to form a separate party. Among the Liberals, M. Tatarescu, a Right Wing personality who has frequently been charged with semi-Fascist inclinations, was put into office by the King without the consent, and latterly against the wishes, of M. Bratianu, the leader of the party. In its early days the Iron Guard also enjoyed some favour, as an offset to the major parties. But its very rapid growth, its ruthless methods, which do not stop short of assassination, and its demonstrated determination to pursue policies of its own, both at home and abroad, have latterly alarmed the King. The Iron Guard has fallen out of favour, and has retaliated by expressing hostility to the King. Another aspect of King Carol's reign, without which Roumanian politics cannot be understood, is the existence of a court clique which, by sitting at the toll-gate of patronage, occupies a central and dominant position in the administration of the country.

Before the election of last December it was apparent that the Liberals, under M. Tatarescu, had outworn their usefulness and become unpopular with the rest of the country. The National Peasants then made themselves, as they thought, fit for office by transferring the leadership of their party from M. Maniu, who long ago became an inveterate opponent of the King, to M. Michalache. But when the King invited M. Michalache to form a Government shortly before the election, he made the condition that a seat must be found in the Cabinet for M. Vaida-Voevod, whom the National Peasants regarded as a traitor to their cause. M. Michalache, as the King had calculated, refused, and the reins of government were handed back to M. Tatarescu, who proceeded with M. Vaida-Voevod's assistance to make the elections.

Then the unexpected, the almost incredible, happened. According to the convenient Roumanian electoral law, the Government is given a clear majority of seats in the Chamber if it can secure only 40 per cent. of the votes cast, a task which the local Prefects usually find well within their powers. But in December MM. Tatarescu and Vaida-Voevod could collect no more than 36 per cent. of the votes. The National Peasants received more than 20 per cent. of the votes and the Iron Guard more than 15 per cent., leaving only about a fifth of the total votes for all the other parties.

The King was thus faced with a difficult position. The Liberals, under M. Tatarescu, had been decisively beaten. The National Peasants were outraged by the trick played upon them, and they showed their resentment both by making an agreement with the Iron Guard to ensure as far as possible the fairness of the elections, and also by restoring King Carol's enemy, M. Maniu, to the leadership of the party. The Iron Guard was openly hostile both to the court clique and to the person of the King. The only party leader who was not either discredited or hostile to the King was M. Goga, leader of the National Christians, who received less than 10 per cent. of the total votes cast. M. Goga was consequently placed in office, the newly elected Parliament was dissolved before it could meet, and another election was called for early in March.

M. Goga's task was, by hook or by crook, to secure 40 per cent. of the votes cast, and thus to maintain a parliamentary majority for the King's policy. But it soon became apparent

that not even with the assistance of every conceivable device of administrative pressure could M. Goga hope for success. Moreover, his internal policy, by frightening the Jews, was bringing the commercial life of the country to a standstill. His external policy estranged France and Czechoslovakia, drew a rebuke from Great Britain, disappointed Germany and Italy and succeeded only in starting a quarrel with Roumania's powerful neighbour, Russia. So M. Goga had to go. The King has formed a new Cabinet of ex-Prime Ministers, which is to govern without Parliament. Martial law has been proclaimed and the constitutional liberties suspended. These drastic measures are chiefly directed against the Iron Guard. Most of the members of the new Government are more or less closely associated with the Liberals. The Patriarch-Premier himself is credited with some Fascist sympathies, but the vital portfolio of the Interior is held by M. Calinescu, who is known as a firm opponent of the Iron Guard. There are no members of the National Peasant Party in the Cabinet, but several of the Ministers have strong affinities with that party's views. M. Maniu himself refused to participate in a dictatorial Government, but his opposition may not be extreme.

The new Government is thus most accurately to be regarded as a royal dictatorship supported by the centre party, opposed both to the Fascists on the right and the democratic party on the left. The nomination of M. Tatarescu to the Foreign Ministry is an assurance that the

pre-Goga foreign policy will be continued—namely, a maintenance, at least on paper, of the Little and Balkan Ententes and of the military alliance with France, but with sufficient kind words to Berlin and Rome to give Roumania a firm seat on the fence.

Whether the new Government is anything more than a temporary solution must remain an open question. The King has placed the blame for the breakdown of the constitution on the politicians, where doubtless some of it rightly rests. But it is impossible to resist the conclusion that his own policy of playing off the parties against one another is also largely responsible for the unfortunate fact that no one element of opinion is now strong enough to govern Roumania without arbitrary force behind it.

The real tragedy of politics played in this fashion is that it obscures the real and deep-seated problems of the country. The economic and social condition of the peasantry is deplorable, the majority of them living in the most extreme poverty. The country also needs a policy of industrialisation whose aim is to raise the standard of living of the people rather than to make profits for politicians. And finally, there is urgent need for an Augean purge of the administrative machine which, through its unwieldy size and its unlimited corruption, imposes a very heavy burden on the country. These are the real problems of Roumania, and a weighty responsibility rests upon all those who have played their part in subordinating them to the desperate intrigues of ambitious politicians in Bucharest.

Topics of the Week

Mr Eden on British Ideals.—The Foreign Secretary made another of his felicitous public speeches at Birmingham on Saturday night of last week. Irresponsible reports in some organs of the Press made it necessary for him to begin his speech by denying that there was any rift in the British Cabinet, and in particular between the Prime Minister and himself, over foreign policy. His main theme, however, was to re-state the guiding principles of Great Britain's position in the world. British policy is founded entirely upon the democratic ideals of the British people. But attachment to democracy, as Mr Eden has consistently emphasised, does not necessarily involve antagonism to countries which think differently. Indeed, if it did, Great Britain would soon find herself professing ideological hostility to a very large part of the world, and no policy that hopes for the maintenance of peace can possibly found itself upon the doctrine of an inevitable clash between democracy and dictatorship. This part of Mr Eden's speech has been favourably received in Berlin, and there is no reason why it should not be. But we trust that German opinion has taken equal note of the other main point which Mr Eden was at pains to make. Addressing a young audience, he made the point that "the Government must strive in its foreign policy not only for peace in our time, but for peace in yours," and this involved that "there must be no sacrifice of principles and no shirking of responsibilities merely to obtain quick results that might not be permanent." This very obvious point badly needs making in England to-day. It is the complete answer to those who would found our diplomacy upon what may not incorrectly be called the Danegeld policy—one of making concessions with no assurance that they will not be used as ammunition for further demands at a later date. Concessions to other countries' ambitions should not be refused by a country like Great Britain, which has been peculiarly favoured with the good things of this world. But if this generation is to do its duty to its successors it must cleave with all courage to the principle that concessions cannot be given without guarantees that they will be exploited for the purposes of peace rather than for those of war. Mr Eden himself has never wavered from this principle in his public addresses. It is good to know that there is no dissension within the Cabinet,

since the confession of such disagreement would immeasurably weaken the influence for peace of Great Britain. But at the same time it is impossible not to wish that the Government as a whole would apply more resolutely in practice the principles so eloquently and individually enunciated by the Foreign Secretary.

The Coal Industry and the Consumer.—The Committee stage of the Coal Bill was concluded on Monday. The last two days of the debate were marked by a steady recurrence in different forms of the complaint that the interests of the consumers of coal were being prejudiced by the selling schemes, which the Bill continues. The Government's resistance to these complaints was as unyielding as its surrender to the mine-owners' pressure a fortnight earlier had been immediate, and it is very clear from this debate that the pressure which can be brought to bear by producers for the amendment of industrial legislation is very much stronger than any that can be mobilised on behalf of the numerically much more important body of consumers. It is of particular interest and significance to notice that the Labour Party, speaking through the mouths of the members for mining constituencies, joined the Government in resisting any proposals for enquiries into, or amendments of, the selling schemes. The Labour Party's brand of Socialism, like the Government's brand of capitalism, whatever it may profess in principle, is thus shown to be more concerned in practice with sectional interests than with those of the community.

It is reported that the Government have been surprised at the extent of the indignation that is felt throughout the country at the way in which the mining industry has been exploiting the monopoly position conferred upon it by the selling schemes. It is true that the largest consumers have some remedy in the Committees of Investigation provided for in every district selling scheme. During the past week, for example, the Lancashire and Cheshire Committee has questioned the justification for the large

increase in prices charged to the cotton industry (see page 409). But the Committees of Investigation are hampered because they are powerless to inquire into the price charged for coal by anybody except an actual producer. Any consumer, that is to say, who buys his coal through an agent, even though that agent may be in the closest association with the producer, will find little remedy in the mechanism of investigation. There has been a growing tendency in recent weeks to regard the present Coal Bill as a test case of the economic honesty of the new type of economic legislation favoured by the present Government. So far, neither the Government's resolution in pursuit of the public interest nor the technical adequacy of their measures for preserving the balance between the different elements in the national economy is coming out of the test very well.

The Balance of Payments.—The Board of Trade's official annual estimate of the United Kingdom's balance of international payments was awaited with more than usual eagerness this year; for the greatly increased debit on merchandise trade had aroused a certain anxiety. The details of the 1937 estimate, with the revised figures for 1935 and 1936, are shown in the following table:—

	(000,000's omitted)		
	1935	1936	1937
Excess of imports of merchandise and silver	£ 261	£ 345	£ 443
Excess of Government payments overseas ...	2	3	4
Total	263	348	447
Net national shipping income*.....	70	85	130
Net income from overseas investments	185	205	220
Net receipts from commissions, etc.	30	30	35
Net receipts from other sources	10	10	10
Balance of above items	+32	-18	-52

* Including disbursements by foreign ships in British ports.

Though the net debit on current account is less than some people may have feared, the Board of Trade has obviously not erred on the pessimistic side in framing its estimates. It has reduced its earlier estimates of national shipping income in 1935 and 1936 by £5 millions and £10 millions, respectively, in accordance with the results of a recent Chamber of Shipping inquiry, but has put the 1937 figure no less than £45 millions above the 1936 estimate, to take account of higher freight rates and better trade. On the other hand, the increase of £15 millions in the estimate of net investment income is less than some observers had expected; but in this case the 1935 and 1936 figures have been adjusted upwards. The Board of Trade figure includes money brought home and put to reserve as well as dividends distributed; even so, it is not easy to reconcile Sir Robert Kindersley's estimate of £168 millions for overseas investment income in 1935 with a Board of Trade estimate of £185 millions, since the former is gross income

and the latter net—that is to say, the Board's figure allows for the outgo of interest and dividends on foreign investments in Great Britain. It is significant evidence of the pre-occupation at home of our export industries that in a boom year the indicated debit balance on all items is almost exactly what it was in the slump year 1932.

Budget Prospects.—The weekly revenue returns continue to present a surprisingly favourable appearance. In the period from January 1st to February 12th, the receipt of income tax has been £15.3 millions more and that of total revenue £14.2 millions more, than in the similar period last year, which was one day longer. What is even more surprising, however, is that, in the same period, expenditure has been £16.8 millions lower than last year. This makes no allowance for expenditure out of money borrowed by Defence Loan, but as this only amounts to £9.0 millions, the comparison is not upset. Since January 1st the deficit has been reduced at a rate that is about £900,000 a day faster than last year, and if this relationship persists until the end of the year, there would be a surplus of about £30 millions, or, if sinking fund payments be excluded from expenditure, of about £39 millions. Moreover, unless the rate of expenditure out of defence borrowings is speeded up, it will not amount to more than £25 millions at the end of the year. There is thus an outside possibility of a true surplus on the year's working even after borrowing is taken into account. This, of course, would be absurd; but unless there is either a distinct slackening in the collection of revenue or a spurt in expenditure, or both, the Exchequer will certainly not realise the deficit for which it budgeted.

Britain's Reputation Abroad.—Wednesday's debate in the House of Commons on the need for extended publicity of all kinds to counteract false reports about Britain's circumstances and intentions revealed a high degree of unanimity among members. It was generally agreed that the State-subsidised propaganda of certain foreign countries, while dangerous to British reputation abroad, was not an example to be followed in retaliation. On the other hand, no speaker was inclined to deny the usefulness of national advertisement under present conditions of tendentious reporting of the world's news in the Press and on the radio. Defensive measures, as distinct from participation in any campaign of mutual vilification, can be justified, so long as opinion in all the continents is affected by high-pressure political salesmanship, organised by the news agencies and wireless stations of governments disinclined to accord to Britain the fair treatment needed to ease the conduct of her Imperial and international relations. To manufacture or subsidise State news, however, would not, in the long run, advance the best interests of Britain. Given a fair field and no favour,

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the freedom of the British Press and the impartiality of the British Broadcasting Corporation have no superiors as weapons of national defence against hostile rumours. But their voices must be heard as far afield as Africa, India and South America to be effective, and the Government's duty to secure that distant platform has already been recognised by the appointment of a Committee to co-ordinate private and official publicity of all kinds. On Wednesday, cheap radio and cable facilities for British news agencies were advocated, and stress was laid upon the potential value of films. The channel between the Scylla of lost reputation and the Charybdis of dishonourable propaganda is narrow, but British commercial and political interests all over the world require that the passage should be made.

Dilapidations.—No better justification could be given for the existence of democratic institutions than the readiness of a representative assembly like the House of Commons to expose and proceed against private abuses and public scandals—a readiness not always equalled by the ability of the Government to impose its wishes upon the larger vested interests. Recent campaigns against share-pushing and the evil aspects of hire purchase have found general support in Parliament. On February 11th, yet another abuse was disclosed in the exploitation of occupiers of working-class houses by the speculative purchasers of reversions of long leases. The Leasehold Property Repairs Bill, which received a second reading and the Attorney-General's blessing, is directed against the practice of speculative syndicates of buying leasehold properties and presenting occupiers with long lists of accumulated dilapidations and costly repairs with the object of intimidating these tenants into purchasing the leases at a high figure. In South Wales, where poverty is still acute, this scandalous procedure has been particularly well organised. The Bill, which has a reasonable chance of reaching the Statute Book, applies to property of an annual value of £50 or less. It imposes upon the lessor the task of proving the repairs he requires to be absolutely necessary, and allows reasonable time for the occupier to carry them out.

The Singapore Base.—The great naval base in Johore Strait, on the northern side of Singapore Island, was opened with all due ceremony on Monday. This marks the conclusion of a great strategic enterprise, whose inception dates back as far as 1921, although the construction has been suspended once and retarded on a second occasion. The new base provides full facilities for the support and repair of the largest capital ships, and it is as heavily fortified as any point in the world. The strategic importance of Singapore can be seen by a glance at the map. It is in the truest sense the cross-roads of the East, for any traffic between the Far East and the Indian Ocean must pass through the narrow seas which it commands. Singapore is about 2,800 miles from the nearest point of Japan proper, and almost 2,000 miles from the Japanese island of Formosa. It is 1,400 miles from Singapore to the Chinese island of Hainan, the nearest point at which the construction of a hostile naval base in the future is at present conceivable, and the narrow China Sea between Hainan and Singapore is commanded on the one side by French Indo-China and on the other by the American Philippine Islands and by British Borneo. So far as geographical position can render a naval base immune to attack, Singapore is safe. The extent to which Singapore also protects the route to Australia, and that sub-continent itself, is very considerable, though not quite so obvious. The screen thrown by the Malayan Archipelago between Australia and Japan is over 2,500 miles long, and Singapore is near the extreme western end of it. The British Imperial Government, however, have played their part by providing a strong focal point at one end of the line, and it is for Australia and New Zealand to provide the defences for the eastern end, and for the Netherlands Indies to see that the line is not buckled in the middle. The Singapore base has frequently been attacked throughout the post-War years by Liberal and Labour

opinion in England, and if the world had developed on the lines that were hoped and expected eighteen years ago such a fortress would have been an unnecessary provocation and expense. In the troubled world which sees its completion however, Singapore is a valuable reinforcement to the defences of peace in the world, and a powerful safeguard for the continuance of the happy state of the Indian Ocean, the only one of the great seas from which immediate aggression seems to be excluded.

American Foreign Policy.—The American public is suffering from severe division and bewilderment of counsel on the principles of American foreign policy. It is a state of mind which is not so difficult for British observers to understand, because it is something with which we are thoroughly familiar at home. Write "United Kingdom" for "United States," "France" for "British Empire," and "Eastern Europe" for "the Old World," and we find ourselves standing in the Americans' shoes. The trade-name for the pair is "isolationism"; but, as we have discovered from our own experience, this particular line in footwear is most awkwardly bewitched. The first and last thing about isolationism is that the left shoe and the right shoe can only step in diametrically opposite directions—with the consequence that the distracted wearer, after straddling as wide as he can, has ultimately to kick off one of the shoes and hobble along in the other, wherever it chooses to lead him. This fairy-tale is being illustrated in the United States by the predicament of the isolationist-pacifist coalition, when faced by the President's plans for naval expansion. The close technical co-operation between the British and American Navies, and the solidarity shown to Japan, have convinced the isolationists that American naval expansion is really destined to serve British rather than American interests (it is one of the characteristics of isolationists, as Miss Dorothy Thompson has pointed out, to look upon a country's friends as its enemies and its enemies as its friends). The isolationists seem to be successfully forcing the Administration at Washington into giving the most explicit assurances that, in working out their naval policy, they will keep clear of all commitments to, or understandings with, other Powers, and will not even take account of other people's prospective naval strength or of the purposes for which they are likely to use it. But the consequence of such a policy, as the naval experts have been quick to point out, would be the need for an American Navy three or four times its present strength if the United States and American interests are to be protected against all contingencies single-handed. The isolationists are unwilling to follow their own logic so far; and their pacifist allies confound them still further by advocating not security but disarmament. The fact is that the American isolationists, like the rest of us, are being brought up against a hard fact; and this is that the only level of national armed strength at which isolation and security are compatible is a level that is higher than the cumulative strength of the whole of the rest of the world.

The Japanese Reply.—The Japanese reply to the American, British and French inquiries has been much what was expected. In the official answers to the three notes, the Japanese Government have categorically rejected the request for light on Japanese building plans. In an accompanying statement, however, a hint is dropped that Japan may be ready to do what her potential rivals want, so long as she does not have to say it in so many words. In this statement, the Japanese Government declare that if the other Powers were to expand their naval armaments beyond the existing Treaty limits, then Japan would "have no alternative but to alter her building plans" in order to cope with that construction. The inference that we are, presumably, meant to draw is that Japan is not building ships of more than 35,000 tons at present; and this presumption is supported by the fact that the formula, as quoted above, is to be found only in the official English version of the statement, while the crucial words "alter her building plans" have been changed to "adopt neces-

sary measures" in the Japanese text. This discrepancy confirms the impression that the dominant consideration behind the Japanese refusal has been one of "face." Unfortunately, a verbal hint is an inadequate protection for the other powers' security, and it is difficult to see how we can now avoid an unrestricted competition in oceanic naval armaments. In this matter, the American craving for isolation seems likely to have what will be, from the Japanese standpoint, an ironically paradoxical effect. Both the American and the British Admiralties may feel themselves constrained to make sure that their own navies are decisively stronger than the Japanese without reckoning into the account the naval strength of any potential associates. This will mean that, if a naval race does take place, Japan will find herself overwhelmingly outclassed by the English-speaking naval Powers unless—*quod est absurdum*—Japan now sets herself a two-power standard.

Pastor and Cardinal.—Modern Governments possess means of suppressing and distorting the truth which would have been the envy of a Roman emperor. Yet last week's events in Germany seem to show that, even to-day, the truth will out to a sufficient extent to be damning to tyrants. In Berlin on February 8th, for example, the long awaited trial of Dr Niemöller began—only to be adjourned next day. The trial appears to have opened with a demand from the Public Prosecutor that the proceedings should take place *in camera* and that all persons present should be bound over to secrecy under pain of six months' imprisonment in case they opened their lips. This demand is said to have been put forward by the State on the ground that Pastor Niemöller's behaviour had been anti-patriotic and that the counsel for the defence were in touch with foreign religious and political forces in the hope of bringing foreign influence to bear upon the Court. Thereupon, counsel refused to conduct the case for the defence unless this allegation was withdrawn; and when the Court appointed a lawyer of its own to conduct the defence in their stead, Pastor Niemöller himself refused to take any further part in the proceedings under these conditions. Thereafter, the case was adjourned—nominally to give the Court-appointed lawyer time to study the case, but really because the authorities found themselves in a fix. They must either incur the odium of unfairness or else give the defence the opportunity for a moral victory. The trial was adjourned until Saturday of this week and it is now reported that Dr Niemöller is to be allowed his own counsel and the supporting presence of a brother pastor of the Confessional movement.

Meanwhile, at Munich last Sunday, Cardinal Faulhaber virtually challenged the Nazi State to make a second Pastor Niemöller of him. In a sermon preached in a crowded church and relayed to two other churches, which were likewise full, the Cardinal told his congregation all the things that the Nazis most hate to hear. The German public did not learn the truth about the conflict between Church and State because encyclicals, pastoral letters and sermons were not allowed to be printed or otherwise circulated inside Germany. The Church was undoubtedly being persecuted in the Reich—as witness the suppression of 82 schools belonging to religious orders. The substitution of Rosenberg's book for the Bible was denounced as the offer of a stone for bread. Above all, Cardinal Faulhaber put the Nazis in the same pillory as the Communists—speaking of the two great parties which are fiercely antagonistic to one another in every way, but which show a fearful resemblance to one another in their methods of attacking the Church. The Nazi party-State will have to decide whether to take up this challenge; it can hardly be ignored.

Government by Marooning.—With the transfer of an ex-Prime Minister of Greece, M. Michalakopoulos, from the mainland to an island, the number of General Metaxas's opponents who have been disposed of in this

fashion has mounted up to twelve—five of whom are soldiers and seven civilians. This distinction—which may be taken as the Greek dictator's equivalent of our British Order of Merit—is not a new idea invented by General Metaxas. Mediterranean islands have been used for this purpose since time immemorial. M. Michalakopoulos's present insular quarters were occupied by Roman republican philosophers in the days of Nero and Domitian. The Young Turks celebrated their advent to power in 1908 by "insulating" in this literal sense the members of the opposition in Constantinople. Taking a leaf out of Talaat Bey's book, the British Government deported to Malta in 1920 as many of Kemal Atatürk's distinguished partisans as could be rounded up by British naval landing parties on the shores of the Bosphorus. And His Majesty's Government in their turn have had the honour of being copied by Mussolini—as may be verified by a census of the present population of the Lipari Islands. Is this political marooning good policy? "Saint Helena was the grave of Napoleon," General Metaxas may remind us—to which we can retort that the Book of Revelations was written—and published—by an exile, whom a Roman tyrant had marooned on the Dodecanesian island of Patmos.

India's Constitutional Crisis.—The latest political crisis in the Indian provinces, though straightforward on the surface, has tangled roots. Orders given by the Congress Ministries in Bihar and the United Provinces for the release of all political prisoners were disallowed by the provincial Governors, acting on the Viceroy's instructions. The Ministries thereupon resigned. It would appear that many of the so-called political offenders are violent criminals who might do grievous harm to innocent people and property, perhaps in other provinces, before they were again apprehended. Moreover, there appears to be more in the political tactics of the situation than meets the eye. The Ministries in question, being under awkward pressure from their own peasant constituents, may well have sought a diversion whereby they might escape rather than enlarge their responsibilities. Again, concurrence in their demands would have meant difficulties for the non-Congress Ministries, especially in Bengal, where terrorism is endemic and where, in spite of a progressive review of individual cases a relatively large number of political prisoners are still in custody. Yet, in spite of these complications, it would seem that the Viceroy has made a mistake in not pressing the principle of responsible government to its logical conclusion and leaving those responsible for law and order to cope—at the outset of the new regime—with whatever lawless political offenders they might choose to set at large. Mr

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Gandhi has spoken cryptically of the "mischief" of British making which must be undone from the British side. It would be a disaster if the highly promising political progress of India were interrupted by a barren contest in face-saving.

Report on Oil from Coal.—In April, 1937, a sub-committee was set up by the Minister for the Co-ordination of Defence to inquire into the production of oil from coal. Since then there has been a strong demand from several quarters for the inclusion of oil from coal schemes in the growing schedule of national defence plans, because of the need to rehabilitate the coal-producing Special Areas and the difficulty of providing and protecting tanker tonnage in time of war. In general, any large-scale plan to increase domestic supplies considerably above the 5 per cent. of the consumption of petroleum products at present provided has been officially scouted on both strategic and economic grounds. Clearly, any attempt to produce all or a large part of our oil and petrol in Britain would be costly. As was pointed out by the Rivett Commission in Australia (*The Economist*, October 16, 1937, page 108) and endorsed by Lord McGowan in July, the production of oil from coal is still far too costly for private enterprise to undertake, even with the aid of a guaranteed preference considerably higher than the existing 4d. per gallon or an actual preference higher than the present 8d. From the strategical angle, too, only if the command of the seas were in danger or if there were a shortage of tanker tonnage (or some vitally important alternative use for it) would the arguments for reliance on home supplies definitely over-ride the objections.

The Falmouth Committee, in their report published on Tuesday, have broadly rejected the case for extensive home production, arguing that petrol production alone would involve a permanent annual subsidy of £43 millions, and the employment of no more than 170,000 men, without appreciably assisting the coal industry. "A policy of depending on imported supplies with adequate storage is the most reliable and economical way of providing for an emergency." Nevertheless, storage equipment (details of which are withheld in the report for reasons of national interest) is at least no less vulnerable to attack than hydrogenation plants—unless novel subterranean devices have been contrived. Moreover, the economic issue is not simply the narrow question of the comparative costs of production and imports, but rather part of the general problem of distributing the national resources, and especially shipping, in time of war. It may, for instance, be argued that the saving of tonnage involved in a considerable though not drastically large increase in home production would be worth the price paid in subsidy. Again, taking a longer view than merely war-time possibilities, there would be a commercial future for the production of oil from coal if the world's oil reserves were likely to run low in another generation. The Committee have therefore shown discretion in that, in spite of their negative decision on the main issue, they have recommended the increase of the guaranteed preference from 4d. to 8d. per gallon (to include diesel oil for use in motor engines), the encouragement of experimental plants and the financing of research.

The Housing Bill.—The second reading debate on the Government's new Housing Bill was not very successful in elucidating the main principles involved in the measure. The Minister of Health concentrated to an undue extent upon the impressive record of public housing in the years since the War. His own figures, however, showed that the effort was not over. It was estimated that 600,000 new houses were required—400,000 for slum clearance and 200,000 for the abatement of overcrowding—and of this total only some 200,000 have yet been provided. This fact, together with the mounting evidence of some slackening in private building,

makes a strong case for pressing on as rapidly as may be with the construction of new houses to clear the slums and relieve overcrowding. The Minister, however, apart from explaining the technical provisions of his Bill, did not address himself to the question whether those provisions would accelerate or retard the pace of building. The basic rate of subsidy for slum clearance in urban areas under the existing Act of 1930 is 45s. per annum from the State for each person displaced, plus £3 15s. from the rates for every new house built. Assuming an average figure of four persons per house (which may be on the low side) this is a total subsidy of £12 15s. per annum per house, whereas the new subsidy is to be only £8 5s. It is true that since the 1930 Act was passed both the cost of building and the cost of money have fallen, but it does not seem probable on the face of it that a reduction in subsidy will do anything to speed up the process of re-housing.

The amendment moved by the Labour Party criticised the Bill for abandoning "the sound principle of basing the subsidy upon the number of persons re-housed" and a suggestion was made from the Liberal benches that the subsidy should be based upon the number of rooms provided, which would have much the same effect. This also appears to be a point of some substance, which was not adequately brought out during the debate. To a far greater extent than is commonly realised, the problems both of the slum and of overcrowding result from the peculiar conditions of the large family. If the subsidy is to be given on the basis of the number of houses provided, it is only reasonable to suppose that the majority of the houses will be of the smallest type permitted by the regulations. The new subsidy may thus defeat its own ends. It is very much to be hoped that this point will receive adequate consideration at the Committee stage. Another aspect of the Government's housing policy was announced on Thursday in a White Paper on rent restriction. The Government have accepted the recommendation of the recent Ridley Committee that the larger houses in the present Class "B" should be decontrolled. They do not, however, accept the somewhat rigid formula proposed by the Committee for the gradual decontrol of the remaining controlled houses within a given period and prefer to say that control should be removed when the need for it has expired. This is not very precise; but the number of controlled houses still remaining is so large that it would be disastrous to press ahead, for the sake of logical tidiness, with a policy which might lead to widespread increases in rents.

Croydon Typhoid Findings.—The Report of the Inquiry into the epidemic of typhoid fever at Croydon, published on Monday, finds that the outbreak was caused by the infection of the water supply drawn from Addington Well. The disaster might have been averted had there been a greater measure of co-ordination between the functions and activities of various officers of the corporation. For several weeks workmen were employed at the well, including an active carrier of typhoid, and water was running to supply unfiltered and unchlorinated. The Medical Officer of Health was not informed either of the work or that filtration had ceased. Although he commonly received monthly analyses from various wells and reservoirs, Dr Holden was not responsible for the borough's water supply, which in fact was among the impossibly diverse duties of the Borough Engineer. There may have been some delay in deciding the origin of the outbreak and in fully informing local doctors. In the main, however, the epidemic was fought most ably; and the Report's chief criticism is directed towards the administrative circumstances which made the outbreak possible. There has clearly been a serious lack of system at Croydon; and there may perhaps be some grounds for the fear that supervision of the water supply may be similarly ineffective in other large and important county boroughs. The Report, in fact, is a warning to all persons locally responsible for public health.

Overseas Correspondence

From Our Special Correspondents

United States

The Nature of the Depression

NEW YORK, February 8.—The abrupt descent in four months from a high level of prosperity to a depth only exceeded by the worst months of the great depression has left everyone bewildered. In the post-war collapse, the index of production fell from its peak of 116 in January, 1920, to its extreme bottom of 74 in July, 1921, in eighteen months, which seemed a violent decline; in 1929, the index of production fell from 123 in August to 99 in December; and this, too, seemed a violent decline. Yet the fall from 117 in August to 84 in December was larger than that in the autumn of 1929; and in four months was almost as great as in the post-war collapse.

People refuse to believe it, and the commonest way of expressing such disbelief is to resort to euphemisms in describing it. The word "depression" is absolutely taboo; only such terms as "recession," "reaction," or "slackness" are allowed. In contrast are such episodes as the great mass protest meeting in Detroit last week, probably the largest demonstration of its kind ever held in this country, the number of demonstrators being conservatively estimated at 100,000.

The fortunes of Detroit rise and fall with those of a single industry subject to extreme fluctuations. It flourished last year, and hourly wages were pushed to a level which gave its workers hope of a very high standard of living. At present, it is stated that some 200,000 of the 300,000 members of the automobile workers' union are unemployed.

The situation is aggravated, as it is everywhere, by the fact that in good times enormous purchases are made on instalments, involving small and, in many instances, no cash payments, with the balance spread over many months. The consequence is that unemployment instantly becomes distress, since in good times the worker accumulates a burden of debt.

The meeting unanimously adopted resolutions for a moratorium on debt, rent reductions of 50 per cent. and an increase in relief funds. This incident is cited not only because the magnitude of the meeting is impressive, but because the focus of distress is so sharply defined. As late as September the motor industry was booming and workers were almost fully employed at the highest rates in history.

Housing, Rearmament and Recovery

The Housing Act has now been signed, but business opinion is mixed rather than enthusiastic. Broadly speaking, there is not much endorsement of the reduction in the cash payment on small homes from 20 to 10 per cent. American experience of home ownership on slender margins has generally been quite unsatisfactory. Furthermore, it is questioned if the greatest housing need lies in the demand for individual dwellings.

On the other hand, the provisions for what is called "speculative" building are considerably relaxed, and these may provide some stimulant, although this again is neutralised by the severity of the capital gains tax on "entrepreneurial" undertakings. The provisions relative to the construction of multiple dwellings or flats are generally rated as the most promising. But the prevalent attitude in building circles is to minimise the importance of the legislation and to emphasise the elements of cost and demand.

It was high costs that checked residential building in 1936; and when those costs rose still higher in the spring of 1937 they proved to be prohibitive and demand receded. Costs are now lower than they were at last spring's peak; but it remains to be seen if they are yet within the reach of potential demand.

The armament programme has attracted increasing interest, but it is recognised that the plans outlined can have only a limited effect on this year's aggregate output and no perceptible influence on the volume of production in the first half of the current year. Except for the Housing Act and the armament programme there has as yet developed nothing that could be described as a Recovery Programme. Generally

speaking, the business community is convinced that prosperity will come of itself in the second quarter of the year at the latest; or that the Government will embark on another large spending programme.

Increased Foreign Trade

The foreign trade returns for 1937 show the incidence of the great increase in both imports and exports that distinguished the year. Some of the larger items are given below:—

MERCHANDISE IMPORTS			
	(\$'000,000)	1936	1937
Vegetable Foods.....	\$	646	738
Vegetable products (inedible)	\$	338	489
Textile fibres and manufactures		387	477
Wood and paper.....		249	306
Non-metallic minerals		126	153
Metals and manufactures		207	281
MERCHANDISE EXPORTS			
	(\$'000,000)	1936	1937
Vegetable foods	\$	144	216
Vegetable products (inedible)		206	219
Textiles and manufactures		437	467
Wood and paper.....		100	137
Non-metallic minerals		364	499
Metals and manufactures (ex-mach.)...		234	501
Iron and steel semi-manufactures.....		80	231
Steel mill manufactures.....		32	67
Machinery and vehicles.....		614	889
Industrial machinery		158	240
Agricultural machinery		44	75

The monthly value of imports was greatest in February (\$307 millions), and from this figure it fell to \$208 millions in December. The course of exports was opposite; from \$223 millions in January the value rose to \$333 millions in October (the seasonal high) and remained near this level in December. The decline in imports coincided with the fall in commodity prices; and the big export increases were not in agricultural products but rather in metal and engineering goods.

It appears that the depression is still largely a local phenomenon—in its magnitude at any rate. No other country—not even Canada where economic events tend to move in sympathy with those in the United States—seems to have suffered a similar setback. Even the movements of commodity prices, usually fairly parallel in England and the United States, have been divergent. American prices have fallen much more sharply since the spring than British prices.

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France

Reactions to Events in Austria

PARIS, February 17.—There is no tendency to dramatise recent events in Austria. It is argued, on the one hand, that it would have been futile to follow the precedent of March, 1936, when the Germans remilitarised the Rhineland, by first of all denying Germany's right to act, and then accepting the *fait accompli*. On the other hand, it is argued that Herr Hitler's latest success must not be exaggerated, because Signor Mussolini would surely not have accepted any decision which would involve an actual "Anschluss." Nevertheless, some people do regret the prestige which the Führer has been allowed to derive from this incident, since dictators feed upon prestige, and the Austrian affair may encourage further audacity—while the prestige of the democracies will suffer greatly in the small States of Central Europe, who only a few days ago had been reassured by the internal disorders in Germany.

The first loan—of 1,000 million francs in bonds of the Crédit National—issued by the new Chautemps Cabinet was subscribed in four days. Indeed, the position of this Radical Government with a Popular Front programme has recently been strengthened by events at home and abroad. The persisting crisis in America has stimulated the return of capital to France. Political troubles in Germany, combined with recent events in Roumania and the economic difficulties in Italy, appeared, at first glance at any rate, to have strengthened the hand of the democracies *vis-à-vis* the totalitarian States.

M. Chautemps' Stronger Position

At home the controversy between the leaders of the Centre, that is, MM. Reynaud and Flandin, about the formation of a National Cabinet, with or without the Communists, revealed the great difficulty—at least for the moment—of forming such an administration. Consequently, the position of M. Chautemps' Government was made to appear correspondingly more stable.

Nevertheless, M. Chautemps is faced with fresh difficulties in his relations with the Communists. They are asking that wages should be automatically adjusted to rising prices and pensions paid immediately to aged workers. With the Communists and Socialists bidding against each other for popular support, proposals are being urged which would endanger the public finances, and tend to counterbalance the favourable effects of M. Marchandeau's recent speeches in favour of sound finance and retrenchment.

The Chamber's discussion of the Bill to enact a new Labour Code will lead to fiery debate. M. Chautemps' proposals will, however, prevail: they are progressive, but at the same time likely to win agreement from the Senate; and the Prime Minister will thus gain time. The new Code will give the Government power to check agitation—unless, of course, there is a fresh crisis, which would provoke disorders very difficult to suppress.

M. Chautemps' colleagues are busily engaged in working out plans to revive business. M. Marchandeau intends to increase production and exports by means of fiscal concessions; and M. Bonnet is examining the possibility of limiting imports of coal by the development of hydro-electric power.

The Treasury is in immediate need of resources. But M. Marchandeau, a Moderate, is at least as likely to succeed in stimulating disbanding to cover the cost of National Defence as was the Socialist, M. Auriol, a year ago. If investors can be persuaded that the new Government's policy is in the right direction, then there may, in fact, be a rapid return of flight capital. A new loan of 3,000 million francs of Treasury bonds at 5½ per cent., with 4, 8 and 12 years' maturities, has just been issued.

The Direction of Foreign Trade

Foreign trade last year was divided between foreign countries and the French colonies as follows:—

(In million francs)			
	1936	1937	Increase
Imports:—			
Foreign countries	18,162	31,979	13,817
Colonies	7,252	10,336	3,084
Total	25,414	42,315	16,901
Exports:—			
Foreign countries	10,328	17,159	6,831
Colonies	5,163	6,775	1,612
Total	15,491	23,934	8,443

Thus, 75.5 per cent. of imports by value came from foreign countries, against 71.4 in 1936, and 24.5 per cent., compared with 28.6 from colonies; and 71.7 per cent. of exports went to foreign countries, compared with 66.7 per cent. in 1936, and 28.3 against 33.3 per cent. to colonies. The year's import surplus of 18,380 million francs, compared with 9,922 millions in 1936, was made up of 14,820 millions in trade with foreign countries and 3,560 millions in trade with the colonies.

The value of imports from Great Britain rose from 1,799 million francs in 1936 to 3,379 millions in 1937, and of exports to Great Britain from 1,933 millions to 2,720 millions; the import surplus in trade with Great Britain was thus 659 million francs. Imports from the British Empire were valued at 7,330 million francs, compared with 4,104 million francs in 1936; and exports to the British Empire at 3,202 millions, against 2,220 millions. The import surplus in trade with the British Empire was therefore 4,127 millions, or 27.8 per cent. of the entire French import surplus, against 24 per cent. in 1936, which is principally due to abnormal imports of British coal. Trade with Italy, which had been severely injured by economic sanctions, increased in 1937, and showed an export surplus of 59 million francs.

Wholesale prices have again fallen, as the following table shows:—

	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12
Wholesale prices:—					
General index	615	611	612	610	607
Domestic products	655	653	653	652	651
Imported products	544	535	537	534	528
Foodstuffs	623	622	620	617	617
Industrial products	609	601	605	603	599

The number of unemployed on February 5th was 406,050, against 403,813 in the previous week and 420,880 a year ago.

Germany

Ministry of Economics Reorganised

BERLIN, February 16.—Industry and trade were more interested in the reconstruction of the Ministry of Economics than in the changes in the military and diplomatic departments which, it was believed, would have little effect on the conduct of affairs. Reorganisation of the Ministry of Economics was announced when Dr Schacht resigned, and the announcement was at first represented to be merely a veil for Party differences with him on general questions of policy.

The Four Year Plan, which, contrary to the original programme, had accumulated a large, specially qualified personnel, was to be fused with the Ministry. In fact, the Plan was destined to swallow up the Ministry. This seemed anomalous, because the Plan embraced only a small part of industry, while the Ministry controlled the whole of industry as well as home and foreign trade and credit and currency. Nevertheless, according to the reorganisation scheme of February 4th, Plan experts are placed in charge of the most important department, regardless of whether or not the business they have to direct directly concerns the Plan.

This has involved the militarisation of nearly the whole Ministry. As the chief justification of the Plan was National Defence, Army staff officers were from the first put in charge of its most important branches. These officers, with others, now appear as heads of the Ministerial Departments. Moreover, as the Plan dominates the Ministry, the Ministry must be dominated by Field-Marshal Goering, another Army officer, who remains Commissioner for the Plan. The conclusion to be derived from these changes is that German economy has become more than ever Defence economy.

In industrial circles this development is not deprecated. The radical or Socialist element, which was believed to have urged the elimination of Dr Schacht, will not dominate the new Ministry. The Reichsbank will probably be increasingly influenced by the Ministry, and although it is surmised that Dr Schacht will be re-elected President for a new term, he will probably not retain office long.

Some more official or cartel reductions in prices are announced, including cuts in the prices of agricultural machinery and screws. Farmers continue to complain that industrial prices are moving against them. The food supply of Berlin is much as before, the chief shortage being of eggs. Imports of these have fallen to less than half the level of 1929, and the absolute and *per capita* consumption have heavily declined.

The new livestock census shows a fall of about 4 per cent. in the number of poultry in 1937, which was the consequence of fodder difficulties. The number of sheep, however, has increased very considerably. Heavy imports of wheat continue.

The Effects of Industrial Regimentation

In January the number of unemployed increased by 57,000 to 1,052,000, which is 800,000 fewer than in January, 1937. There has been some discussion about the financial burdens imposed by the new compulsory industrial organisations. It is now stated that the total expenditure of the "Reich Industry Group" in 1937-38, comprising seven "Chief Groups" and about a thousand subordinate and branch groups, is estimated at less than Rm. 46 millions, which is only 0.85 per cent. on an annual industrial turnover of Rm. 54,000 millions.

Major-General Thomas, Chief of the Economic Defence Staff, complains that the privileged home market is absorbing too great a quantity of raw materials to the detriment of exports, and the balance of payments suffers. This statement hardly squares with the fact that certain manufactured goods are at times hard to get, at least in the required sorts and qualities.

An official report shows that in 1937 only 24 share companies were founded, while 1,166 were dissolved; and that only 782 limited liability companies were founded and 9,804 dissolved. Altogether some 10,000 concerns officially classed as "capital companies" changed their status, being mostly converted into so-called "open companies," "kommandit" companies, and firms.

This is mainly a result of measures taken since 1933 to enforce the abandonment of "irresponsible" management, the irresponsibility consisting in part of the limited financial liability and in part of the absence of personal responsibility. The chief measure was compulsion to liquidate companies with small capital.

Active Industry and Increased Exports

The home market for iron and steel is active, and deliveries have fallen short of demand. The trade press expresses the view that the International Steel Cartel will be prolonged, but adds that this is not so certain as it was a year ago, the doubtful countries being Belgium and Luxemburg, where recent business has been unsatisfactory.

German exports of iron and steel and iron and steel goods (excluding machinery) in 1937 were 3,688,500 tons against 3,668,100 tons in 1936. There was a heavy fall in exports of pig iron, semi-manufactured products and cheaper varieties, and a corresponding increase in the dearer bars, tubes and wire. Imports of pig iron for the first time greatly exceeded exports. Exports of machinery totalled 425,587 tons against 335,560 tons in 1936. Exports of electrical goods, vehicles, internal combustion engines, bicycles, sewing machines and typewriters also increased.

Norway

Higher Government Spending

OSLO, February 7.—In his speech from the Throne on the re-assembly of the Storting, the King dwelt upon political, financial and economic developments during the past year, and briefly outlined the various public measures which were considered necessary to further commerce and industry. Subsequently, the Minister of Finance announced the Budget proposals for the financial year 1938-39. The Budget will be balanced at 563 million kroner, representing an increase in expenditure of about 30 million kroner, chiefly due to higher appropriations for State undertakings, such as the building of roads, the electrification of the railways, and housing schemes, while national defence and the reduction of the national debt will require larger sums than in earlier Budgets.

No new taxes have been proposed, with the exception of a small increase in the duty on petrol, and the total yield of taxes and duties is estimated at 459 million kroner, against 428 millions in the preceding Budget year. This year's Budget is the fourth prepared by the Labour Government, and is higher by about 120 million kroner than their first Budget, submitted in 1935.

Security for Workers

Public interest has recently been focussed on the question of compulsory provision for the economic security of workers in any concern—whether individual or joint-stock companies—employing capital in excess of 100,000 kroner. The funds necessary for this purpose are to be drawn, under this plan, from the surplus of any concern distributing more than 7 per cent. of the original capital invested. The

scheme also includes other measures to facilitate the accumulation of collective reserves for industry and trade. The Government have not yet, however, announced whether or not they will accept the recommendations of the Committee which has made these proposals.

The money market is still exceptionally easy. With the official discount rate at 3½ per cent. since January 5th, loan conversions have been negotiated by the Government and various municipalities on a 4 per cent. basis at rates only slightly below par. The prices of gilt-edged and other bonds have risen steadily in the last few weeks. If the present trends continue there is every reason to believe that the general level of interest may settle down around 3½ per cent.

Most of the banks, including the Norges Bank and the Big Three, have now published their balance sheets for 1937. The boom in the first half of the year and the general improvement in trade and industry are clearly reflected in the published figures. There are substantial increases in net earnings and total resources, and most of the banks have maintained the rate of dividend of the previous year.

Industrial production is well maintained, the index figure for December last being 121 against 114 in December, 1936. Compared with November, however, there was a recession of 11.1 per cent. The average of the index for 1937 was 122.5, which is 10 per cent. higher than the figure for 1936.

Canada

Federal Powers

OTTAWA, January 28.—Parliament reassembled on January 27th and the Speech from the Throne contained the usual references to increased prosperity and the success of various Ministerial policies, and dwelt upon the Government's desire to promote international trade and peace. The only legislative measures mentioned were Bills for the establishment of a Federal system of unemployment insurance, the enlargement of the authority of the Federal Railway Commission, the revision of the Franchise and Elections Act, and the establishment of more effective parliamentary control over the export of electrical power to the United States.

Before the session opened the Government had made a preliminary move about unemployment insurance, which a decision of the Privy Council in 1937 held to be within provincial jurisdiction, by drafting for passage by both Houses an Address to His Majesty praying that the British Parliament should pass a simple amendment to the British North America Act, to empower the Federal Parliament to legislate about unemployment insurance. This address has been forwarded to the nine provincial Governments. The acquiescence of six to the proposed transfer of jurisdiction has been promised, but the ministries of Alberta and New Brunswick have not shown themselves in favour, and Mr Duplessis, Premier of Quebec, has reiterated his opposition.

In a public speech, Mr Duplessis challenged the right of the Federal Parliament to amend the Constitution without the unanimous consent of the provinces, and declared that Quebec would not surrender an iota of its present jurisdiction to a body which was incapable of solving the railway problem. Although the King Government's majority in the Commons includes 60 out of the 65 Federal members from Quebec, it is doubtful whether it will proceed with a constitutional amendment which the Government of Quebec will repudiate as invalid.

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Constitutional Reform Proposals

The Rowell Commission on Dominion-provincial relations has been sitting in Ottawa since January 17th. The view has been advanced that the aspirations of the Fathers of Confederation to create a Federal State with a strong Central Government gradually achieving a progressive unity for the Dominion have been frustrated, partly by unfortunate decisions by the Privy Council, which have encouraged provincial particularism by strengthening provincial powers, and partly by the culpable weakness of Federal Governments since the war, in failing to exercise the powers which they possessed to protect national interests against provincial pretensions. Particularly severe criticism was directed against Lord Atkin's judgment in 1937, which killed most of the social reform programme of the Bennett Ministry and imposed a limitation upon the treaty making powers of Canada.

It was strongly advocated by the Trades and Labour Congress and other witnesses that the Federal authority should be enlarged to make possible a uniform system of legislation and administration upon industrial and social problems. The Canadian Manufacturers' Association, on the other hand, argued that the basic problems of Canada were financial rather than constitutional, and could be most effectively solved by a general 20 or 10 per cent. curtailment in all public expenditures. The Bankers' Association also laid stress upon the burden of taxation, and intimated that, if the special taxation on banks in Alberta was not removed, they would probably close all their branches in that province.

Letter to the Editor

By-Passing the Stock Exchange

TO THE EDITOR OF THE ECONOMIST

SIR,—The article "By-passing the Stock Exchange" in your issue of February 12th deals, so far as it goes, very clearly and fairly with a development of relatively recent growth, but it is as notable for its omissions as for what it says.

While the writer deals only with the problem as it affects the gilt-edged markets, members of the Stock Exchange are well aware that the practice extends to practically every market in the "House," and, unless checked, may grow to proportions which will threaten the existence of the Stock Exchange as now organised.

You do not refer to the fact that practically every one of the transactions referred to is carried out on the basis of a price established by means of an organised market—the Stock Exchange—such prices being established through the operation of the accumulated knowledge and experience of jobbers by the risks accepted by them and by the use at their own risk of all their available resources. Without such a basis not one such transaction in a hundred could be carried out.

The jobber in the Stock Exchange, whether in the gilt-edged or other market, stands to be "shot at." He makes a price within the limit of his resources and experience of any particular market, not knowing whether he will be called upon to buy or sell the security, irrespective of what his opinion may be as to the respective wisdom of a purchase or sale. His outside competitor deals when it suits him; like the pirate buses of other days, he skims the cream of the business at a cut rate, and leaves the rest alone.

The outsider has no "overheads" to speak of in connection with his business—as your article points out "a discount house may cover its overhead costs from bill business"—but a broker must bear the heavy cost of an organisation designed not only to transact the large business between professional or semi-professional investors, but also to provide advice and information over an enormously wide area of investment, to the investor of £50 or £500, as well as to those who wish to deal in £50,000 or £500,000; he must maintain a staff to deal with a vast mass of correspondence which may or may not bring a direct return, and perform all the innumerable services a broker renders to his clients both large and small.

You refer to the reaction of jobbers to uncertain market conditions as being a restriction of their "books" and, while you are commenting on the gilt-edged market, the implied stricture reflects on other markets as well. But jobbers are ordinary business men intent on making a profit. Apart from

Business Qualms

Developments in the United States are being anxiously watched, and there is some fear of renewed depression. After a sharp advance in the first week of the year, the general economic index of the Bureau of Statistics gained rather more than another point in the week ended January 15th, but lost the equivalent in the week ended January 22nd. Given below are the data about the three major components:—

Week Ended	Car-loadings	Wholesale Prices	Bank Clearings	General Index
January 23, 1937.....	86.5	81.7	118.5	121.5
January 8, 1938.....	82.1	83.5	95.7	109.3
January 15, 1938.....	88.9	83.4	91.7	110.4
January 22, 1938.....	83.1	83.0	95.9	109.3

Merchants are hesitant about incurring heavy spring commitments owing to uncertainty about the price outlook. The mining industry shows no slackening of activity, and lumbering operations are progressing satisfactorily, although export demand is not strong.

The textile mills are experiencing a seasonal slackness and there has been a falling-off in the iron and steel, paint, automobile and footwear industries. But the firms producing light machinery and equipment remain busy, and farm implement plants are operating at a higher level than at this date for some years. In the last two months there has been a marked increase in the number of people on relief, and municipal authorities are complaining that their resources are being taxed to the limit to provide relief funds.

any individual view they may hold as to the immediate course of prices and their chances of being able to do a bargain at a profit, the extent to which they can commit themselves is restricted by their capital resources and their legitimate borrowing powers.

In this connection there is another factor to which you do not refer, and that is that the Chancellor of the Exchequer is a partner in every jobber's business and takes up to 50 or more per cent. of all profits—and frequently of fictitious or paper profits—but does not share the losses.

In considering possible solutions you state two elements must be considered, the level of brokerage commissions and the jobber's turn, and that the new competition should be met in "the time-honoured way, by removing its economic *raison d'être*"—by which presumably you mean cutting commissions and "turns" to a competitive level. Besides ignoring the considerations set out above, which I think show clearly enough that such a remedy would bankrupt the Stock Exchange in a short time, it takes no account of the extent to which brokers share their commissions with agents or so-called agents.

If banks charged their customers for such services as they render in connection with their customers' Stock Exchange transactions; if the Public Trustee charged his customers with the cost of doing their business instead of subsidising his office (quite improperly in the opinion of many) at the expense of stock brokers; if all solicitors charged their clients instead of their brokers for the services rendered; and if stock brokers themselves refused or were forbidden to return commission to an army of touts and parasites; then no doubt it would be possible and profitable to reduce commissions substantially. At the same time, if brokers are compelled to bring all business they get into the Stock Exchange, markets may be restored to a state of liquidity in which jobbing may become once more an economic proposition—which it is not at present—and not merely a gamble as to whether the value of the "book" will go up or down.

If anyone cares to study the value of estates left by members of the Stock Exchange for a number of years past, any illusions as to the profitability of the business generally will be dispelled. A few large fortunes will be discovered, and of them 90 per cent. will be found to have been left by elderly or old men who made them in the days of a shilling income tax and no sur-tax.

In conclusion, sir, may I note that you refer to "an authority (the Stock Exchange) which is reluctant to seek the exclusive rights bestowed by a charter" and to say that you might perhaps have said—*was* reluctant, etc.

Yours faithfully,
MEMBER.

Books and Publications

Too Late for Empire

MR W. H. CHAMBERLIN made his name as foreign correspondent in Russia for the *Christian Science Monitor*. His books on that country maintained the highest standards of professional journalism, and made it certain that his first book on Japan, to which country he was transferred three years ago, would be awaited with interest. In "Japan Over Asia,"* his professed aim has been neither to accuse nor to vindicate, but to set down objectively the main events and causes of the forward drive in Asia, and the auguries for Japan's Imperial career in the future.

Mr Chamberlin's objectivity suffers neither from deviation toward the polemical Left nor from the spurious realism of the pontifical Right. On a subject of such strong contemporary controversy, this is no mean feat, but Mr Chamberlin has the American's advantage over the Englishman that his attitude toward foreign politics is not determined by his domestic political beliefs.

There have been correspondents in Japan before, and they have been known to write books. But, although the ground is familiar, Mr Chamberlin proves himself an expert guide. Lucidly the reader is conducted through an analysis of Japan's advances to the North, the West and the South; of her trade offensive on foreign markets; of the economic and political peculiarities of the Japanese State; of the permanent farming crisis; and of the division between mediæval and modern ideas and technique which is the determinant characteristic of present-day Japan. A better general guide would be hard to find.

When this book was written, the present war in China was barely two months old. The sections of the book which will be turned to most eagerly are those which give the author's views on the probable outcome of that conflict, and on the internal strength of Japan. Unlike many who hold that Japan would have been satisfied with Manchuria, if only the League had not completely misunderstood the situation in 1931, Mr Chamberlin holds the opinion—which certainly seems more in accordance with the facts—that, ever since the occupation of Manchuria, Japan has experienced an overmastering urge to expansion on the Asiatic mainland.

In Japan the immediate response to the war was "unanimous patriotism." The disciplined nature of Japanese life makes this hardly surprising. Mr Chamberlin notes the

bitter contradiction that Japan's race for empire, justified by nationalist economists as the sole remedy for over-population and natural poverty, and the immense economic and financial sacrifices which it demands... seem to exclude any large-scale rehabilitation measures for the benefit of the peasants who, from the nationalist viewpoint, represent the best type of loyal Japanese subject.

But "revolution from below, a sweeping revolt of the masses, seems unlikely, unless under the stimulus of some crushing military defeat."

Nor is it likely that the mythical moderates or liberals of big business will restrain the military adventurers. Mr Chamberlin distinguishes the former from the latter in terms of the foxes and lions of Pareto's parable.

Will Japan succeed in establishing its Oriental Empire? Mr Chamberlin rightly emphasises the paramount importance of the time factor:—

If Japan can crush effective Chinese resistance within six months, the military and political side of its venture will have succeeded.... On the other hand, if China after a year still has forces in the field, perhaps armed from Russia, Japan's ultimate victory is likely to prove a Pyrrhic one.

The war is now in its seventh month. Quite apart from the question of Japan's financial and economic capacity to exploit a conquered China or to conduct a long drawn out campaign, Mr Chamberlin raises the question whether Japan has not appeared too late on the Imperial stage.

To-day the masses, even in backward and largely illiterate countries, are far more nationally conscious than they were

* "Japan Over Asia." By W. H. Chamberlin. Duckworth 328 pages. 15s.

during the empire building days of the eighteenth and nineteenth centuries.... Japan's problems are by no means ended when the process of military occupation is completed.

Various incidents involving the Western Powers in the course of the war have demonstrated clearly that the older Empires are most certainly not waiting, with finger on trigger and chip on shoulder, to discipline any upstart who may dare to confront them. But the spread of opposition to aggression among the peoples of the Western nations, exemplified by the many agitations for sanctions against Japan, together with the growing national consciousness in backward nations commented on by Mr Chamberlin, may well in the long run prove that Japan has indeed come too late to Empire. The Imperial system may be proving itself outmoded in the modern world, and Japan may be the last and the least successful of the military adventurers.

Shorter Notices

The Financial Times. "Golden Jubilee Supplement." February 14, 1938. 72 Coleman Street, E.C.2

The lapse of fifty years' vigorous life has brought from *The Financial Times* an appropriate souvenir of its widespread and well-known interest in all branches of business activity. A number of well-known persons contribute their views about the present position and prospects of trade and industry; and the result is a handsome and informative production.

"London and Cambridge Economic Service." Monthly Bulletin. January 24, 1938. London School of Economics. Annual Subscription £6.

The January Bulletin of this invaluable service of statistical information and analysis marks a substantial enlargement in its scope. Monthly tables of finance, prices and wages, output, external trade, shipping, employment and foreign exchanges are now included. The charts have been redrawn and increased in number. Frequent special articles will be published in future, and the number of foreign countries supplying information has been increased. The new Bulletin should be even more useful than the old to both economists and business men.

"International Trade Statistics, 1936." League of Nations Publications. Allen and Unwin. 384 pages. 10s.

The foreign trade of over sixty countries is here analysed for the years 1934, 1935 and 1936, and classified by commodities as well as by principal countries. In addition, imports and exports are reclassified into ten groups, according to use and stage of production. This remarkable compendium of commercial facts has been made even more useful for the many people who must depend upon it for reference.

Second Impression

AN ECONOMIC HISTORY OF AUSTRALIA

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THE BUSINESS WORLD

Recovery and the Reichsmark

POSSIBLY because of the high hopes aroused by his mission, M. van Zeeland's report has in some respects given rise to feelings of disappointment. The value of the report itself is fully recognised; public opinion has welcomed the constructive suggestions for lowering tariffs, abolishing import quotas and extending and modifying the Tripartite Agreement. Yet there is a natural feeling that political issues—which M. van Zeeland very properly refrained from discussing—form a real bar to any progress along the lines of the report.

A second reading of, at least, the monetary sections of the report suggests what M. van Zeeland may have felt to be the real crux of the world situation. That is the overvaluation of the reichsmark, possibly by about 30 per cent., which, together with Germany's accumulation of external debts, is one of the origins of Germany's present network of exchange restrictions and clearings. A fundamental fact to-day is that a large share of the world's international trade is done by the United Kingdom, the United States and Germany; and one member of the trio has abandoned the classical system of free external exchange and free internal economy. Consequently, there is a serious discontinuity in the normal flow of world trade and finance.

It is opportune, therefore, to examine whether there is any likelihood of a devaluation of the reichsmark, such as would facilitate a relaxation of the German exchange restrictions. The first question to consider is by how much the reichsmark is now over-valued, with respect, say, to the dollar or the sterling currencies. This question is far from being easy to answer. The official reichsmark rate is now about Rm. 12.50 to the pound, corresponding to the former gold parity, which Germany has never abandoned. A large part of Germany's external trade is conducted through clearing and compensation agreements, based in many cases on special rates of exchange, fixed *ad hoc* and varied from time to time. German exports, furthermore, are heavily subsidised by means of levies collected from within each industry. The amount of each subsidy varies between the different industries, the only limit imposed by the Government being that no subsidy shall exceed the amount by which foreign currencies are depreciated in terms of gold. Based on the official rate of Rm. 12.50, it is probably true to say that German prices are about 30 per cent. above the world level. But in fact most German exports have been placed upon a competitive level by means of the devices we have described.

The case for the devaluation of the reichsmark is that even from Germany's point of view it would be a preferable alternative to the present makeshift and complicated arrangement of clearings, compensation marks and export subsidies. Sooner or later, it is argued, the devaluation of the reichsmark will have to come. First England and then France were driven off the gold standard by the overvaluation of their currencies, though they still held gold reserves much larger than Germany possesses to-day. It will be impossible for Germany to adhere indefinitely to a nominal gold standard since she has practically no gold

reserves at all and is being continually forced to regulate her imports by strict reference to the size of her exports.

Nor (the argument proceeds) are there any serious technical difficulties in the way of German devaluation. By one means or another the mass of German external indebtedness embodied in the standstill agreements is being liquidated—admittedly at the cost of serious sacrifices by the creditors. The outstanding balance might be consolidated, perhaps on terms which would preserve for the creditors the principal of their debts, while bringing the rate of interest down to levels comparable with the present era of cheap money. The argument needs careful scrutiny, for the creditors would still need an assurance of an eventual repayment of their principal. But if devaluation and a removal of exchange restrictions brought Germany back into the field of normal international trade, then the former reimbursement credits, now frozen under the standstill credits, would not necessarily be repaid, but would simply resume their previous function. For the remainder, M. van Zeeland himself mentions the possibility of consolidation, and hints, indeed, that fresh credits might be forthcoming through the medium of the Bank for International Settlements.

Obviously, many important conditions, both political and financial, would first need to be fulfilled before external credits would be granted to Germany. And such assistance would do nothing to solve another problem which would at once confront Germany if her exchange restrictions were removed—namely, the probable withdrawal from the country of the capital owned either by Jews or by other German *émigrés*. That capital would in the aggregate be large enough to upset the stability of the exchange. Thus, even if all the other conditions were fulfilled, Germany would obviously remove her exchange restrictions only by degrees, in accordance with the recent Austrian precedent. The "blocking" of export of capital would need to be retained for a considerable time to come.

Sufficient has been said, nevertheless, to show that the obstacles in the way of devaluation are formidable. First and foremost, Germany does not admit the need for devaluation while exchange restrictions and clearings are an integral component of her present economic system. Re-armament and its methods of finance by concealed short-term borrowing, the Four Year Plan, and the whole internal system of control—all would fall to pieces if exchange restrictions were removed. This is realised even by that school of German thought which stresses the importance to Germany of external trade, and tries to secure that the export industries obtain their due share of Germany's raw material imports. Though individual Germans may hold differing views on self-sufficiency and the Four Year Plan, no one sincerely believes an early removal of exchange restrictions to be practical politics.

German exports, again, are already obtaining, through subsidies and clearings, many of the benefits of devaluation. Thus, Germany does not provide a parallel to England or the former gold *bloc* countries. Devaluation could only increase the cost of her imports and so raise the general level of internal prices and costs. It would not give any compensating help to exports unless the present system of subsidies were retained. Yet from the world point of view one of the objects of devaluation would be the abolition of these subsidies. If their withdrawal coincided with the consolidation of Germany's external obligations, it would release funds which could be made available for the service of the new funded debt.

The political advantages derived by Germany from exchange clearings should also be taken into account; for they have given her a powerful hold on much of Central and South-East Europe. Those countries look to Germany both as a consumer of their own products and as a supplier of many of their essential needs. Exchange clearing agreements may thus be a powerful weapon which Germany will not lightly relinquish. Undoubtedly, world recovery has assisted these countries to find "free exchange" markets, and to that extent to become less dependent upon Germany. But to the latter country that fact might itself appear as an additional reason why she should not lightly abandon exchange clearings.

Altogether, the outlook for the devaluation of the reichsmark is doubtful, to say the least. Countries such as England and the United States will require definite assur-

ances before they grant new credits to Germany, which for all they know will be used in financing re-armament. Germany, on her side, will require assurances that the world's markets will be opened to her sufficiently to bring her external trade up to the present high level of her internal activity. She will also need to be satisfied that she can devalue the reichsmark and relax her exchange restrictions without destroying one of the main foundations of her present economic system. All these points involve problems, political as well as economic, of the utmost difficulty, which can only be solved in an international atmosphere of mutual good faith and goodwill. Yet their solution is essential to world recovery in the true sense of the term. It is for statesmen, both in Germany and elsewhere, to find the will and the means to bring about that result.

The Miner's Wage

KING COAL suffered the fate of many monarchs after the last war. The rivalry of oil and electricity, fuel economy, the rise of road transport based on the internal-combustion engine, economic nationalism and the shrinkage in world trade—all these played their part in undermining his sovereignty. In Great Britain the coal industry became the breeding ground of Special Areas. Exports, output and employment fell; and the deep depression of the early thirties found the industry declining, overcrowded and relatively inefficient.

In the last two years, however, the tide has turned; and the position of the coal miner has been improved. The effect of industrial recovery, re-armament and the selling schemes which became operative on August 1, 1936, has been to raise export prices and, still more, domestic prices above the levels of 1929. Output in 1937 was 34 million tons more than in 1933, and only 2 million tons less than in 1930. Home consumption, in which the recent revival has been most evident, was over 5 million tons more than in 1913, the peak pre-war year, and some 15 millions more than in 1929. Even exports, which still lag behind the 1935 figure and far behind that of 1929, were 6 million tons more last year than in 1936. The operations of the industry resulted in a credit balance of nearly £10 millions in 1936 and over £13½ millions in 1937.

The benefits to the miners of this welcome change of fortune have been striking. In 1932 and 1933, over 30 per cent. of the insured workpeople in the coal industry were out of work. The percentage fell, however, to 22.2 in 1936 and 14.6 in 1937, and was as low as 11.5 on January 17, 1938, when only 99,500 coalminers were out of work, compared with nearly 425,000 in June, 1932. The decline has persisted in recent months, despite the setback in most major trades.

Miners' wages have followed the upward trend of activity in the industry. Since 1921, wages in the thirteen districts into which the producing areas of this country are divided have been made up of an agreed basic rate for each category of worker plus an agreed percentage addition determined by the proportion of the ascertained net proceeds of the industry which it is decided to treat as labour's share—ordinarily 85 per cent. but 87 in some districts. Wage rates necessarily change, therefore, with the commercial fortunes of the industry, except that in no case must the rates paid fall below specified minima. The principles of a minimum wage and a scientifically determined economic wage are thus combined. If the latter falls below the former, the minimum rate is paid, and the deficiency carried forward to be allowed for in more prosperous times. In 1936 and 1937 the operation of this system, coupled with the negotiation of important new agreements raising basic rates, or providing for higher percentage additions thereto, notably increased wage rates and earnings.

Net weekly increases estimated at nearly £335,000 were made in wage rates in the two years, the increases in 1937 varying from 2 to 20 per cent. on current rates. Earnings per man-shift rose from less than 9s. 2d. in 1933 and 1934

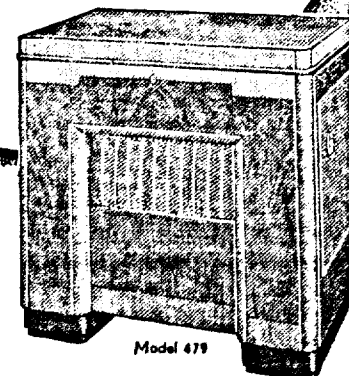
to 10s. 4d., 10s. 9½d. and 10s. 8d. in the first three quarterly periods of 1937; and the higher rates were earned when employment was much more continuous and widespread than for several years. The number of days on which the pits wound coal in 1937 averaged 5.13 per week, compared with 4.74 in 1935 and 4.86 in 1936; and the number of man-shifts worked per person employed rose from 256 in 1935 to 262 in 1936 and about 270 in 1937. It may well be, indeed, that earnings have reached a peak because the physical slack of short time, the absorption of which has accounted a good deal for the upward trend in earnings, has now been almost wholly taken up. The average number of wage-earners on the colliery books last year was 777,000, compared with 759,000 in 1935 and 756,000 in 1936. Any further very large increase is unlikely, though shortages of skilled labour were reported last year.

The advance in earnings, days worked and numbers of persons employed has been clearly reflected in the industry's wages bill. Wage costs per ton rose from 8s. 6d. in the first quarter of 1935 to nearly 10s. 1d. in the third



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quarter of 1937; and in the first nine months of 1937 the miners received nearly £78½ millions, nearly £16 millions more than for this period in 1935. Generally, the miners in work to-day are appreciably better off than they were two years ago, despite an increase of 13 points in the cost of living between January, 1936, and December, 1937. Wage rates, employment and earnings have risen together, as the result of boom conditions, rising prices, organised marketing and controlled production under the Act of 1930.

There is, however, a reverse side to the medal. The quarterly earnings of coal miners have risen since 1932 from less than £27 10s. to well over £34, but this wage for three months is not strikingly high and, since the average includes all grades of labour, including salaried persons, it conceals the existence of low paid juvenile and unskilled groups of workers. Again, there is considerable variation between districts like Northumberland, Durham, South Wales, Cumberland and Scotland where earnings are below the average, and Yorkshire, Derbyshire and the other Midland areas where they are above the average.

This lack of uniformity is, however, no more than a reflection of the diversity of the age and commercial fortunes of the various districts. A more serious side to the tale of recent prosperity is the probability that the last two years' progress in earnings has reached its limit. Other costs have risen more rapidly than wages recently. There is no immediate prospect of any sharp recession in the demand for coal, so long as industrial activity and the re-armament programme are maintained, but it is unlikely that output, earnings, and especially exports will increase in 1938 appreciably beyond the satisfactory levels of 1937. And even at the height of prosperity about 100,000 coal miners are still out of work.

Nevertheless, the task of scaling down the coal industry to suit the limited opportunities afforded to it since the war has proceeded apace since 1930. In 1913 there were still over 1,127,890 persons employed at coal mines. In 1927 the total was still over a million despite the steady shrinkage in output and markets. To-day the number has fallen to little more than three-quarters of a million. Output quotas and selling schemes have largely stabilised the home market, on which the coal industry must now chiefly depend. In the absence of wide and disturbing changes in demand for export coal and bunkers, the industry may be facing a future of greater stability, with an annual output of about 230-240 million tons and an employed labour force

of about 750,000 persons. In the short run, however, the industry will always be affected by cyclical changes in general prosperity.

The upswing of the trade cycle has brought comparative prosperity to an industry which has made a beginning—but only a beginning—with the task of setting its own house in order. Its capacity to resist trade recession, however, must depend upon considerable advances in the direction of further efficiency, and upon reasonable and long-sighted policy from both owners and trade unions. Unless the owners, voluntarily or under compulsion, carry out the amalgamations necessary to eliminate the uneconomic pits and make general profitable working possible, the favourable record of 1937 will not easily be repeated. Great headway has been made in the mechanisation of coal-cutting and other mining operations, but the output per man-shift in British pits is drastically below the figure for Poland—with her newer pits—and Germany. And in view of the relative exhaustion of Britain's best seams, any appreciable improvement in this direction is not likely.

Much has been achieved by statute, by agreement between owners and mineworkers, and by technical improvement, but all parties in the industry must perforce cut their coats according to the cloth available. There is not likely to be room again for the 100,000 miners now out of work—indeed, this number includes many who are elderly and unfit to resume active full-time work, and excludes many more reclassified in other occupations. Nor is there room for a large number of the existing small and relatively inefficient mines. The process of scaling-down and pruning the industry must go on; for on it is contingent the prospect of steady employment for an appreciable body of miners at a reasonably remunerative wage. The maintenance of the owners' recently expressed attitude to the amalgamation clauses of the Coal Bill now in process of legislation, would jeopardise these objectives as much as any attempt by the mineworkers to secure further general wage increases unjustified by the industry's present position. The Federation's inclination to give the shortening of hours by international agreement precedence over wage demands in their current policy is a welcome tendency, though the effects of the forty-hour week in France offer warning against over-hasty change. In the long run, the miner and the mineowner alike depend upon the productivity of their industry. Trade recovery, so far, has brought relief, but fundamental problems of readjustment and reorganisation remain.

Oil Dividend Estimates

In many respects 1937 was a satisfactory year for the oil industry. All the statistical indicators paint a picture of vigorous growth. World production and consumption increased by about 12 per cent. to the highest level yet attained. Evidence of the active state of the industry was afforded by the astonishing rise in tanker freights by over 200 per cent. and their significant firmness, despite the severe reaction in other freight rates. The grim business of war in two continents and the accumulation of strategic stocks elsewhere added their quota to demand.

It is not surprising, therefore, that many oil companies achieved record outputs in 1937. In addition, oil prices in nearly all markets were comfortably above the level of 1936, despite the reaction in the closing months of the year. To translate movements in output and prices into net profits for individual companies, however, is notoriously difficult. Oil is not a uniform product, and the leading

companies are naturally reticent in disclosing vital information about their contracts. But the investment statistician can determine, within broad limits, the movements in gross revenues which result from changes in prices (in the particular market where each company sells its products) and in output and sales. This procedure is followed in the table opposite, which shows separate production and price indices for some dozen leading companies, based on a technique devised by Moodys-Economist Services. A "gross receipts index" is derived from these two key indices, the latest financial year being used as a base. It is, of course, a long road from such indices to estimating probable dividends, for which informed guesswork must largely be employed. Valuable guidance, however, has been afforded by this method in previous years, despite its limitations.

Examination of the combined receipts index reveals some striking differences in the estimates of movements in gross receipts compared with 1936. Attock Oil shows the greatest rate of advance, for its output has been more than doubled, thanks to the success of the new drilling programme. But heavy arrears of depreciation still remain as a first charge on profits. This factor goes far to explain the market's reaction to the apparently favourable profit figures for 1937. Estimates for Burmah Oil, the other Indian producer, are complicated by the absence of output figures.

The company's advance in trading profits may not be considerable, but increased investment income, particularly from the Shell and Anglo-Iranian holdings, should permit a material increase in the dividend—perhaps to 35 per cent.

The Anglo-Iranian combined receipts index is also substantially higher, owing largely to increased output. In view of the 60 per cent. increase in profits recorded in 1936, however, a somewhat smaller gain might be expected for 1937, though it should be possible to maintain the 25 per cent. dividend on the increased capital. United British Oilfields' results are subject to wide fluctuations, for the equity capital is particularly high-g geared. The speculative character of this share must be emphasised, although a dividend of 12½ per cent., and perhaps more, is within the bounds of possibility, unless development expenditure has eaten too deeply into available profits. Venezuelan Oil Concessions is also engaged upon a vigorous process of expansion. In this case, however, finance is being provided by a new issue of capital.

No current output figures for Shell are published, and the annual totals are not available until the report appears. But in past years dividends have corresponded closely to changes in gross receipts, estimated by our method. If the company preserved its proportion of world output last year—which appears likely—the maintenance of the 22½ per cent. rate (which was paid on the old capital, before the 20 per cent. capital bonus) seems possible on the increased capital. Mexican Eagle stands at the opposite end of the investment scale. The burden of recent wage increases and the outcome of the present struggle against the Mexican Labour Board's award are so problematical that a valuation of the shares by normal investment standards is ruled out. At best, the dividend is not likely to exceed last year's payment. The Anglo-Ecuadorian estimates cover the period to next June, and assume that crude oil prices are maintained in the remainder of the company's year. They must consequently be regarded as highly provisional. Moreover, the company's relations with the Government appear to have become strained, and an amicable settlement may prove costly. Lobitos, the remaining crude oil producer, may have fared better. The parent company should benefit from an increased distribution by the operating subsidiary, improved receipts from marketing and, not least, from higher oil tanker revenues. The receipts index for Apex (Trinidad) shows only a small increase, for most of the advance in 1937 has already been recorded in the accounts to September last. For the current period the company has to face the consequences of lower prices in the British petrol market, and its output is almost stationary. Both Roumanian producers, finally, have been affected by the general decline in Roumania's oil output, but this factor has been fully compensated by higher export prices. Transfer

difficulties under the Anglo-Roumanian clearing agreement, however, have multiplied, and the high yields now offered by Phoenix and Steaua Romana shares suggest that an interruption in dividends is already discounted.

So much for 1937. What of the future? The estimated dividend yields shown in the final column of the accompanying table suggest that the market is far from confident, either that oil company directors will be willing to make the generous distributions we have indicated or (more important) that the industry will be able to repeat last year's performance in the current year and beyond. The dangerous possibilities of disequilibrium in the vital American oil market are largely responsible for the market's caution. The winter season is normally an uneasy time for oil investors, but this year such hesitation has developed into concern for the whole structure of oil prices. A persistent demand in America for lighter fuel oils for heating purposes has ruled out an adequate restriction of refinery output. Owing to the seasonal reduction in the demand for gasoline, stocks have steadily risen to a record level, exceeding 85 million barrels, and two months have yet to run before the normal call on accumulated reserves commences. As a result, American petrol prices have been cut to wholly uneconomic levels, and export quotations have fallen proportionately. Efforts to reduce refinery intake by curtailing the output of crude oil have already been made, with a moderate degree of success. So far the crude oil market has preserved its strength, but the market for refined products is still top-heavy, and it is impossible to rule out the possibility of some reduction in crude oil prices during the current year. Moreover, estimates of gasoline demand in the United States show little advance on last year's total—a direct consequence of the business recession.

Companies operating outside the United States, however, are not threatened with any serious interruption in the growth of world demand. But average prices in 1938 are unlikely to be equal to those of 1937, and some setback in profits appears inevitable on this account. Investors may note that companies like Apex (Trinidad) and Anglo-Iranian, with a large or exclusive stake in the comparatively stable British market, will be affected by this week's reduction of ½d. per gallon in petrol prices, which follows the recent concession of an increased retailing margin by the leading distributors. The oil group, indeed, offers a wide spread of investment risks, ranging from speculation in the higher mysteries of Mexican politics to participation in the equity of a sober industrial giant like Shell. But all would suffer—if in unequal degree—from any disequilibrium between production and consumption, and none is immune from falling prices. In view of these hazards, can it be said that the market is unduly pessimistic in its valuation of oil shares? There may conceivably be some recovery in share prices if the adverse factors should fail to materialise, but at present that consolation is entirely negative.

OIL PRODUCTION, PRICES AND ESTIMATED DIVIDENDS

Company (and Share Denomination)	Oil price, or chief market for oil produced	Indices for 1937 (1936 = 100)			Net Profits or Gross Receipts in 1936	Earnings and Dividends on Ord. Shares			Current Price of Ordinary	Yields (%)	
		Production	Prices	Combined Receipts Index		1936		Est. Div. for 1937		On Latest year's Dividend	On Estd. Div. for 1937
						Earned	Paid				
Anglo-Ecuadorian (£1 stock)	American crude	109a	105a	114a	(£'000)	(%)	(%)	(%)	21/3	14.1	16.4
Anglo-Iranian (£1)	British petrol (also world mkt.)	126	110	138	397.1b	14.7b	15b	17.1c	3/5/8	6.5	6.5
Apex (Trinidad) (£5/-)	British petrol	103e	102e	105e	9,444	36.7	25	24d	28.9	7.8	7.8
Attock Oil (£1)	Indian kerosene	229	102	234	489.7b	48.3b	45b	45f	11 1/2	Nil	Nil
Burmah Oil (£1 stock)	Indian kerosene and benzine	?	102	?	30.3g	1.5	Nil	Nil	5 1/8	5.3	6.8
Lobitos (Org. subsid.)	American crude	112	112	125	2,409	34.4	27 1/2	35	...	...	...
Parent Co. (£1 stock)	—	...	...	...	220.2	15.8	12 1/2	17 1/2	30 1/2	8.3	11.7
Mexican Eagle (4 pesos)	Gulf export	114	110	125	792.6	11.4d	11.0d	11d(1/2)	9.9	9.4	9.4
Phoenix Oil (£1 shs.)	Rumanian export prices	71	140	99	235.2	per share per share per share			4/4 1/2	17.1	13.1
Do. (1/- shs.)						4.0	3.75	3 1/2			
Shell Transport (£1)	World markets (Gulf export)	110h	108	119	6,034	46.6	43.29	35(1/2)	2/3	19.2	15.6
Steaua Romana S.A. (k) (Lei 500)	Rumanian export prices	87	140	122	812m.1i	21.5i	22.5i	22 1/2j	41 3/2	4.3	5.1
Un. Brit. Oil of Trinidad (6 s)	Gulf expt. (fuel oil & gasoline)	125	108	135	888n	17.9j	18.7j	...	5 11/2l	15.6l	15.6m
Venezuelan Oil Concess. (13.4)	World prices (Gulf export)...	130	110	140	3,368n	9.3	8 1/2	12 1/2+	13 7/2	4.3	6.1
						22.4	22 1/2	30	35 7/2	8.6	11.6

a Index for 1937-38: 1935-36 = 100 (June 30th). b For 1936-37. c For 1937-38. d On increased capital = 37½ per cent. on old capital. e Estimated for 1937-38 (ending September 30th). f For 1937-38, on increased capital. g Net profits for 1937 estimated at about £50,000 against £22,472 in 1936. h Estimated. i On old capital. j On new capital. k Partly owned by Steaua Romana British. l Latest earned 6 per cent. and paid 4 per cent. in 1936-37. m Yield on estimated dividend of 4 per cent. by S.R.B. n Gross receipts. o Price and yields of Steaua Romana British.

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All classes of Life, Fire, Accident,
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Finance and Banking

America's Gold.—On Monday Mr Morgenthau announced that no more gold would be sterilised by the American Treasury until imports of gold exceeded \$400 millions a year. The January gold imports of \$30 millions would be deposited in the Federal Reserve Banks in conformity with that decision. Questioned on this announcement the following day, Sir John Simon said, in the House of Commons, that the change in American policy was made in order to modify arrangements which might have a deflationary tendency, and it was in accordance with the general British policy of easy credit. It was not necessary, however, for Great Britain to take similar action, as there were many differences between the monetary methods of the two countries. So far the change in American policy can have only a psychological effect; for the United States is importing very little gold at present. Indeed, the general tendency is for foreign funds to move out of dollars and into gold, and the London gold premium has again risen nearly high enough for gold to be sold by the American to the British authorities at a profit to the latter. One motive behind Mr Morgenthau's statement may be, in fact, a desire to show that the dollar remains firmly based on gold at its present parity. In any case, it would now seem that the narrowing of the credit base in the United States, brought about last year by the raising of member bank reserve requirements, went too far. The New York banks, in particular, having to contend with the withdrawal of deposits held by the interior banks as well as with the increase in their own reserve requirements, turned sellers of Government securities to replenish their cash. This was one initial cause of last year's setback, and in view of the present state of American business the authorities may well have reverted to their former specific of more abundant credit. Here again the main consequence of the change will be psychological, for as the result of last year's setback there is at the moment no shortage of credit.

The Credit Base.—During the first three weeks of January bankers' deposits at the Bank of England were running in excess of £120 millions, or a level somewhat higher than those of previous years. This made money very easy, and inspired suggestions that the authorities had decided upon a further expansion of the credit base. The picture was further complicated by the seasonal reduction in the fiduciary note issue on January 19th, which involved an increase of £20 millions in Government securities held by the banking department, and so made these appear unduly high. This, again, gave the impression of a deliberate decision to enlarge the credit base. Subsequent Bank returns, however, appeared to throw doubt on these suggestions. By February 9th bankers' deposits were down to £103 millions, or to much the same level as in the two

previous years. The following table reviews the actual changes in the banking department during the period from the first week of January (when the New Year disturbances were over) to the second week of February:—

	1936	1937	1938	
		(£ million)	(a)	(b)
Assets:—				
Govt. securities	— 5	—12	— 3	+17
Other securities	— 6	—10	—15	—35
Reserve	+ 7	+ 8	— 8	— 8
Total	— 4	—14	—26	—26
Liabilities:—				
Public deposits	...	— 2	+ 2	+ 2
Bankers' deposits	— 4	—11	—26	—26

(a) As published. (b) Eliminating effects of £20 millions reduction in fiduciary note issue.

If the disturbances due to the reduction in the fiduciary note issue be eliminated, the contraction in Government securities was considerably greater than in previous years. This week's Bank return, however, showed a rise of nearly £5 millions in Government securities (against less than £2 millions a year ago), and a growth of £3½ millions in bankers' deposits (against a fall of £8½ millions a year ago). Official policy, evidently, is still anybody's guess.

The New French Loan.—This week it was announced that the French Government were about to float a new internal loan for Frs. 3,000 millions in new cash, together with some Frs. 2,000 to Frs. 3,000 millions conversion of old debt. The exact terms of issue are not yet known, but they are believed to offer a yield of over 7 per cent. Last January, over 6 per cent. had to be offered in respect of an Algerian loan of Frs. 600 millions, and even then the lists remained open for three weeks. More recently, a Credit Nationale 6 per cent. loan of Frs. 1,000 millions was placed at 96, though it is believed to have been fully subscribed. The frequent appeals by the French Government to the Paris market, on terms which can only be described as onerous, are not calculated to restore confidence, but the plain truth is that the Treasury needs the cash. It is to be feared that French finances are not yet at the end of their troubles.

Italy and Foreign Capital.—In her efforts to attract foreign capital Italy has recently granted many concessions as regards both internal taxation and exchange restrictions. Thus, writes a correspondent, a foreign purchase of real or house property, of a value in excess of Lit. 500,000, is exempt from registration and other duties, including relief from death duties, except after the lapse of twenty years. A foreign purchaser of Italian shares is not exempted from the 10 per cent. coupon tax, but may reclaim the tax deducted from his dividends. An undertaking is also given that even in the event of war no disabilities will attach to foreign-owned capital. A resident abroad, whether Italian or foreign, may have bond interest up to a limit of 5 per cent. and also share dividends without limit transferred to him in his own currency without restriction. Nor are any exchange restrictions placed upon the transfer of such capital, in the event of the realisation of the bonds or shares. How far these provisions will tempt foreign capital to Italy is doubtful. There is no certainty that interest and dividends will be transferred without delay, especially as Italy's exchange resources are now decidedly tenuous. Nor can the guarantee of security in time of war command much confidence. The real point, however, is whether the foreign investor will be able to overcome his mistrust of Italy's economic and political outlook. If not, no special attractions of this kind will coax his money from his pocket.

Insurance Notes

National Mutual Life Assurance.—New life assurance policies were effected for a net amount of £1,038,000 last year—a record for this society. In addition, sinking fund policies for sums assured aggregating £58,000 were issued. Premium income showed considerable expansion at £413,000 compared with £388,000, and interest receipts were some £3,000 greater at £270,000. Although expenses increased, they formed a considerably smaller percentage of the premium income, at 14.1 per cent. against 14.6 per cent. in the previous year. The net rate of interest earned on the insurance funds, excluding reversions, fell from £4 6s. 1d. per cent. to £4 2s. 1d. per cent., but was 9 per cent. higher on the total funds. In accordance with the usual practice of the society, Stock Exchange securities have been taken at market prices on December 31st. On this occasion the customary balance of profit or loss on securities does not appear in the revenue account, but the movement in the reserve and the investment reserve funds indicates that there occurred an aggregate loss on securities realised and revalued of £641,000, or nearly 8.4 per cent. of the total assets. It may be argued that market value fluctuations are only of secondary importance in life assurance finance, as there is seldom any necessity to realise investments to meet outgo, and the maintenance of interest income is much more relevant. The practice of taking investments at market values may be commended as exhibiting to the members the exact current capital position, but up to the present it has not, in fact, been adopted by the majority of offices. It is easy, and not unusual, for erroneous inferences to be drawn, both when appreciation takes place and when depreciation occurs.

In spite of the £641,000 written off on account of investments last year, the total assets of the National Mutual fell only by £368,000 last year to £7,595,000. Some increase took place in British Government securities and debentures, but preference stocks were £161,000 smaller at £1,473,000. Ordinary stocks, which at the close of 1936 were £1,595,000, and accounted for 20.0 per cent. of the total assets, were much reduced at £1,085,000, equal to 14.3 per cent. of the total assets. While a considerable portion of this decrease in ordinary stock holdings is no doubt due simply to depreciation, it seems probable that there has been a well-marked change in the trend of investment policy. Trading conditions in 1937 appear to have been satisfactory, and interim bonuses on claims in 1938 will be at the same high rate as before, namely, 42s. 6d. per cent. for whole life assurances and 37s. 6d. per cent. for endowment assurances.

Scottish Life Assurance.—Total new sums assured in 1937 amounted to £2,214,000, compared with the record figure of £2,389,000 in 1936, and consideration moneys for annuities increased by £3,000 to £72,000. In spite of the higher rate of income tax the net rate of interest earned on the life assurance and annuity fund was 4d. per cent. higher at £4 4s. 6d. per cent. Total premium income amounted to £662,000 against £625,000, and among the items of outgo may be noticed an increase in death claims from £232,000 to £308,000. Total assets increased by £316,000 to £8,942,000. Mortgages on property showed some expansion, and loans on public rates increased from £135,000 to £274,000, but ordinary policy loans fell slightly from £692,000 to £680,000. On the other hand, loans on medical practices, with policies as collateral security—a form of business recently developed by the company—amounted to £212,000 against £116,000. British Government securities were £68,000 smaller at £1,255,000, and Foreign and Colonial Government securities fell by £195,000 to £535,000. Debenture stocks increased by £166,000 to £2,304,000, and preference stocks by £155,000 to £1,825,000, while ordinary stocks were £79,000 greater at £1,000,000. In accordance with the most recent practice of insurance offices, the company proposes to establish a pension fund for employees, to be constituted by a deed of irrevocable trust. The amount standing at credit of the superannuation account in the balance sheet, some £117,000, is to be transferred to trustees for this purpose.

Indemnity Marine Assurance.—The accounts of this Company in 1937 probably indicate what may be expected to have been the general experience of the marine offices. It was evident from the beginning of the year that marine losses were likely to be much heavier than of recent years, and that with increased trading and values premium income would be higher. In the case of the present company premium income increased by £94,000 to £456,000. Out of this premium income 33 per cent. was expended in claims, compared with 28.9 per cent. in the previous year, and 5.0 per cent., against 6.3 per cent., in expenses. Claims on account of 1936 premium income amounted to £199,000 (against £117,000), and the portion of the premium income still unexpended is only 9.8 per cent. against 26.2 per cent., 26.8 per cent. and 21.8 per cent. in the three previous years. The profit and loss account, to which no transfer is made on this occasion, is £131,000 subject to payment of the final dividend, and the reserve account remains unaltered at £100,000. Total assets amount to £1,761,000, the chief item of which, viz., "Government and other securities," at £1,598,000, appears at considerably below market values. The 1937 dividend is 7½ per cent., contrasted with 8½ per cent. in the preceding year.

MONEY MARKET NOTES

Foreign Exchanges

The continued realisation of dollars by foreign holders, many of whom were re-investing in gold, has kept the spot New York rate low, sterling at one time rising to \$5.0370. On Thursday, however, spot dollars were bid down to \$5.0317. Forward dollars also tended to be offered, but with no quotable alteration in rates. French francs have been subject to intermittent control by the French authorities, who apparently are using that part of the gold obtained from the Bank of France which was not already pledged against previous swap operations. There has been a fair amount of business, but little fresh outflow of funds from France. Spot sterling has hovered either side of Frs. 153, with forward rates strengthening slightly whenever the French

authorities intervened. Belgas remained at about bel. 29.57, but improved on Thursday to bel. 29.56½ in sympathy with the dollar. Guilders and Swiss francs have been very steady at Fl. 8.97 and Frs. 21.60½, respectively. The foreign exchange market has not noticed any Dutch or Swiss buying of gold, but this experience does not entirely agree with the bullion market's view.

The Money Market

The week's increase in bankers' deposits has made money a little easier. Calling by the clearing banks was on a very moderate scale, and the banks bought a certain quantity of Treasury bills of all maturities from March to early May. There is a good demand for

bond money, which is now only obtainable on a day-to-day basis, but the outside rate is no higher than ½ per cent.

	Feb. 18, 1937	Feb. 10, 1938	Feb. 17, 1938
Bank Rate	2	2	2
London Deposit Rate...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½	1½ ¾	1½ ¾
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9/16	1½-9/16	1½-9/16

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

On February 11th, the market again obtained 18 per cent. of all the 89-day Treasury bills allotted, the price paid being £99 17s. 6d. per cent. This is a very small allotment, but last Thursday

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CAPITAL ISSUES

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Investment

Renewed Market Depression.—The slow recession of Stock Exchange prices at the end of last week was not incompatible with the possibility of a change of direction before the end of the account. The tide admittedly was at the ebb, but it seemed to be only a neap tide, which might quickly turn. And Wall Street, apparently, shared London's view. Unfortunately, the news from Austria this week destroyed all hopes of an early recovery in values; for the market viewed its implications more gravely than those of any political development since the German military re-occupation of the Rhineland. Even gilt-edged stocks were affected, while *The Financial News* index of ordinary share prices, which last week broke through its "November low" of 93.0 (July 1, 1935 = 100) and finished at 90.4, had fallen to 86.9 on Thursday of this week. Clearly, the factors governing the immediate course of prices are not economic but psychological. The sales which have depressed prices in this week's narrow markets—and still more, the marking-down of values by dealers who have been unwilling to take in stock—have not been based on considerations of future earnings, nor of the length to which any conceivable recession of trade might go. Nor have they been the inevitable sequel of a topheavy speculative position; for the bull is, at present, almost an extinct animal in London. The whole market, in fact, has been oppressed by the thought that every advance of the less responsible elements in the councils of Germany, and every new advance of German power in Europe, brings nearer an apparition whose name is inimical to the very idea of investment. On purely economic grounds, the Stock Exchange has probably little to fear. Although belief in the coming of some form of trade recession is more widespread to-day than, say, three months ago, there is probably no section of responsible opinion which imagines that its

intensity will be anything like that of the last depression. Dividend yields of 5 per cent. or more on high-grade ordinary shares discount more than a moderate falling-off in earnings. But the Stock Exchange has no basis even for the beginning of any mathematical calculation of the consequences of progressive deterioration in international law and order.

Austrian Bond Situation.—In view of the new diplomatic status of Austria, the bondholder should in prudence revise the standing of her public debt. The two loans of principal interest to the British investor are the 7 per cent. international loan of 1930 (of which £2,930,500 is at present outstanding) and the 4½ per cent. sterling guaranteed conversion loan, of 1934–59, of which the much larger sterling *tranche* of £10,163,900 is in issue. It may be recalled that suggestions were canvassed at one period last year for the possible conversion of the 7 per cent. issue, which has been regularly served, and is callable at 103 per cent. Regular sinking fund operations at or below this price are devised to repay the whole loan by July, 1957. The sterling part of the guaranteed issue (of which the remainder was floated in various international centres) was raised in London in December, 1934. The terms of the guarantee are of particular interest in view of the developments of the past week. The principal and interest of all *tranches* of the loan (except the Spanish) are guaranteed by eight States in the proportions given below:—

	Per cent.		Per cent.
Great Britain	24½	Belgium	2
France	24½	Sweden	2
Czechoslovakia	24½	Denmark	1
Italy	20½	Netherlands	1

there was an impression in the market that it might fare better at this week's tender.

The Bank Return

This week there has been a contraction of £2.0 millions in the note circulation. This is a perfectly normal movement, which occurred in the corresponding weeks of earlier years.

	Feb. 17, 1937	Feb. 2, 1938	Feb. 9, 1938	Feb. 16, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.

Issue Dept.	Feb. 17, 1937	Feb. 2, 1938	Feb. 9, 1938	Feb. 16, 1938
Gold	313.7	326.4	326.4	326.4
Notes in circulation	453.3	476.7	476.1	474.1
Banking Dept.				
Reserve	60.8	50.3	50.9	51.0
Public Depts.	24.4	11.4	16.1	15.8
Bankers' Depts.	90.6	111.4	102.9	106.4
Other Depts.	36.7	36.6	35.5	35.5
Govt. Secs.	83.1	98.1	93.3	97.9
Discounts and Advances	5.5	10.5	9.6	6.2
Other Secs.	20.4	18.7	19.0	18.8
Proportion	40.1%	31.5%	32.9%	33.6%

In the banking department the Reserve is strengthened by £2.1 millions, as the result of the week's contraction in the note circulation. On the other hand, there was a reduction of £3.4 millions in discounts and advances. These two movements alone would have caused a shrinkage of £1.3 millions in the resources of the banking department and so in the Bank's deposits. Such a movement is in itself insignificant, but it would have followed a shrinkage of

£4.8 millions in the previous week. To even out the Bank's position, the banking department has therefore acquired this week £4.6 millions of Government securities. In consequence bankers' deposits, which previously had been shrinking rapidly, have now risen by £3.5 millions. Generally speaking, the banking department is keeping its resources on an even footing at around £175 millions, and bankers' deposits are much the same as they were on several occasions last year.

The Bullion Market

During most of the week a moderate but persistent movement of funds from dollars into gold kept the London gold premium at a high level. On Thursday this was partly replaced by a general Continental demand for gold, inspired by fears of the outcome of the Austro-German developments. To meet this demand an unusually large amount of gold was released by the authorities, and it did not prove necessary to ration purchasers in any way. The suggestion is made that as the premium is now high enough to make it profitable to ship gold from the United States, it cannot rise higher. This theory is invalidated by the fact that the United States will ship gold only to the British authorities, who are already well supplied. On the other hand, the market does not expect any further increase in

the premium, which is already as high as 1s. 8d.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in '000	Cash	Two Mths.
1938					
Feb. 11 ...	139 9	13½pm	101	20½	19½
" 12 ...	139 9	15½pm	50	20½	19½
" 14 ...	139 9	14½pm	329	20½	19½
" 15 ...	139 9	18 pm	551	20½	19½
" 16 ...	139 9	20 pm	562	20	19½
" 17 ...	139 10	20 pm	1,170	19½	19½

* Above or below American shipping price.
The New York price of silver remained at 45 cents per ounce .999 fine during the week.

The silver market has been weak and listless. Further bear covering has been more than offset by Continental selling, and also by Indian sales against shipments of unsold balances. Prices are lower than a week ago, and their decline has already attracted some support to the market by American speculators. This support will increase if prices lapse any further. On February 14th the premium of the spot price over the forward price temporarily widened, as bears were prolonging their positions by buying spot and selling forward. The market is now awaiting the Indian Budget, due at the end of the month. The duty on silver is already high enough to be a deterrent to imports, and if there is any change at all, it will be a reduction. Thus the approach of the Budget may cause the market to harden.

The British *tranche* of the loan is redeemable by sinking fund (which commenced last December), at or under par, by December, 1959, but is not optionally callable before 1949. The loan has fallen six points during the past week to 79, affording a redemption yield of 6½ per cent., while the 7 per cent. issue is 9½ points lower at 92, to yield 7½ per cent. The precise significance of these high yields and the character of the International guarantee may have to endure a sterner test in the future than during the past three years.

Council of Foreign Bondholders.—In view of the somewhat surprising misconceptions regarding the constitution and functions of the Council of Foreign Bondholders, the Prime Minister's statement on Monday was particularly opportune. The Corporation was incorporated in 1873 and reconstituted by special Act in 1898. The Government recognise the Council of the Corporation as the body entrusted by Parliament with the duty of representing the interests of the bondholders in matters arising from default, or threatened default, by foreign governments or municipalities. The Prime Minister disclosed that the Council had maintained the closest contact with the Treasury and the Foreign Office—indeed, the contact has been almost continuous in recent years. The Government follow debt negotiations very closely, and give the Council their fullest support. Where no acceptable agreement is reached, the Government are always prepared to consider what further steps can usefully be taken. This necessarily guarded statement will probably find general agreement among bondholders. The extreme use of diplomatic power which is sometimes advocated by disheartened bondholders might well be less rewarding, and would certainly be a more inflexible weapon, than official support of a more informal character, determined in the light of each particular case.

Railway Reports

L.M.S. Report.—The declaration of a 1½ per cent. dividend on L.M.S. ordinary stock disappointed the market, and the stock has since fallen—not entirely on the dividend—to 21½, at which price it yields no less than 7.4 per cent. Net revenue for 1937 amounted to £14,356,276 an increase of £308,100, or 2.2 per cent. Railway receipts were some £2,771,238 higher, but no more than £384,666 of this increase (or 13.9 per cent.) was retained net, while ancillaries actually produced £78,169 less. In sum, the increase in receipts amounted to £3,138,570, of which increased expenditure absorbed £2,830,470. Under this latter heading, approximately £1,875,000 (equivalent to 60 per cent. of the increase in receipts) was attributable to higher costs of materials and wages and £955,000 (or 30 per cent. of the increase in receipts) to the additional volume of business. The following analysis of the revenue results of the past three years shows that the increased ordinary dividend is covered with rather less than £15,000 to spare:—

	1935	1936	1937
Railway gross receipts	£61,658,170	£64,462,842	£67,234,080
Railway expenditure	49,521,404	51,211,001	53,597,673
Net railway receipts	12,136,766	13,251,841	13,636,407
Net ancillary receipts	274,904	307,690	229,521
Net miscellaneous receipts ...	615,915	488,645	490,348
Net revenue	13,027,525	14,048,176	14,356,276

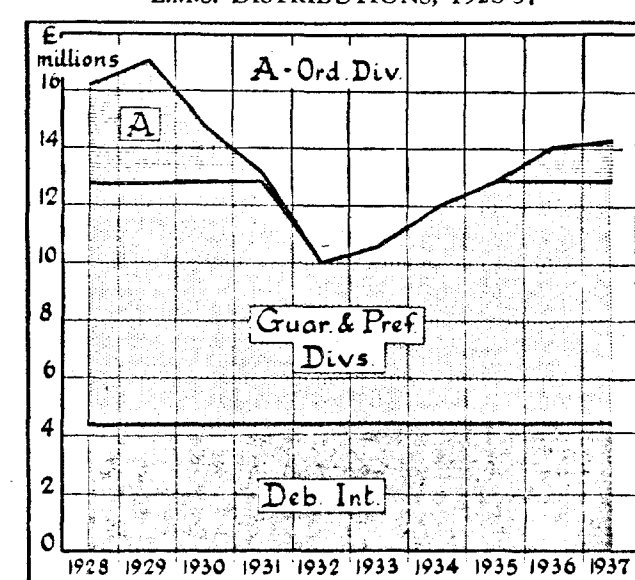
Debenture int.	4,439,170	4,439,170	4,439,170
Guar. and pref. divs.	8,474,383	8,474,383	8,474,383
Ordinary div.	Nil	1,190,031	1,428,037
Do. (%)	Nil	1½	1½

Carried forward 134,491 79,083* 93,769

* £3,180,000 in respect of rates recoverable 1931–34 transferred direct to contingency fund.

The chart in the next column shows the distributions on the three main classes of stocks since 1928.

L.M.S. DISTRIBUTIONS, 1928–37



Although net revenue is not shown in the chart, it follows the upper curve closely throughout the period.

The company has clearly lacked the important contribution to net revenue provided for both the Southern and Great Western by ancillaries, and the results suggest that, but for the increase in charges which was introduced last October, the company's railway net receipts would have been lower—possibly by as much as £200,000. Locomotive running costs increased by 5.8 per cent. to £13,433,796, compared with an increase of 2.2 per cent. in total engine miles. This rise in expenditure is traceable almost entirely to higher wages and fuel costs. Maintenance charges, both for way and rolling stock, also show a considerable advance, although the latter account had the benefit of considerable credits from renewals fund in 1936 and has made a considerable contribution to that fund during the latest year. On balance, however, it is evident that fewer complete renewals were carried out in 1937. The company appears to have been more successful in retaining the 5 per cent. increase in charges on the passenger side, for the average fare increased from 1s. 0.79d. to 1s. 1.15d. Owing to a rather sharp reduction in the average receipt per ton of general merchandise, however, the average for all classes of goods traffic is slightly lower.

Great Western Report.—The announcement of a 4 per cent. ordinary dividend by the Great Western Railway board satisfied the market at the end of last week. The accounts show that earnings for the stock amount to approximately 4½ per cent. Gross railway receipts increased by £1,381,406, and of this some £402,719 was retained. Net revenue derived substantial advantage, however, from an increase in net dock receipts from £119,701 to £342,382, although this improvement was offset in part by a higher net deficit on parcels collection and delivery. Net revenue amounts to £6,886,505 against £6,314,829 in 1936. Thus, although the net operating receipts of the undertaking are within £510,000 of the 1929 figure, the reduced amounts now received from general interest are largely responsible for the fact that net revenue is nearly £2,000,000 below the 1929 level.

OTARD'S EST. 1795
V.S.O.P.
LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

In the following table we analyse the net revenue position for the past three years:—

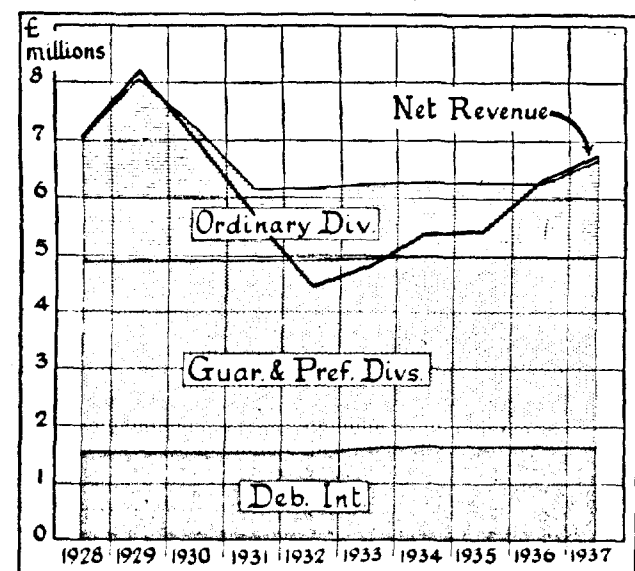
	1935	1936	1937
Gross railway receipts	£ 25,738,314	£ 26,729,440	£ 28,110,846
Railway expenditure	20,760,062	20,814,141	21,792,828
Net Receipts :			
Railway	4,978,252	5,915,299	6,318,018
Docks, etc.	46,683	119,701	342,382
Other ancillaries	Dr. 53,918	Dr. 111,788	Dr. 195,298
Net operating receipts	4,971,017	5,923,212	6,465,102
Miscellaneous revenue (net) ...	479,541	391,617	421,403
Net revenue	5,450,558	6,314,829	6,886,505
Debt interest, etc.	1,649,810	1,649,818	1,649,832
Pref., etc., dividends	3,344,699	3,344,699	3,344,699
Ordinary dividend	1,287,892	1,287,892	1,717,189
Do. per cent.	3	3	4

Carried forward 44,373* †76,793 ‡151,578

* After crediting £122,990 from profit on sales of investments and £710,000 from contingency fund. † £1,737,800 recoverable from rates appropriated direct to contingency fund. ‡ After charging £100,000 for appropriation to new works, revenue proportion suspense.

The part played by transfers from reserve funds and exceptional credits is brought out in the following chart, which covers the period from 1928.

G.W.R. NET REVENUE, 1928-37



Between 1931 and 1935, in fact, some £5,334,394 had been applied to maintaining a 3 per cent. ordinary dividend. The net revenue curve thus cuts through the total distribution line in those years.

* * *

The Great Western has been successful in retaining 29 per cent. of its increase in railway receipts net, compared with 14 per cent. on the L.M.S. and only 10 per cent. for the Southern. In part, this achievement may be related to the improvement in South Wales, whose late recovery may well have contributed more in revenue than it demanded in extra running costs. That factor, at least, is plainly responsible for the substantial improvement in net receipts from docks last year. The increase in locomotive running expenses from £5,095,170 to £5,341,381 reflects, more markedly than the corresponding charge in the Southern report, the effect of increased wages and fuel costs, though engine mileage itself was 2.6 per cent. higher last year than in 1936. Increased repairs and renewals of rolling stock were also carried out last year, while maintenance of the permanent way cost £215,189 more at £3,256,487. The company has announced this week that a scheme is being prepared for the electrification of part of the system. Further information will presumably be given at next Wednesday's meeting. The latest report shows that electric vehicle mileage represented only 3½ per cent. of the total. The ordinary stock has reacted sharply this week and now stands at 59.

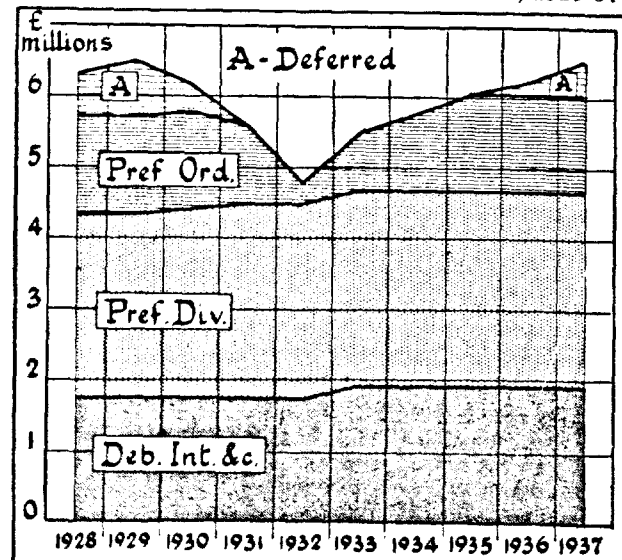
Southern Railway Report.—The surprisingly good Southern Railway deferred dividend is clearly explained by the report. It is due largely to an excellent return from steamboats, which earned £337,542 net, compared with £101,059 in 1936, and thus entirely reversed the company's own estimate of reduced ancillary receipts. Gross railway receipts amounted to £22,113,580, compared with £21,256,414, but of this £857,166 increase only £87,645 has been retained net. As some £150,000 was retained net from the gross railway increase of £338,000 during the first half of the year, it would appear that the increase of £519,166 in railway revenues during the second half of the year failed to cover increased operating expenditure by as much as £62,355. After crediting net ancillary and miscellaneous receipts, net revenue shows an increase from £6,226,160 to £6,552,124—which actually exceeds the 1929 figure by £4,159 and is within £544,000 of standard revenue. The 1½ per cent. deferred dividend is covered with £5,955 to spare. The following table summarises the trend of revenues during the past three years:—

	1935	1936	1937
Gross railway receipts	£ 20,647,676	£ 21,256,414	£ 22,113,580
Railway expenditure	16,093,177†	16,474,211	17,243,732
Net Receipts :			
Railway	4,554,499	4,782,203	4,869,848
Steamboats	107,235	101,059	337,542
Docks, etc.	330,010	357,653	379,444
Other ancillaries	48,881	32,407	30,253
Net operating receipts	5,040,626	5,273,322	5,617,087
Miscellaneous revenue (net) ...	1,031,671	952,838	935,037
Net revenue	6,072,297	6,226,160	6,552,124
Debt interest	1,943,167	1,943,167	1,943,167
Guar. and pref. divs.	2,751,278	2,751,278	2,751,278
Pref. ord. div.	1,379,330	1,379,330	1,379,330
Do. per cent.	5	5	5
Def. ord. div.	Nil	157,451	472,354
Do. per cent.	Nil	½	1½
Carried forward	225,874	220,809	226,804

† After allowing £250,000 for estimated rating overpayment.

In the following chart the actual distributions on the various classes of capital are shown, the total of which, in recent years, closely corresponds to net revenue:—

SOUTHERN RAILWAY DISTRIBUTIONS, 1929-37



A substantial increase in prior charges, compared with 1929, explains the reduced payment to the deferred stockholder to-day.

* * *

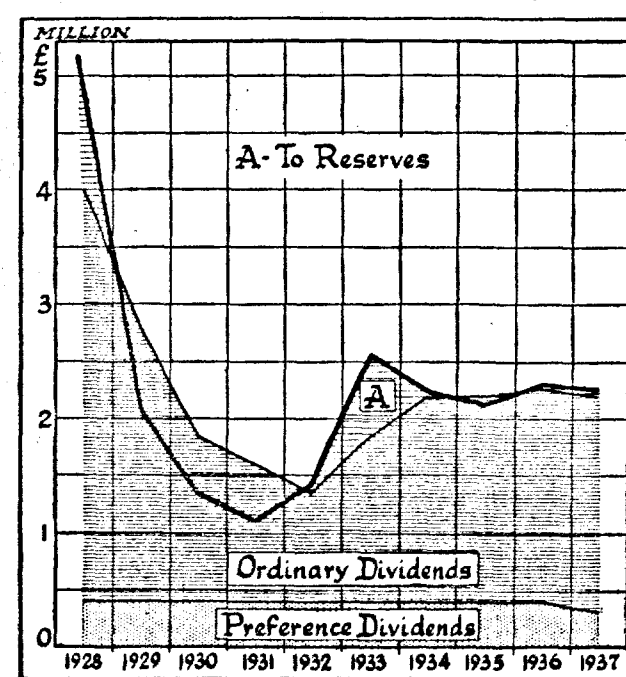
The report reveals that gross passenger receipts increased from £16,090,002 to £16,919,613 (representing 76.51 per cent. of railway receipts against 75.70 per cent. for 1936) and that the average fare per passenger has slightly risen, in consequence of the 5 per cent. increase in fares last October. Detailed analysis of railway expenses, however, suggests that the relatively small pro-

portion of increased gross receipts retained net was due less to the effect of higher wage costs and fuel than to rather marked changes in maintenance expenditure. Locomotive running expenses increased by £156,835 to £4,364,925, and of this some £103,321 was due to higher costs of electric current. This increase is reflected in a rise in cost of current from 7.27d. to 7.42d. per electric motor vehicle mile run. But maintenance of permanent way, although increased from £3,284,682 to £3,528,870, had the benefit of a credit from renewals of only £243,295, compared with £580,400 in 1936. Considerably less renewal work was undertaken on rolling stock, but although the cost of complete renewals was reduced from £823,411 to £464,418, a net transfer of £230,198 was made to renewal fund from revenue, compared with a credit of £274,846 brought in from the fund in 1936. This change accounts in large measure for the increase in rolling stock maintenance from £2,386,244 to £2,526,358. The renewal fund, however, receives a special credit of £400,000 from improvements fund, which in turn has received £500,000 released from the fire insurance fund. Stockholders may read some importance in the fact that the company has decided not to proceed at present with the electrification of the direct Hastings line. This is the first occasion on which a main line electrification project has been postponed. A further sum of £1,250,000 was taken up by the company from the Railway Finance Corporation last year, making a total of £2,500,000 out of permissible borrowing of £5,929,811. Projected capital expenditure, however, amounts to £3,370,000.

Company Notes

Courtaulds' Dividend and Profits.—Courtaulds' ordinary shares reflected increased market caution as the dividend approached. On Wednesday, the shares, which are normally quoted on the basis of a 1/32 turn, were at one time called 40s.-42s. This unusually wide price, however, was due as much to the trying market conditions of the day, as to the publication of the 1937 dividend and profits after hours. The final distribution is 7 per cent., making 10½ per cent. for the year, compared with 10.28

COURTAULDS' PROFITS 1928-37



per cent. gross for 1936. This distribution accords with general market expectations. Net profits, after providing for depreciation, taxes and expenses, amount to £2,373,892. After adjusting the previous year's profits in consequence of the changed taxation basis, the comparable figure for 1936 is £2,296,458. An increase of £77,434 for the past year cannot be regarded as exciting. It suggests that the

American Viscose Company's difficulties, particularly towards the end of the year, coupled with the rise in costs in this country (the latter were not offset by increased selling prices until this year) have prevented the scale of advance which at one time last year seemed reasonably probable. In the accompanying chart, we show the course of the distributable profits earned by the company in each year since 1928, treating amounts written off investments from 1929 to 1931 as a charge against profits. The chart clearly emphasises the stable profits record during the past four years.

* * *

After again setting aside £100,000 to staff fund, net preference dividends absorb £300,000, leaving earnings of £1,973,892, after tax, available for the ordinary capital. The 10 per cent. net dividend absorbs £1,890,000, and is covered by earnings of 11 per cent., while the balance carried forward is increased from £212,749 to £296,641. The directors state that the forthcoming report will disclose the fact that business prospects are not encouraging. The market has at length learned to treat the declarations of the Courtaulds board with respect, and its reaction to this statement was immediate. The American subsidiary is facing difficult trading conditions at present, and while the company's new productive capacity will not immediately realise its full contribution to profits, its ultimate potentialities may well be important. The increase in rayon prices at the end of last year was interpreted as a sign that Courtaulds had consolidated their position in this leading market. That interpretation holds, but its translation into potential profits for the current year must be limited. At their lower level of 39s. 4½d., Courtaulds' ordinary pay satisfactorily for their keep with a yield of 5½ per cent., but as each year passes they still give no sign of the massive dividend prospects with which the speculator has so frequently endowed them.

* * *

Richard Thomas Position.—For some time past the market has been troubled by rumours that the construction of the new Richard Thomas strip mill plant at Ebbw Vale was falling behind schedule and meeting unexpected difficulties, and by fears that the new plant would come into production at the moment at which the demand for steel and tinplate was beginning to decline. As a result, the 4 per cent. debenture stock, which was issued at a small discount a year ago, has fallen to 79½, and the 6s. 8d. ordinary shares, which at one time last year stood as high as 17s., have fallen to 8s. 1½d. Recently a firm of stockbrokers circularised its clients, advising them to sell the debenture stock and preference shares. This week Sir William Firth adopted the unusual but frank course of replying point by point to the circular, tackling the rumours fairly and providing shareholders with much new information. On the rumours about the new plant Sir William was explicit. He admitted that there had been difficulties, but denied that they were significant and announced that the plant would be completed by September at the latest. He pointed out that the delay had been caused by the failure of certain British manufacturers to deliver up to schedule, on account of their preoccupation with the rearmament programme. Had it not been for that delay, the plant would have been completed in March. In dealing with the other cause of market anxiety—the uncertainty about the future demand for the strip mill's products—Sir William was less encouraging. The current position, despite the decline in sheet output, is evidently very satisfactory: weekly output and profits are higher than they were a year ago, and it is certain that the prospectus estimates of the profits for the year to March 31st and also the profits for last year will be substantially exceeded. At the same time, however, orders for tinplate are no longer running at the boom-like level of last year: they still represent seventeen weeks' output, but are 40 per cent. lower than they were a year ago. It is difficult to avoid the conclusion that the medium-term demand prospect is becoming more uncertain. Nevertheless, the potential cost reductions envisaged at Ebbw Vale should remain considerable even in a period when demand is somewhat diminished.

Yorkshire Electric Power.—Sales of current to consumers increased last year by 13.7 per cent.—a somewhat reduced rate compared with 1936—but a substantially increased export of power to the “grid” was recorded. Power receipts increased from £1,137,452 to £1,294,597, and the balance on operating account was some £41,452 higher at £631,694. In the following analysis of revenue during the past three years, we have treated the total allocations to plant renewals, contingencies, depreciation and reserve fund as a charge against profits. On this basis the ordinary distribution, which has been maintained at 8 per cent. for a decade or more, is covered with a margin of £11,145 in the latest year.

	1935	1936	1937
Units sold (millions):—			
To company's consumers	306	366	416
Increase over previous year (%)	13.7	19.5	13.7
To Central Electricity Board ...	134	90	136
Power receipts	1,015,418	1,137,452	1,294,597
Operating expenses	488,439	547,210	662,903
Total income	542,327	615,027	652,023
Plant renewals, contingencies, depreciation and reserve fund provisions	270,000	305,000	355,000
Interest and staff pensions	39,036	69,399	62,843
Preference dividend	75,470	74,252	73,035
Ordinary shares:—			
Earned	157,821	166,376	161,145
Paid (8 per cent. less tax)	155,000	152,500	150,000
Estimated depreciation on standard scale	195,000	215,000	240,000
Earnings for ord. shares (adjusted)	232,821	256,376	276,145
Do. do. (per cent.)	12.0	13.4	14.7

The procedure adopted above, however, raises an important point of accountancy practice. Until 1932, the company had no specific depreciation reserve fund, and the plant renewals fund amounted at that time to some £80,000, compared with total assets of £5,500,000. Surplus earnings were then carried to general reserve, but since 1933 the latter has been renamed “depreciation and reserve fund,” and has been credited with substantial surpluses of apparent earnings over the 8 per cent. dividend. In short, the company's depreciation policy appears to depend upon available profits rather than a pre-determined provision basis. While conservative accounting treatment is generally praiseworthy, in the case of an electricity undertaking it may meet the criticism that it is to some extent unscientific, and that the ordinary shareholder—no less than the consumer—would appreciate a more definite indication of “true earnings.” If our estimate of standard depreciation shown above may be regarded as reasonably accurate, it is evident that the 8 per cent. dividend is covered with a very satisfactory margin. The £1 ordinary stock units are quoted at 39s. 9d. to yield exactly £4 0s. 9d. per cent.

London Electric Supply Corporation.—Although not the doyen of the industry—for the Chelsea Company was incorporated in 1884—the London Electric Supply Corporation celebrated its fiftieth anniversary last year with a special bonus distribution of 3 per cent. in addition to the standard dividend of 7 per cent. The profit for the year amounted to £110,224, against £87,888 for 1936, and earnings divisible under the sliding scale were equivalent to 8.6 per cent. on the ordinary capital. The available profit, however, was equivalent to nearly 13 per cent., and the increased distribution was provided, in part, by a call on the No. 2 Reserve Fund, which consists of past profits available for dividend under the sliding scale, but not divided. Units sold increased by only 3.4 per cent. Calculations based on the disclosed operation of the sliding scale last year suggest that this increase was compounded of a small increase, rather under 2 per cent., in the supply to the Southern Railway for traction purposes—which still constitutes two-thirds of the company's load—and an increase of a little over 8 per cent. in units sold for domestic and industrial purposes. These figures are necessarily approximate. The relatively substantial increase in profits, however, supports their probability, for the margin of profit

on the traction load is much lower than that on the rest of the company's business. The £1 ordinary shares stand at 35s. 6d. xd. to yield £3 19s. per cent. based on the regular 7 per cent. dividend.

Imperial Tobacco Prospects.—Investors should be well satisfied by Lord Dulverton's review at the Imperial Tobacco meeting last Tuesday. The chairman's discussion of the active balance-sheet items, for instance, clearly illustrated the continued expansion of turnover. The greater volume of trade involved the carrying of larger stocks of raw materials, and the rise in the balance-sheet figure for stock-in-trade was, in fact, due entirely to purchases of leaf tobacco, though average leaf prices had again risen. In reviewing the company's prospects for the current year, Lord Dulverton adopted an attitude, in his own words, of “qualified optimism.” He was able to report that sales for the first three months of the year showed an improvement over the corresponding period of last year. On the financial side, however, the importance of taxation was stressed. In this connection ordinary stockholders may reflect that a full year's N.D.C. will be payable in the current year, compared with seven months for 1936-37. Despite the difficulties of high taxation and rising leaf costs, however, the chairman derived sufficient encouragement from the general outlook to declare that he would be disappointed if the results for the current period were less satisfactory than those of last year.

Harrods and John Barker.—The latest results announced by these leading London stores will induce investors to take a sober view for the current trading period. Harrods, Ltd., announce net profits for the year to January 31, 1938, of £817,802, an increase of £17,482. This improvement, while satisfactory in itself, contrasts markedly with the 13 per cent. rise recorded in the previous year. After providing £40,966 for staff funds and bonus and £29,000 for N.D.C., the amount earned for dividends is £747,836, against £800,320—the first decline since 1932-33. Earnings for the ordinary stock are thus equivalent to 20.8 per cent. against 23.9 per cent., and while the maintained 18½ per cent. dividend is well covered, the reserve allocation is reduced by £10,000 to £40,000, and the carry-forward is lower. John Barker and Company's preliminary statement shows an actual reduction of £45,385 in net profits to £344,817 before charging £10,000 each year to employees' funds. But the 15 per cent. ordinary dividend, paid for the sixth successive year, is still amply covered. Earnings are 5 per cent. lower at 29.8 per cent., and rebuilding and reserve provisions are reduced from £200,000 to £125,000. It would be premature, however, to read too much into these preliminary statements. But in view of the less satisfactory trend of retail business in the London area, investors will await the full reports with subdued expectations. John Barker ordinary yield £5 3s. 6d. per cent. at the much reduced price of 60s., compared with £5 6s. per cent. on Harrods ordinary at 72s. 6d. The former share still looks forward to the completion of the extensive rebuilding programme.

New Company Results.—A somewhat more satisfactory showing has recently been made by companies who have issued their first public reports. They enjoy no important feature in common (unlike those of certain new companies we have examined previously), nor is there any specific reason why their results should be closer to prospectus estimates. The table on page 404 analyses six recently published first reports. Total profits shown are actual for the period indicated, but we have expressed net earnings and equity percentages as annual estimates, according to the first trading period covered.

Comparison between actual and prospectus profits is often difficult, but both Ellis and Goldstein, and General Engineering Company (Radcliffe) commendably present a comparison of their initial profits with the latest prospectus

CAJA DE AMORTIZACION

SERVICE OF THE EXTERNAL DEBT OF CHILE RELATING TO THE YEAR 1937

The statement of the movement of the funds assigned by Law No. 5580 of 31st January, 1935, to the Caja de Amortización for the service of the External Debt of the Republic of Chile shows that the incomes for the year 1937 were U.S.\$6,106,751.41.

In accordance with the stipulations of the said law, 50% of the income received each year is to be earmarked for payment of a yearly sum for interest on the total amount of the External Debt, *pro rata* to the balances remaining in circulation on 31st December of each year, after deducting from the balances of the previous year the bonds redeemed with the remaining 50 per cent. of the incomes.

The distribution of interest for 1937 has been carried out by the Caja de Amortización in accordance with the stipulations of the regulations of Law No. 5580, approved by Supreme Decree No. 37 of 4th January, 1936, on the first working day of the second week of January of the present year, at the rates of exchange prevailing on that date and with the results contained in the following tables:—

CONVERSIONS EFFECTED FOR DISTRIBUTING AMONG THE DIFFERENT GROUPS OF FOREIGN LOANS AND IN THE RESPECTIVE CURRENCIES THE INTEREST FUND (Law No. 5580) RELATING TO THE YEAR 1937, TO A TOTAL OF U.S. \$3,053,375.70 AND THE BALANCE FROM THE PREVIOUS YEAR TO A TOTAL SUM OF U.S. \$5,327.53.
(Total for distribution: U.S. \$3,058,703.23)

Currencies	Exchanges in U.S. \$ 3rd January 1938	BALANCE IN CIRCULATION 31st December 1937		DISTRIBUTION OF U.S. \$3,058,703.23 in proportion to balances	
		By currencies	Reduced to U.S. \$	In U.S. \$	By currencies
£	5.0040	29,138,994 (1)	145,811,526	1,146,625.11	229,141 14s. 2d.
U.S. \$	1.0000	216,069,500 (2)	216,069,500	1,699,116.11	1,699,116.11
Sw. Fr.	0.2317	116,881,700 (3)	27,081,490	212,962.01	919,128.23
			388,962,516	3,058,703.23	

DISTRIBUTION OF INTEREST FUND (Law No. 5580) AND OF BALANCE FROM PREVIOUS YEAR WHICH REACH A TOTAL OF U.S. \$3,058,703.39 IN PROPORTION TO THE BALANCES EXISTING AS AT 31st DECEMBER, 1937, FOR THE DIFFERENT GROUPS OF LOANS, AFTER REDUCING TO DOLLARS, AS IS SHOWN IN THE PREVIOUS TABLE.

Currencies	Capital in circulation on 31st Dec., 1937	Distribution of Interest Fund between the groups of loans	Payment per each 100 units of each group of loans	Total sum to be paid for each group of loans	Balance for the Interest Fund for 1938 by group of loans
£	29,138,994 (1)	229,141 14s. 2d.	7 17s. 2.4d. for £1,000	229,032 9s. 10d.	109 4s. 4d.
U.S. \$	216,069,500 (2)	1,699,116.11	7.86 for U.S. \$1,000	1,698,306.27	809.84
Sw. Fr.	116,881,700 (3)	919,128.23	7.86 for Fr. Sw. 1,000	918,690.16	438.07

- (1) After deduction of £381,820 redeemed by the Caja de Amortización and £3,768 amortised extraordinarily by the Treasury with the balances of the “Amortisation Funds” which remained in the hands of the Fiscal Agents in 1931.
- (2) After deduction of U.S. \$3,198,500 redeemed by the Caja de Amortización, U.S. \$4,340,500 amortised extraordinarily by the Caja de Credito Hipotecario and increasing by U.S. \$1,000 the circulation of “Mortgage Bank 6%,” April 30, 1961,” Loan, due to Bond No. 7380 having, by mistake, been included in an extraordinary redemption effected in the year 1934 by the Caja de Credito Hipotecario, in spite of having been drawn for ordinary amortisation on 30th April, 1931.
- (3) After deduction of Sw. Fr. 1,727,000 redeemed by the Caja de Amortización and Sw. Fr. 29,000 amortised extraordinarily by the Municipality of Santiago.

The above distribution having been effected, the Board of the Caja Autonoma de Amortización de la Deuda Pública formulated the following declaration, in order to make known the amounts of interest which it will credit to the holders of Bonds of the External Debt, for the yearly payment corresponding to 1937, in conformity with the aforesaid Law No. 5580.

“The Caja Autonoma de Amortización de la Deuda Pública, in conformity with the stipulations contained in Article 3 of the Regulations of Law No. 5580 of 31st January, 1935, approved by Supreme Decree No. 37 of 4th January, 1936, hereby declares that: During the year 1937 it has received the following income for application to the service of the External Debt:—

Profits of The Nitrate and Iodine Sales Corporation of Chile	U.S. \$2,981,957.53
Income Tax of 4th Category and additional from the Copper Companies	3,124,793.88
	U.S. \$6,106,751.41

“Fifty per cent. of this income, or, say, U.S. \$3,053,375.70, is to be applied for payment of interest at the rate of “U.S. \$7.86 per 1,000 dollars of nominal capital, Sw. Fr. 7.86 per 1,000 Swiss Francs of nominal capital and £7 17s. 2.4d. per £1,000 nominal capital.

“With the remaining 50% of income received, bonds have been redeemed to the value of U.S. \$13,198,500 nominal, £381,820 nominal and Sw. Fr. 1,727,000 nominal, which have been taken out of circulation.

“After these amortisations have been effected, the balances of bonds of the External Debt outstanding are as follows:—

“£29,142,762
“U.S. \$220,410,000
“Sw. Fr. 116,910,700

“The above balances have also been reduced by £3,768, U.S. \$4,340,500 and Sw. Fr. 29,000. These reductions correspond to sterling bonds amortised extraordinarily by the Treasury with balances from the “Amortisation Funds” remaining in the hands of the Fiscal Agents in the year 1931: to dollar bonds amortised extraordinarily by the Caja de Credito Hipotecario and to Swiss bonds amortised in the same way by the Municipality of Santiago in 1937.

“These amounts having been deducted from the above figures, the present balances of bonds of the External Debt in circulation are as follows:—

“£29,138,994
“U.S. \$216,069,500
“Sw. Fr. 116,881,700.

“Santiago, 11th January, 1938.”

NEW COMPANY RESULTS

Co. (and period ended, 1937)	Total Profit	Est. earned for div. p.a.*	Ord. Div.		Price and Denom.		Current Yield p.a.	
			Earned p.a.	Paid p.a.	1937 High	Pres.	on Engrs.	on Div.
R.F.D. Co. (Dec. 31).....	17,975 (16)	11,070 (16)	15.5	12.2	4 1/2	2.6 (2s.)	13.6	10.8
Gen. Eng. (Radcliffe) (Nov. 30)	24,313 (18)	11,050 (14)	22.7	16 1/2	3 8/14	3.1 (2s.)	15.2	10.9
Brit. Lead Mills (Oct. 31).....	27,385 (12)	21,530 (10)	38.3	24	6 1/2	4 1/2 (2s.)	18.6	11.6
Ellis and Goldstein (Nov. 30).....	45,848 (20)	14,750 (13)	20.2	14 1/2	12.9	9 1/2 (5s.)	10.8	7.7
Barracks Fabrics (Dec. 31).....	32,613 (11)	25,400 (11)	32.6	20 1/2	11 7/12	7.3 (4s.)	17.9	11.3
Peerless Kt. Cabs. (Dec. 31).....	16,598 (12)	8,512 (12)	10.6 1/2	10	5 10 1/2	2.3 (2s.)	9.4	8.9

† No. of months in period shown in brackets. * No. of months on which estimate is based shown in brackets. ‡ After full year's pref. dividend and participation.

figure. It seems, however, that of the six companies listed above two, and perhaps three, achieved better profits, while another company maintained its earnings rate, and two failed to achieve the level indicated in the last full year shown in the prospectus (the companies being shown in that order in our table). The speech accompanying the report of R.F.D. states that, although the factory has been engaged on balloon-barrage work, it has also been consistently employed in general production. The directors of Barracks Fabrics Printing stress the trading difficulties of the initial period, but actual profits have not apparently fallen short of the prospectus figure by a considerable amount. The profits of £16,598 made by Peerless Kitchen Cabinets appear to compare unfavourably with a prospectus figure of £31,082. The report does not offer comment on the results, which will doubtless be explained at the meeting. The current yields shown in the table do not appear too high in view of the present earnings outlook and the size of the companies concerned. Retribution has also followed the extravagant 1937 "high."

San Francisco Mines.—Although operations were again interrupted by labour trouble San Francisco Mines again treated an increased quantity of ore. Despite the further concessions to employees, operating profits increased to £453,060, against £204,570 in 1935-36. Taxation in Mexico and at home was substantially higher, but a net surplus of £276,340 was realised, compared with £85,030. The directors were thus able to declare dividends totalling 22 1/2 per cent., as compared with 7 1/2 per cent. in respect of the year to September, 1936. Last year's final distribution, moreover, is payable upon an increased capital. The balance of £73,640 carried forward is more than double the amount brought in; and the cash position has

been materially strengthened. Developments in the main property were of a rather mixed character. The southern portion of the San Francisco mine "continues to offer a promising field for the development of ore"; but the northern end is giving indications of decline in value. Taken together, the total ore reserves of 2,853,720 tons (fully and partly blocked out) show a net expansion of 106,440 tons, a reduction in the carbonates being more than offset by increase in the lower-seated sulphides. In the base metal boom early last year, San Francisco shares reached 27s. The current quotation of about 7s. 9d. includes the final distribution of 1s. in respect of the past year, and reflects the fall in metal prices.

Other Company Results.—Our usual analysis of profit and loss accounts, which appears on page 427, covers over 55 companies in all. The gas and textile industries are well represented, and some further investment trust reports are included. On page 408 we discuss the results under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 416. Lord Dulverton's review of *Imperial Tobacco* prospects is discussed on page 402. Mr Frank H. Jones explained at the *Wandsworth and District Gas* meeting that an improvement in the sales of residuals was largely due to economies in working. Mr George Balfour reported that *Power Securities Corporation* had completed works to a value of £1,700,000 last year, and still had on hand contracts valued at £1,500,000. At the *Konongo Gold Mines* meeting Mr Robert Annan reported that in the first four months of the current year the mill had treated an average tonnage of 19 per cent. above designed capacity, with a gold recovery of about 94 per cent. At the *Bah Lias Rubber Estates* meeting Mr Eric Miller stated that the average net sale price of 8.87d. per lb. had shown the satisfactory improvement of 1 1/2d. Mr D. Abel Smith, addressing *Borax Consolidated* members, reported further progress in developing the new outlet for their products in agriculture. In discussing the hampering effect of exchange restrictions, however, he pointed out that over 130 clearing arrangements were in operation. At the *Railway Debenture and General Trust* meeting Mr Richard S. Guinness referred to the factor of safety resulting from the receipt of one-half of their income from prior charges, or three-fourths including preference dividends. At the *Railway Share Trust and Agency* meeting he expressed satisfaction that the revenue account permitted retention of a slightly larger margin after paying an increased dividend. Speaking to *General Investors and Trustees* members, Mr Gerald T. Moody emphasised the value of having liquid funds available for purchases at a time when market values were depressed. Prosperity in Liverpool and revival in the cotton and coal districts of North-West England were adduced by Lord Brocket to explain the progress made by *Peter Walker (Warrington) and Robert Cain and Sons*.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
FEBRUARY 22 FEBRUARY 24

MARKETS this week have been a prey to politics. At first, the disposition was to await Herr Hitler's week-end speech. But as the full import of the German demands on Austria became clear, the market was attacked by political "nerves." There was not a large wave of selling, but dealing immediately became difficult. Even shares which are normally a free market were quoted on defensive terms, and the support which has lately been available in the gilt-edged market, on any sign of temporary setback, has been noticeably absent this week. The lack of encouragement on the

home front and on Wall Street, and the disturbing political developments in Europe, have produced despondence in the market.

Business in the gilt-edged market opened easier, not particularly affected by the week-end news, but not supported on the previous week's scale. Further profit-taking on Tuesday followed the actual version of events last Saturday at Berchtesgaden, and the market finished at the worst on Wednesday evening, only to fall fractionally once more on Thursday. Recent corporation scrips resisted the fall relatively well for a time, but the Johannesburg loan opened at a discount, and the prospects for Stirling's issue were not eagerly canvassed.

European bonds improved at first,

but heavy falls occurred in Austrian issues (discussed on page 398) and German loans were irregular. Japanese bonds received some moderate support, but Argentine issues remained weak, on the economic situation in the republic.

Continued selling of *home rail stocks* was reported, and the indifferent traffics brought out further stock. There were signs of some intermittent support on Wednesday afternoon, but it was insufficient to prevent a fall on the day. The closing tendency, however, was somewhat steadier as a result, although the preference stocks continued a poor market. Consistent support for London Transport "C" stock, on the recent declaration of the chairman of Thomas

Tilling, caused a steady rise to 83 1/2. Leading *industrial shares* showed little resistance from the first, and while the volume of selling which followed the week's political news was not large in scale, it found the market totally unable to rally support. Steel shares showed further declines. Richard Thomas lost ground on balance, following the chairman's statement (see page 401) and Stewarts and Lloyd were a weak feature in mid-week. Reports that increased protection might shortly be given to the industry had no effect, and falls of one shilling or more were common.

Electrical equipment shares continued flat. Further selling of motor shares was in evidence, Triplex Glass and Rolls Royce being sharply lowered. Courtaulds fell as low as 39s. 6d. on the terms of the dividend announcement (see page 401) and textiles generally were very uncertain. John Barker ordinary fell from 67s. 6d. to 60s. on the profits figures. Investment industrial, in the brewery, tobacco and miscellaneous groups, showed relatively considerable losses, although Imperial Tobacco remained steady, on the chairman's speech (discussed on page 402).

The week in the *oil share market* has been more than usually dull. On Monday and Tuesday a very small turnover was accompanied by steady prices. In mid-week oil shares fell, as in other sections, and prices sagged all round, despite a little support for the leaders from Paris and Amsterdam.

The tendency in *rubber shares* was downwards throughout. Small sales by the public were widespread, without ever reaching important dimensions, and practically no support was forthcoming to offset this pressure. On Wednesday declines in prices were more numerous. Tea shares were uninteresting, but although not indifferent to outside influences, resisted the mid-week depression better than some groups.

The *mining market* generally was in idle or depressed mood, though political apprehensions were reflected in a further shrinkage of business rather than important price changes. Kaffirs started the week quietly (though the undertone was good), and did not decline generally until mid-week. Cape support for Western issues was reported and the news that the sterilisation of gold was being amended by the U.S.A. authorities also helped the shares at first. Rhodesian copper shares were again featureless and while prices were marked down, no special selling pressure was reported. West Africans held up well at first, and then drifted downwards through lack of support.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Feb. 11	7,125	11,940	90.4	131.0
Feb. 14	7,190	13,430	90.0	131.0
Feb. 15	6,870	11,145	89.2	130.7
Feb. 16	7,570	11,600	87.7	130.4
Feb. 17	7,100	11,410	86.9	130.3
1938 High...	...	...	97.2	131.0
Low...	...	...	86.9	129.2
			Jan. 12	Feb. 4
			Feb. 17	Jan. 3

* Approx. total recorded in S.E. List. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

Again the Actuaries' index of 151 industrial equity prices has fallen nearly a full point in a week, reading on Tuesday last (February 15th) at 70.0, against 70.9 a week ago and 73.8 a month ago. The corresponding average yields are 5.09, 5.04 and 4.84 per cent., respectively, the yield rising above 5 per cent. for the first time on February 8th. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Jan. 18, 1938	Feb. 8, 1938	Feb. 15, 1938	
Insurance (10)...	121.2	119.9	120.4	121.5
Coal (9).....	105.4	98.3	96.2	106.7
Cotton (6).....	36.4	33.3	31.7	37.1
Motors (6).....	38.6	37.7	36.8	39.0
Oil (4).....	81.6	75.6	76.7	84.9
Home rails (4)...	67.2	67.3	62.3	71.0
Shipping (6)...	19.5	17.1	16.2	19.5

Group	Yields %			Prices 1938 Low
	Jan. 18, 1938	Feb. 8, 1938	Feb. 15, 1938	
Insurance.....	3.46	3.50	3.48	119.9
Coal.....	4.92	5.33	5.45	96.2
Cotton.....	2.56	2.72	2.82	31.7
Motors.....	6.10	6.26	6.42	36.8
Oil.....	6.13	6.66	6.53	75.6
Home rails.....	3.19	3.16	3.43	62.3
Shipping.....	2.87	3.27	3.39	16.2

New York

Wall Street was not impressed with the modification of the gold sterilisation policy announced by Mr Morgenthau this week—thus proving, once more, that it is easier to deflate than to inflate. While the dollar weakened, Wall Street actually put leading industrial stocks down by a point. The President has also declared that prices were now too low. Almost a year ago his statement in the reverse sense was immediately taken up, but there was response in the other direction this week. Trading continues very light. In mid-week, there was some slight strengthening of stock prices, but the net effect upon the indices was almost negligible. Trading has averaged well below the 500,000 share mark for the first three days of the week, and detailed price changes are of no specific importance. *Iron Age* estimates steel activity at 31 per cent. this week, the same level as a week ago. Bonds continue dull, and rails are reactionary on balance.

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):—

WEEKLY AVERAGES

	1938		Feb. 2, 1938	Feb. 9, 1938	Feb. 16, 1938
	Low Feb. 2	High Jan. 12			
347 Ind'ls.	93.0	101.5	93.0	94.6	94.4
32 Rails.....	27.5	31.4	27.5	27.6	28.0
40 Utilities....	69.8	78.8	71.5	69.8	70.2
419 Stocks....	78.9	86.4	78.9	79.6	79.6
Av. yield %*	8.35	7.63	8.35	8.09	8.05
	High	Low			

* 50 Common Stocks. † February 9.

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

Feb. 10	Feb. 11	Feb. 12	Feb. 14	Feb. 15	Feb. 16
107.9	107.5	Closed (a)	108.3	106.9	106.8

High: 116.9 January 11th. Low: 101.3 February 3, 1938. (a) Lincoln's birthday.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Feb. 10	630	6,720	113
Feb. 11	390	6,300	94
Feb. 12	Closed (a)	Closed (a)	Closed (a)
Feb. 14	400	6,440	84
Feb. 15	570	5,550	139
Feb. 16	470	6,040	113

* Two-hour session. (a) Lincoln's Birthday.

New York Prices

	Close Latest		Close Latest
	Feb. 10, 1938	Feb. 17, 1938	

1. Rails & Transport		4. Manufact.	
Atchafalpa.....	36 1/2	Briggs.....	24
Balt. & Ohio.....	9 1/2	Chrysler.....	54 1/2
B.M.T.	10 1/2	Elec. Autolite.....	18
Can. Pac.....	32 1/2	Gen. Motors.....	34 1/2
Ches. & Ohio.....	32 1/2	Hudson Mtr.....	8 1/2
G.N. Ry. Pl.....	23 1/2	Nash Kelvint.....	9 1/2
Illinois Cent.....	10 1/2	Packard Mtr.....	4 1/2
N.Y. Central.....	17 1/2	Bendix Avtn.....	12 1/2
Norfolk Pac.....	12 1/2	Boeing Airplan.....	29 1/2
Pennsylv. R.R.....	22 1/2	Douglas Air.....	40 1/2
Southern Pac.....	19 1/2	United Aircr.....	22 1/2
Southern Ry.....	12 1/2	Air Reduction.....	47 1/2
Union Pac.....	78 1/2	Allied Cheml.....	161 1/2
Greyhound.....	8 1/2	Col. Carbon.....	67 1/2
		Dupont.....	115 1/2
		Un. Carbide.....	74 1/2
		U.S. Ind. Alc.....	19 1/2
		Allis Chalmers.....	44 1/2
		Gen. Electric.....	40 1/2
		West. Elec.....	95 1/2
		American Can.....	80 1/2
		Addressograph.....	20 1/2
		Caterpillar.....	46 1/2
		Cont. Can.....	40 1/2
		Ingersoll Rnd.....	74 1/2
		Int. Harvester.....	25 1/2
		Johns Manville.....	75 1/2
		Am. Radiator.....	12 1/2
		Corn Prods.....	64 1/2
		J.I. Case & Co.....	91 1/2
		Glidden.....	22 1/2
		G. Am. Trans.....	40 1/2
		Celanese of A.....	16 1/2
		Ind. Rayon.....	21 1/2
		Colgate Palm.....	9 1/2
		Eastm'n Kdk.....	156 1/2
		Gillette.....	9 1/2
		Lambert Co.....	11 1/2
		Loews.....	48 1/2
		20th Cent. Fox.....	22 1/2

2. Utilities and Communications		5. Retail Trade, &c.	
Am. W. Works.....	8 1/2	Mont. Ward.....	34 1/2
C.W. & S.....	1 1/2	J. C. Penney.....	70 1/2
Con. Edison.....	21 1/2	Sears Roebuck.....	60 1/2
Col. Gas & Elc.....	7 1/2	United Drug.....	6 1/2
L. Bond & Sh.....	7 1/2	Walgreen.....	19 1/2
Nat. Pwr. & Lt.....	6 1/2	Woolworth.....	42 1/2
N. American.....	17 1/2	Gen. Foods.....	32 1/2
Pac. Gas & Elc.....	25 1/2	Kroger Grey.....	15 1/2
Pac. Lighting.....	36 1/2	Nat. Biscuit.....	19 1/2
Pub. Serv. N.J.....	31 1/2	Nat. Dairy.....	14 1/2
Stan. Gas & Elc.....	20 1/2	Stand. Brands.....	8 1/2
United Corp.....	10 1/2	Log. Myers B.....	66 1/2
Un. Gas Imp.....	10 1/2	Lorillard.....	32 1/2
Amer. Tel.....	6 1/2	Reyn. Tob. B.....	40 1/2
Internat. Tel.....	6 1/2	Nat. Distillers.....	20 1/2
West. Union.....	24 1/2	Schenley Dis.....	24 1/2
Radio Union.....	6 1/2		
" B. Pref.....	49 1/2		

Capital Issues

Fixed-interest issues have monopolised the attention of the new capital market during this uncertain week. The terms of the *Johannesburg* issue were well regarded when they first appeared, but the opening of the lists coincided with a reaction in the gilt-edged market, and while large applications were scaled down, the scrip opened at 1/2 discount.

(Continued on page 408)

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1937				Prices, Year 1938				Prices, Year 1938				Prices, Year 1938			
High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est	
Name of Security				Name of Security				Name of Security				Name of Security			
British Funds				British Funds				British Funds				British Funds			
84 1/2	73 1/2	79 1/2	74 1/2	Consols 2 1/2	78 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
113	105 1/2	111 1/2	109 1/2	Do. 4 1/2 (alt. 1957)	111 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
101 1/2	94 1/2	99 1/2	98 1/2	Conv. 2 1/2, 1944-49	99 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
101 1/2	97 1/2	102 1/2	100 1/2	Do. 3 1/2, 1948-53	101 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
106 1/2	100 1/2	104 1/2	102 1/2	Do. 3 1/2, alt. 1961	104 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
117 1/2	111 1/2	115 1/2	114 1/2	Do. 5 1/2, 1940-44	104 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
92 1/2	89 1/2	91 1/2	89 1/2	Fund. 2 1/2, 1956-61	91 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
96 1/2	89 1/2	97 1/2	95 1/2	Fund. 2 1/2, 1952-57	97 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
101 1/2	92 1/2	99 1/2	97 1/2	Fund. 3 1/2, 1959-69	98 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
116 1/2	109 1/2	114 1/2	112 1/2	Fund. 4 1/2, 1960-90	114 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
114 1/2	107 1/2	110 1/2	109 1/2	Nat. D. 2 1/2, 1944-48	100 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
105 1/2	99 1/2	102 1/2	100 1/2	Victory Bonds 4 1/2	112 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
114 1/2	107 1/2	111 1/2	110 1/2	War L. 3 1/2, alt. 1952	108 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
90 1/2	84 1/2	90 1/2	87 1/2	Local Loans 3 1/2	89 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
102 1/2	99 1/2	101 1/2	100 1/2	Austria 3 1/2, 1933-53	101 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
72 1/2	62 1/2	67 1/2	66 1/2	India 2 1/2	67 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
85 1/2	74 1/2	81 1/2	79 1/2	Do. 3 1/2	80 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
98 1/2	87 1/2	94 1/2	92 1/2	Do. 4 1/2	93 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
119 1/2	112 1/2	116 1/2	114 1/2	Do. 5 1/2	116 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
				Dom. & For. Govts.				Dom. & For. Govts.				Dom. & For. Govts.			
109 1/2	105 1/2	108 1/2	107 1/2	Arg. 4 1/2, 1945-75	108 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
105 1/2	101 1/2	104 1/2	103 1/2	Canada 4 1/2, 1940-60	104 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
118 1/2	114 1/2	117 1/2	115 1/2	Nigeria 5 1/2, 1950-60	114 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
110 1/2	104 1/2	108 1/2	106 1/2	N. Zealand 5 1/2, 1946	108 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
107 1/2	103 1/2	107 1/2	105 1/2	Queens. 5 1/2, 1940-60	107 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
114 1/2	110 1/2	112 1/2	111 1/2	S. Africa 5 1/2, 1945-75	112 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
				Foreign Governments				Foreign Governments				Foreign Governments			
103 1/2	93 1/2	96 1/2	90 1/2	Arg. 4 1/2, 1957	91 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
105 1/2	97 1/2	102 1/2	94 1/2	Austria 7 1/2, 1957	94 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
91 1/2	84 1/2	89 1/2	79 1/2	Do. 4 1/2, 1954-59	80 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
102 1/2	95 1/2	97 1/2	95 1/2	Belg. 4 1/2, red. by 1970	97 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
83 1/2	74 1/2	81 1/2	77 1/2	Bulgaria 7 1/2	33 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
21 1/2	15 1/2	19 1/2	17 1/2	Brazil 5 1/2, Fed. 1914	25 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
95 1/2	54 1/2	62 1/2	43 1/2	Chile 6 1/2 (1929)	18 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
101 1/2	59 1/2	62 1/2	43 1/2	China 5 1/2 (1912)	47 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
108 1/2	101 1/2	105 1/2	102 1/2	Czechoslovakia 5 1/2	102 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
100 1/2	92 1/2	97 1/2	94 1/2	Denmark 3 1/2	97 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
108 1/2	100 1/2	103 1/2	101 1/2	Egypt United 4 1/2	102 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
126 1/2	11 1/2	13 1/2	11 1/2	French 4 1/2 (British)	11 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
60 1/2	52 1/2	60 1/2	53 1/2	Ger. 7 1/2, Dawes Ln.	54 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
40 1/2	30 1/2	34 1/2	31 1/2	Do. 5 1/2, Young Ln.	40 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
62 1/2	47 1/2	58 1/2	56 1/2	Greek 6 1/2, Stab. Ln.	31 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
88 1/2	53 1/2	60 1/2	38 1/2	Hungary 5 1/2, 1916-55	56 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
94 1/2	57 1/2	64 1/2	43 1/2	Japan 5 1/2, 1916-55	53 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
121 1/2	110 1/2	124 1/2	115 1/2	Do. 6 1/2 (24 red. 1959)	56 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
61 1/2	40 1/2	47 1/2	36 1/2	Norwegian 4 1/2, 1911	119 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
83 1/2	59 1/2	63 1/2	47 1/2	Peru 7 1/2, 1922	42 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
20 1/2	13 1/2	15 1/2	13 1/2	Poland 7 1/2	68 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
90 1/2	88 1/2	92 1/2	85 1/2	Roum. 4 1/2, Con. 1922	14 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
118 1/2	112 1/2	115 1/2	113 1/2	U.K. & Arg. C. 3 1/2	85 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
118 1/2	112 1/2	117 1/2	114 1/2	Corporation Stocks	115 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
101 1/2	82 1/2	87 1/2	84 1/2	British 5 1/2, 1946-56	115 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
101 1/2	93 1/2	97 1/2	94 1/2	Bristol 5 1/2, 1948-58	115 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
104 1/2	100 1/2	105 1/2	103 1/2	L.C.C. 3 1/2	87 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
				Liverpool 3 1/2, 1954-64				Liverpool 3 1/2, 1954-64				Liverpool 3 1/2, 1954-64			
				Middx. 3 1/2, 1957-62				Middx. 3 1/2, 1957-62				Middx. 3 1/2, 1957-62			
				Public Boards				Public Boards				Public Boards			
114 1/2	112 1/2	114 1/2	112 1/2	C. Elec. 5 1/2, 1950-70	113 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
119 1/2	112 1/2	121 1/2	119 1/2	Lon. Pass. Transport	118 1/2	11 1/2	13 1/2	12 1/2	10 1/2	13 1/2	12 1/2	10 1/2	11 1/2	13 1/2	12 1/2
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(Continued from page 405)

With its redemption yield of rather over 3½ per cent., it may appeal to the non-trustee investor, granted an improvement in gilt-edged. Some sections of the market were disposed to look askance at the *Stirling County Council* prospectus. The terms for the issue are identical with those of the successful Birmingham loan last week, but the market status of the two authorities is not identical. In view of the reactionary state of the market at the end of the week, the fate of the issue was in doubt as we went to press.

CAPITAL ISSUE TOTALS

Week ending Feb. 19	Nominal Capital	Conversions	New Money
To the Public.....	3,200,000	...	3,166,000
To Shareholders.....	500,000	...	787,500
By S.E. Introduction.....	Nil	...	Nil
By Permission to Deal.....	384,080	...	381,230
Sav. Certs. w.e Feb. 12.....	Nil	...	...
Year to date	Including Conversions	Excluding Conversions	
1938 (New Basis).....	40,562,680	29,738,183	
1937 (New Basis).....	110,672,921	80,148,579	
1938 (Old Basis).....	29,965,570	18,141,073	
1937 (Old Basis).....	60,827,185	32,927,703	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. exc. U.K.	Foreign Countries
1938 (New Basis).....	21,102,759	6,605,319	30,105
1937 (New Basis).....	58,583,885	20,411,514	1,153,140
1938 (Old Basis).....	15,045,598	4,095,475	Nil
1937 (Old Basis).....	29,642,862	2,384,841	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis).....	15,865,290	1,787,383	12,935,510
1937 (New Basis).....	21,400,827	7,570,466	31,127,146
1938 (Old Basis).....	12,123,277	815,000	6,122,796
1937 (Old Basis).....	16,931,933	4,034,787	11,040,993

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

City of Johannesburg.—Issue of £2,000,000 3½ per cent. inscribed stock at 99½, redeemable in London at par January, 1963, or from 1958 on notice. All stock issued under Ordinances first charge on revenue and assets. Proceeds for electricity, water, etc. Population 1937, 492,000; net loan debt, £8,803,914; assets, £22,355,360; excess of assets, etc., over liabilities, £11,910,888; rateable value: land, £50,151,083; buildings, £61,992,927; rates, 4d. on land plus 1d. for roads; Revenue, year to June, 1937, £4,480,789; expenditure, £4,678,500. Transferable at Barclays Bank (D.C.O.). List opened 9 a.m., February 16th, and closed 3.30 p.m. on same day.

Stirling County Council.—Issue of £1,200,000 3½ per cent. stock at 98. Redeemable at par January, 1962, or from 1957 on notice. A Trustee stock. Ranks with existing loans. Proceeds for housing, etc. Rateable valuation (for education), £1,211,583; gross revenue £1,012,315 (including £520,936 grants) and expenditure £996,266; consolidated rate 9s. 2½d. Total debt, £2,292,070 (of which £1,598,188 housing). Census population, 166,447.

STOCK EXCHANGE INTRODUCTIONS

Ilkeston Corporation.—Particulars of issue of £250,000 3½ per cent. stock, redeemable at par August, 1964, or from 1959 on notice. Stock has been sold through National Provincial Bank at 100½ net to Corporation. Ranks with other stocks. Proceeds to repay short-

term mortgages and temporary loans. Census population, 32,813; rateable value, £138,560. Net outstanding debt, £594,726 (of which £435,700 reproductive); rates, 16s.

PRIVATE PLACINGS

Mauritius Government.—An issue of £177,000 3½ per cent. inscribed stock, 1957-62, is being made. A large part will be taken by the Crown Agents for the Colonies, and balance placed through usual market channels.

Fiji Government Stock.—Issue of £144,740 inscribed stock, 1960-70, bringing amount of this stock up to £327,236. Of the present issue, £84,470 is being taken by the Crown Agents for the Colonies and £60,000 is being placed through usual market channels.

Second Anglo-Celtic Trust.—This Trust has placed privately £50,000 4 per cent. first debenture stock.

Third Guardian Trust.—The directors have placed privately £29,203 3 per cent. redeemable debenture stock, 1963-73, for general purposes.

ISSUES TO SHAREHOLDERS ONLY

Forward Trust.—Issue of 50,000 £1 6 per cent. cumulative preference shares at 25s. to preference and ordinary shareholders.

Van Dyk Consolidated Mines.—Issue of 500,000 new 10s. shares at £1 1s. (South African currency), in proportion of one new share for ten held.

SHORTER COMMENTS

Company Results for the Week.—The improved earnings position in the coal industry is again reflected in the profits of SHIREOAKS COLLIERY COMPANY which total £76,756, against £51,320. Contracts for sale of coal have been renewed at higher prices, but wages, wood and certain stores are costing more. MATHER AND PLATT, the textile engineers, have experienced their best year since 1929. Net profits at £209,786 are 11 per cent. higher than in 1936. A further batch of boot and shoe company results is now available. Net profits of J. SEARS AND COMPANY are practically unchanged at £262,369, while their subsidiary, FREEMAN, HARDY AND WILLIS, likewise discloses unchanged net earnings. The latter company reports that a factory has been built at Leicester to replace the existing Burlington Works. The position of LENNARDS, LTD., has improved considerably. A profit of £14,983 is reported, against a loss of £26,502, and it is proposed to issue fresh capital. FLEMING REID AND COMPANY, the worsted spinners, have made net profits of £155,099, against £155,479. A dividend of 17½ per cent. is payable on the capital as increased by last year's bonus. Among miscellaneous companies, CONSOLIDATED SIGNAL have earned 16 per cent. more at £51,416, and are paying 36½ against 30 per cent. The results of COPESTAKE CRAMPTON AND COMPANY illustrate recovery in the warehousing and wholesale trades. Net profits are £3,751 higher at £17,751, and 3½ per cent. (against 2½ per cent.) is being distributed. The full report of ENGLISH ELECTRIC COMPANY confirms the good impression made by the preliminary profits statement. Net profits amount to £499,685 against £298,806, and although it is pointed out that the rate of expansion in business shown in recent years cannot continue indefinitely, the number and importance of inquiries received are well maintained. Despite the increased cost of raw materials, INVERESK PAPER has earned £142,470 against £87,345, thanks to the effects of

plant modernisation, increased turnover and rising selling prices. A full year's dividend has been declared on both first and second preference stocks. It is stated in the BOVRIL, LTD., report that sales have been well maintained both at home and abroad, and net profits are £31,800 higher at £281,961.

MISCELLANEOUS

John Barker and Company.—Net profit declined by £45,385 to £344,817 for year to January 31, 1938, after all expenses, including taxation, fees and debenture interest. Ordinary dividend 15 per cent. for year as before. To place £100,000 to rebuilding and modernisation reserve; £10,000 to employees' pensions, etc., £25,000 to be written off fixtures, plant, etc. (in view of rebuilding programme). Carry forward £189,561 against £191,868. It is proposed to apply £100,000 from rebuilding and modernisation reserve to reduce book value of properties.

Bradford Dyers' Association.—Accounts for 1937 show that after £150,097 for depreciation, profit is £29,018. After debenture interest of £58,150 there is a net loss of £29,132, compared with net loss of £20,102. Carry-forward reduced from £40,504 to £11,372. The former figure was arrived at after transferring £50,000 from reserve.

Halifax Building Society.—Total assets January 31, 1938, £122,626,007 (an increase of £8,298,431). Share and deposit funds stand at £117,089,819 (an increase of £7,783,560). During year new advances were £20,943,616 (£454,863 more). Mortgage assets totalled £98,276,899 (an average of £410 per account). Liquid funds amount to £23,634,393. Bonuses are recommended of ½ per cent. to Class 1 shareholders and 1 per cent. to monthly subscription shareholders. Also £400,000 to general reserve. Reserve fund now £5,000,000; carry-forward £66,167.

Temperance Permanent Building Society.—Report for 1937 shows share capital £2,715,483. Deposits at December 31st, £2,263,781, an increase of £268,540. Advances on mortgage in 1937 were £961,748. Mortgage assets stand at £5,720,585, an increase of £201,676. Total assets £5,934,359, an increase of £226,882. Combined total of reserve, contingency fund and balance of profit carried forward £945,598.

Harrods, Ltd.—Net profit for year to January 31, 1938, £817,802, which is £17,482 higher. To N.D.C., £29,000, and £20,966 for Coronation staff bonus. To special reserve £40,000, against £50,000. Ordinary dividend and bonus, 18½ per cent. as before. Carry-forward reduced from £191,742 to £189,749.

English Electric Company.—The dividend was discussed in a Note on page 353 in our issue of February 12th. The balance sheet shows that the bank overdraft (£200,000 secured) has risen from £169,217 to £638,182, and loan secured on exports credit guarantee from £280,888 to £302,858. Stock and work in progress stand at £1,957,320 compared with £1,519,550. The directors state that the company enters on the year with the largest order book in its history.

Manchester Ship Canal.—The preliminary results were dealt with in a Note on page 353 of our February 12, 1938, issue. A record tonnage of 7,053,216 tons was carried in 1937, an increase of 679,908 tons. Net receipts of whole undertaking rose from £774,031 to £803,105. Net revenue £30,536 higher at £740,343. There was received £107,291 net from sales of land during year.

Richardsons, Westgarth and Company.—Shareholders are urged to send in proxies for the meetings on February 28th which are to consider the scheme for amalgamation with the North Eastern Marine Engineering and George Clark, Ltd. Under the scheme the issued capital of the amalgamated company will be divided among the shareholders of the three companies in proportion to the value of the net assets brought in by each.

Industry and Trade

Cotton Trade Reorganisation.—The new draft proposals for the reorganisation of the cotton industry, amended to meet the objections expressed by the President of the Board of Trade to the original scheme, have now been formally submitted to the Government, and representatives of the Joint Committee of Cotton Trade Organisations met Mr Oliver Stanley this week to discuss them. Mr Stanley's letter of December last asked for clear and comprehensive definitions to indicate the scope of the proposed Enabling Act, more detailed information in regard to the type of scheme likely to be brought forward under the Act, and the fullest possible information about the steps proposed for the development of export trade. The draft which has now been submitted, and a separate memorandum of export trade policy which accompanied it, deal very specifically with these points, and should, it is hoped in Lancashire, meet the Government's objections to the earlier scheme. Spinners, manufacturers and merchants are vitally interested in the proposals contained in the memorandum on the export trade. It is recognised by all sections of the industry that the proposals for the export trade are of crucial importance, and that the whole scheme will stand or fall by them. The details of the trade's proposals are for obvious reasons being kept secret. But their main outline is believed to be the formulation of plans whereby spinners, manufacturers and merchants should co-operate in producing and marketing bulk lines of cotton piece-goods at prices which will compete with Japan, Italy and other countries. Mass-production methods and co-operative efforts at marketing have been tried in the past, but they have been handicapped by insufficient financial resources. It is hoped that, with the backing of the whole of the producing sections, it will at long last be possible for Lancashire to make a selling effort in foreign markets commensurate with her productive capabilities.

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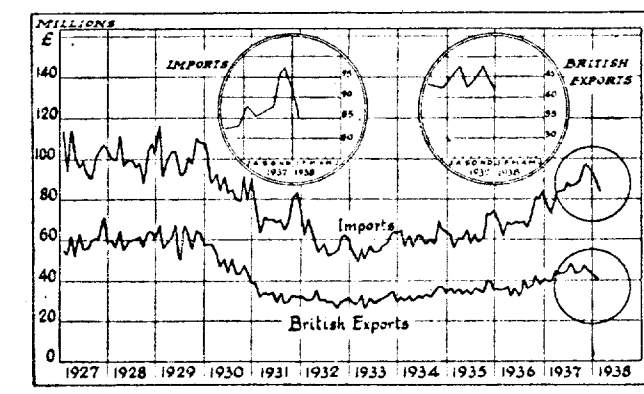
Cheaper Coal for Lancashire?—Recent increases in the price of coal have placed additional burdens on the cotton industry, but the cotton interests now appear to have been successful in their agitation for a revision of prices under 1938 contracts. At an inquiry held last week by the Lancashire and Cheshire District Committee of Investigation, leaders of the cotton industry complained that, since 1935, coal had been costing the industry an additional £1,200,000 annually. The Committee of Investigation has now informed the cotton interests that, while it regards some increase in coal prices this year as justifiable, it is not convinced that the actual increases complained of (which range from 3s. to 4s. a ton) are warranted. The executive board of the Lancashire and Cheshire (Coal Mines) Scheme is therefore recommended to reconsider the 1938 figures "with a view to their amendment"; and is asked to notify the Committee of Investigation of the steps it proposes to take. The Committee is not armed with compulsory powers, but it seems likely that its recommendation will be adopted by the coalowners concerned. The latter's decision is naturally awaited with some anxiety in Lancashire—the more so in view of the fact that similar complaints regarding coal prices have been lodged with the Committees of Investigation for the Midland Amalgamated District and the North Staffordshire District. These complaints have not yet been investigated, and it is possible that the recommendation made may be influenced by the outcome of events in the Lancashire District.

* * *

Overseas Trade in January.—The trade returns for January reflect the downward trend in British business activity noticeable since last autumn. Both imports and exports showed a decline between December and January. The value of imports fell from £94.3 millions to £85.0 millions, and shipments of domestic goods declined from

£43.9 millions to £41.2 millions. Seasonal influences, moreover, cannot be held fully responsible for the decline. As the accompanying diagram shows, exports and imports have shown a downward trend since October and November respectively. Compared with a year ago,

TOTAL IMPORTS AND DOMESTIC EXPORTS



however, both imports and exports still show an increase amounting to 12.2 per cent. and 5.3 per cent. respectively. Between 1936 and 1937, moreover, imports rose by 21.4 per cent., and exports by 18.3 per cent. As imports have been maintained relatively better than exports, the

(£ thousands)

	January			Change between 1937 and 1938	
	1936	1937	1938		
Total imports.....	69,954	45,713	84,956	+ 9,243	+ 12.2
British exports.....	34,460	39,101	41,183	+ 2,082	+ 5.3
Re-exports.....	4,320	5,076	4,801	- 275	- 6.4
Total exports.....	38,780	44,177	45,984	+ 1,808	+ 4.1
Excess of imports over exports	31,174	31,536	38,971	+ 7,435	+ 23.5
Transshipments under bond...	2,397	2,942	2,835	- 109	- 3.7

past month witnessed a further substantial increase in the adverse balance of merchandise trade. And the latest indications do not herald an early and significant change of trend.

* * *

Overseas Trade by Commodities.—An analysis of quantitative changes in imports during the past twelve months shows increases in a number of important commodities:—

RETAINED IMPORTS. MONTH OF JANUARY.

Item and Measure	1936	1937	1938	
Wheat	'000 cwt.	6,612	5,286	6,566
Beef and veal	'000 cwt.	1,016	1,177	1,087
Mutton and lamb	'000 cwt.	524	595	568
Sugar (unrefined)	'000 cwt.	4,042	3,888	4,011
Iron ore and scrap	'000 tons	579	472	848
Raw cotton	'000 cents	1,377	1,575	1,463
Sheep's and lambs' wool	'000 cents	719	766	695
Flax, hemp and jute	'000 tons	55,600	59,767	41,646
Crude petroleum	'000 gals.	43,383	51,067	48,844
Hides, wet and dry	'000 cwt.	119	101	111
Wood pulp	'000 tons	221	143	168
Rubber	'000 cents	102	6	36
Unwrought copper	tons	20,242	22,025	27,173
Pig lead	tons	27,542	35,093	41,955
Iron	tons	5,062	3,237	3,542
Ore and concentrates	tons	232	720	320
Blocks, ingots, slabs and bars	tons	120	83	308
Iron and steel manufactures	'000 tons	6,811	10,091	10,524
Machinery	tons			

Imports of wheat and sugar last month were higher, and those of meat lower, than in January, 1937. The intake of raw materials for the metal industries was appreciably heavier, but imports of textile raw materials were lower, an indication of the recession in the activity of the textile trades, revealed also by the decline in the exports of cotton yarns and piece-goods, wool tops, worsted yarns and woollen and worsted tissues, and

linen piece-goods. The fall in shipments of linen piece-goods is substantial.

BRITISH EXPORTS. MONTH OF JANUARY

Item and Measure	1936	1937	1938
Coal	2,793	2,987	2,983
Iron and steel scrap	15,328	33,074	1,815
Pig iron and ferro alloys	8,190	13,796	13,274
Railway materials	6,899	17,968	13,247
Total iron and steel manufactures	164,772	215,040	191,161
Textile machinery	4,925	4,810	7,663
Cotton yarns	30,023	30,095	41,534
Cotton piece-goods	12,942	13,761	10,718
Wool tops	166,679	160,635	138,175
Woolen yarns	4,342	4,466	2,500
Woolen tissues	2,878	2,410	1,708
Woolen piece-goods	7,815	7,848	6,663
Woolen piece-goods	3,429	3,480	3,765
Linen piece-goods	8,254	9,398	5,834
Leather boots and shoes	26,209	27,746	34,398
Leather	24,956	24,558	14,522
Paper and cardboard	315,859	371,788	348,580
Locomotives and parts	1,871	1,831	1,924
Motor vehicles and chassis	6,235	8,871	8,275

The expansion in exports of coal has been arrested, and shipments of motor vehicles and iron and steel were below those of January last year. Exceptionally, exports of machinery, representing orders placed many months ago, continued well above last year's level.

Britain's Beer.—The consumption of beer in this country tends to fluctuate *pari passu* with variations in the general level of business activity, declining in years of depression and rising with the return of prosperity. Thus the output of beer in the United Kingdom reached its nadir in 1932, when the slump in business was at its worst, and has gradually expanded since then. Production in recent years (in thousands of standard barrels) has proceeded as follows:—

1928	19,597	1933	14,314
1929	19,435	1934	15,521
1930	18,811	1935	16,254
1931	16,377	1936	16,739
1932	13,228	1937	17,854

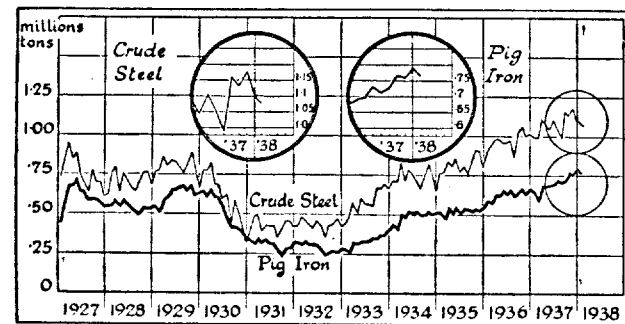
The cyclical fluctuations have been superimposed upon a secular downward trend of consumption. Consumption per head has been much lower in the post-war years than it was before 1914, and production has consequently shown a long-term decline. Thus, output, which fell by 6,370,000 barrels between 1929 and 1932, has since risen only by 4,626,000 barrels, and remains almost 9 per cent. below the level of 1929. In view of the business recession, reflected in the growth of unemployment since last autumn, it seems unlikely that beer consumption will maintain its recent rate of increase in 1938.

Motor Industry Recession.—The registration figures for December make it impossible, even for the most optimistic observer, to deny the existence of some recession in the motor industry. In September, October and November, 1937, sales of private cars in Great Britain fell short of the comparable figures for 1936 by 5.7, 12.4 and 13.3 per cent. respectively. Trade circles, however, ascribed this setback to special and temporary factors. The decline was continued, however, in December, when new registrations totalled 25,795, and were 7.3 per cent. below the 1936 figure. The fall was certainly relatively smaller than in the preceding month, but the downward trend now appears unmistakable. Moreover, the shift of demand from the more to the less expensive type of car was again in evidence in December. Registrations in the eight-horsepower category were actually higher than in December, 1936, at 7,987, compared with 6,810. In the ten-horsepower class the trilling nature of the decline from 7,348 to 7,308 has been attributed to the popularity of the new Vauxhall ten. In practically all other categories there were sharp reductions. Meanwhile, the commercial section of the industry showed no improvement; in December sales of goods vehicles fell by 16 per cent., from 7,565 to 6,334, the fall being fairly evenly spread between the different categories. This contraction followed declines of 4, 11 and

17 per cent., respectively, in the figures for September, October and November. Optimism about the immediate prospects of the motor industry is difficult.

Seasonal Decline in Steel Production.—Compared with the downward trend of activity in many other branches of activity, the output of the iron and steel industry has so far been well maintained. The returns of the British Iron and Steel Federation reveal a slight reduction in output between December and January. But the decline in pig iron and steel production was entirely seasonal, and was no greater than a year ago, amounting to 22,400 and 22,700 tons respectively. As the accompanying diagram shows, pig iron production increased at a slower rate than steel output between 1932 and 1936. During the past year,

BRITISH IRON AND STEEL PRODUCTION



however, this tendency has been reversed, for the output of pig iron last month was 110,400 tons higher than a year ago, compared with an increase of 82,500 tons in steel production. Imports of iron and steel materials showed a further substantial increase last month, when they totalled 308,700 tons, against 83,100 tons in January, 1937. On the other hand, the downward trend of exports continued, shipments in January showing a reduction of 23,800 tons on the corresponding month a year earlier.

PRODUCTION AND TRADE IN IRON AND STEEL (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	612.4	803.0	235.2	364.9
1932	297.8	438.5	132.7	157.4
1936	643.5	982.1	123.6	183.8
1937	708.0	1,080.3	170.0	214.7
1937—December	671.4	1,019.2	94.8	204.8
1937—January	650.7	948.9	83.1	215.0
1937—February	603.7	995.9	82.9	200.5
1937—March	680.3	1,109.5	94.3	231.6
1937—April	680.7	1,080.4	88.5	239.5
1937—May	696.3	1,047.3	98.1	228.3
1937—June	699.3	1,106.4	174.8	235.4
1937—July	729.3	1,059.2	202.3	232.2
1937—August	714.0	987.7	213.4	201.4
1937—September	726.7	1,163.0	226.2	193.6
1937—October	769.6	1,133.6	220.5	206.9
1937—November	762.3	1,178.3	272.5	198.0
1937—December	783.8	1,103.8	288.3	196.8
1938—January	761.1	1,081.4	308.7	191.2

As a result of the coincidence of a substantial volume of home production with rising imports and falling exports, the quantity of iron and steel available for domestic consumers has increased substantially. There are now hardly any complaints concerning the scarcity of supplies. On the contrary, producers and consumers of pig iron, for example, have recently been able to replenish their stocks. Meanwhile, consumption remains heavy, but the volume of new transactions has been comparatively small of late.

American Steel Output and Exports.—In contrast to the high level of operations in the British iron and steel industry, production in the United States has been

sharply curtailed since last summer. For example, as the following table shows, the output of steel has fallen from 5,216,000 tons in March last year, to 2,206,000 tons in December.

OUTPUT AND EXPORTS

(In thousands of tons)

Monthly average	Output	Exports (excl. scrap)
1929	4,571	207
1932	1,122	31
1936	3,959	102
1937	4,187	289
December, 1936	4,424	135
January, 1937	4,125	127
February	4,414	139
March	5,216	206
April	5,072	240
May	5,154	328
June	4,184	305
July	4,556	461
August	4,875	404
September	4,302	283
October	3,392	332
November	2,154	290
December	2,206	260

The heavy demand for steel outside the United States stimulated some increase in American exports in the middle of the year. But exports also fell off in the fourth quarter and, in any case, sales abroad form only a small part of the total production of iron and steel in the United States. Nevertheless, the increase in American exports has been an important factor in the intensification of competition for a dwindling export market. There have been negotiations between representatives of the International Steel Cartel and the American Steel Exporters' Association for the purpose of keeping competition within limits and preventing a collapse of prices. A cable from New York indicates that the American Steel Exporters' Association is now trying to work out export quotas in co-operation with the International Steel Cartel in respect of about a dozen products. In the long run, however, the intensity of American competition in the export markets will vary with the course of domestic demand. While operations in the industry have increased from 19.2 per cent. of capacity in the last week of December to 31.0 per cent. in the current week, there are no indications that output will recover in the near future to the level of a year ago.

Rubber Control.—Dr George Rae's paper on the statistics of the rubber industry, read before the Royal Statistical Society on Tuesday—which, among its abundant facts and figures, had much to say of the rubber control scheme—came at an opportune moment. It is understood that the International Rubber Regulation Committee has virtually approved a scheme, drafted by a sub-committee, for continued restriction of production during a further five-year period from January 1, 1939. The new scheme is believed to be in process of submission to the signatory Governments. The existing agreement provides that the Rubber Regulation Committee must make a recommendation on the question of export regulation to the signatory Governments not later than March 31, 1938; and that if the Committee recommends the continuance of restriction the Governments must indicate their acceptance or rejection of its proposals within three months. There is little doubt that restriction will be continued, though its terms may be altered. For example, the virtual ban on new planting in the present agreement may be modified. Moreover, certain of the smaller producing countries, such as Ceylon, Burma and Sarawak, are known to be dissatisfied with their standard tonnages, and their claim for an increase may well be conceded. It is less certain whether any increase in their quotas will be made at the expense of Malaya and the Dutch East Indies, or whether it will represent a net addition to the aggregate standard tonnage. Meanwhile, business on the market has been quiet, but prices have remained steady.

Sugar Market Weakness.—The International Sugar Agreement, which has been in force for less than twelve months, is causing disappointment, for the sugar market has lately shown pronounced weakness. The price of centrifugals 96° on the London market, which averaged 6s. 4½d. per cwt. last year, fell below 5s. at one time last week, in consequence of heavy liquidation of the March position and a volume of stop-loss sales. During the past few days the market has shown more resistance and the price has recovered to around 5s. 4d. per cwt., but there appears to be little confidence in the future. To some extent seasonal factors are responsible for the market's weakness. The domestic beet season is at its height, and heavy imports of cane sugar from Empire sources tend to cause congestion. Arrivals from Cuba have been rather larger than last year. United Kingdom stocks have consequently been accumulating and, as refining demand has shown slight improvement, the market has been under pressure. Apart from seasonal factors there has recently been uncertainty about the statistical position. Export quotas under the 1937 Sugar Agreement were fixed on the assumption that world demand would increase by 3 per cent. in the current season; but this estimate now appears optimistic. United Kingdom stocks are, in fact, appreciably above last year's level. The uncertainties of the statistical position prompted the hope that the International Sugar Council would hold a further meeting, but so far no news of such a decision has been received. Altogether, a sustained price improvement seems improbable in the near future.

Prosperity on Tyneside.—Presenting the accounts of the Tyne Improvement Commission on Tuesday, Mr H. P. Everett laid stress upon the prosperous record of 1937. Tyne imports rose by 162,000 tons and exports by 55,000 tons; and the gross tonnage of naval and mercantile ships under construction at the end of the year reached the high level of 351,000 tons. General economic recovery and the demands of the re-armament programme stimulated industry; and coal shipments from the Tyne were 420,000 tons greater than in 1936, entirely because of a renewal in Italian demand, without which shipments would actually have declined by nearly 300,000 tons. Mr Everett looked forward to sustained activity in 1938; but drew attention to the significance for the Tyne, heavily equipped for coal exporting, of the increase in the proportion of world shipping tonnage burning oil as bunkers from 4 per cent. in 1914 to over 50 per cent. to-day. In 1937 the bunker trade of the Tyne fell by 241,000 tons, and the "out-standing and unhappy feature" of the river's trade last year was this serious decline.

Scottish Herring Drifters.—An extensive survey of Scottish steam drifters at the various Moray Firth ports, writes a correspondent, has revealed that many craft are in need of repair in order to meet the requirements of the Board of Trade. In many instances the expenditure is estimated at £150 to £200—a comparatively small sum considering the cost involved in connection with steam-powered fishing craft in these days. Scottish boat repairers have therefore entered upon an extremely busy period, as all vessels must be in condition before the beginning of the forthcoming herring season. Some of the older craft, however, cannot be reconditioned for less than £400 to £500, and as the share-owners are obviously not in a position to undertake such overhauls, their only alternative is to scrap these vessels. The question whether steam-driven boats are to continue in use or whether oil-engined craft are to be adopted is still undecided. Although most fishermen favour steam propulsion, they are convinced that a herring boat of smaller dimensions is essential in the interests of economy. Marketing progress abroad, it is felt, must necessarily be slow, and on account of self-sufficiency programmes in herring-buying countries, definitely limited. Diesel-engined boats of smaller dimensions than the existing eighty- or ninety-foot drifters are therefore coming into favour. A seventy-foot motor drifter costs about £3,300 to build, compared with about twice that sum for a larger-sized steam drifter; it is much cheaper to operate

and, for that reason, can be better adapted to the present abnormal state of the herring trade.

Wholesale Prices' Continued Decline.—The past fortnight witnessed a further fall in British wholesale prices,

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 Reichsanalt	British Complete Index (sterling)	Primary Products (sterling)
	British Complete Index (sterling)	American (dollar)							
1936									
Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4	
Jan. 27th 1938	134.2	164.2	184.5	167.0	131.0	115.9	116.8	95.7	
Feb. 24th 1938	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2	
Mar. 31st 1938	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5	
Apr. 28th 1938	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0	
May 2nd 1938	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5	
June 30th 1938	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5	
July 28th 1938	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9	
Aug. 25th 1938	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1	
Sept. 8th 1938	137.4	165.1	166.9	165.3	132.2	136.7	135.9	97.7	
Sept. 22nd 1938	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6	
Oct. 6th 1938	135.1	159.7	153.7	165.5	130.2	139.9	140.5	97.4	
Oct. 20th 1938	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3	
Nov. 3rd 1938	131.7	152.7	147.2	165.7	127.4	136.5	141.9	97.3	
Nov. 17th 1938	129.7	147.3	141.6	164.5	124.8	134.5	142.9	97.0	
Dec. 1st 1938	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0	
Dec. 15th 1938	127.8	146.7	137.5	164.5	121.6	134.7	143.9	96.9	
Dec. 29th 1938	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0	
1938									
Jan. 5th 1938	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9	
Jan. 19th 1938	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9	
Feb. 2nd 1938	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0	
Feb. 16th 1938	125.0	141.7	136.8	164.5	119.5*	137.2*	143.8	96.9*	

* These figures relate to February 9th.

† Monthly average.

amounting to 0.9 per cent. in the case of *The Economist's* complete index number, and to 1.9 per cent. for primary products. In the United States, on the other hand, there are signs of a check to the decline. *The Economist's* primary products index for the United States has risen by 1.0 per cent., while the fall in the Irving Fisher complete index is only 0.3 per cent. There was a decline of 0.5 per cent. in French wholesale prices. The official index for Germany has remained almost unchanged for many months. The index numbers for the groups composing the index are given below, with comparative figures for a fortnight ago, a year ago and also for September 18, 1931:—

The Economist INDEX

(1927 = 100)

	Sept. 18, 1937	Feb. 10, 1937	Feb. 2, 1938	Feb. 16, 1938
1931				
Cereals and meat...	64.5	88.3	90.4	89.4
Other foods	62.2	68.7	61.4	59.6
Textiles	43.7	68.8	57.8	57.7
Minerals	67.4	99.3	94.7	93.4
Miscellaneous	65.8	82.8	79.3	78.5
Complete index	60.4	81.5	76.5	75.5
1913 = 100	83.1	112.2	105.2	104.0
1924 = 100	52.2	70.5	66.1	65.2

Textile prices are firmer, but otherwise the fortnight's decline is fairly general. Wholesale prices are now 7.4 per cent. lower than they were a year ago.

INDUSTRIAL REPORTS

THE keynote of the latest reports from industrial centres is still the absence of a revival in the volume of new business in many industries. Even the coal industry, which, until recently, obtained a large volume of new orders, is now experiencing a decline in new business, especially in the export trade. Our Cardiff correspondent reports that stocks have been accumulating in recent months both at home and in importing countries, and that a number of merchants have inquired whether it would be possible to cancel contract deliveries over the next few months. Similarly, the volume of new transactions in iron and steel remains small, and stocks of pig iron are again on the upgrade. The recession in the exports of tinplates, moreover, has led to the suspension of operations at a number of steel furnaces in Wales. Reports from the cotton and wool textile industries reveal no improvement. Stocks show a tendency to increase, and, despite the closing down of many cotton mills, output continues to exceed sales.

Coal

Cardiff.—Both at home and abroad stocks have been accumulating in recent months, particularly at foreign coaling depots, and merchants have been making inquiries to ascertain whether arrangements are possible under the centralised selling scheme either for the cancellation of contract coals due to them over the next few months, or for the sale of such coals at free market prices. Local industrial demand is slightly less active, and shipments in the foreign and coastwise trades at the South Wales docks last week totalled only 378,400 tons, compared with 430,000 tons three weeks ago, and 377,552 tons in the corresponding week last year.

The approved prices of the Central Board are unchanged, and so far there

have been very few reports of loss of working time at the collieries. The period of the suspension of the trade share provisions of the output and price regulation schemes expires at the end of March, but the Executive Board under the South Wales scheme have decided in favour of a further extension of the period till the end of September. The Monte Video Electricity Works have placed a contract for 75,000 to 85,000 tons of sized coals over the twelve months ending March, 1939. Exporters at Cardiff have been informed that in future the French Railways will make their purchases of coal through a central body to be known as the French National Railways Coal Department. Coke prices continue firm, but pitwood quotations are easier, and prices for Portuguese wood have been reduced by about 1s. per ton to 25s.-26s.

Newcastle-on-Tyne.—The prompt position in the North-East coal market is satisfactory enough, but the outlook gives little encouragement, there being no signs of any improvement in demand. Hand-to-mouth buying and heavy stocks abroad are largely responsible for this dull spell in the export trade. Moreover, consumers, especially in the Scandinavian countries, believe that prices will tend to decline as a result of the increased European production. Northumberland steam collieries continue to work regularly on contracts made last year, whilst in Durham, local industrial demand is still the basis of the market. The demand for patent oven coke is weak, particularly in the export section.

Sheffield.—The inland market continues very firm, demand for steam coal being at a very high level, with every indication of remaining so for some

time. Export business is still very small, but with good inland business collieries show little anxiety concerning prospects.

Glasgow.—Domestic demand remains active, but export trade in the Scottish coal market continues dull. Export business has shown some improvement during the past week, but is still well below the former level. Consumption in the importing Continental countries appears to be on the decline, while the position has been further affected in certain cases by offers of cheap coal from various European districts. Generally the collieries are now becoming more dependent on home business and contract orders for the shipping trade, and as conditions in both these directions remain satisfactory it has been possible in most cases to maintain prices. But the market in one or two steam sorts, as well as larger-sized nuts, remains dull.

COAL OUTPUT AND EMPLOYMENT

District	Week ended January 29, 1938		Week ended February 5, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	000 tons	000's	000 tons	000's
Durham	306.4	45.5	296.4	45.5
Yorkshire	709.5	117.5	724.8	117.7
Lancs, Cheshire and N. Wales	956.7	142.7	955.6	143.0
Derby, Notts & Leicester	367.7	69.2	371.3	69.0
Staffs, Wars., Salop & Warwick	753.6	98.5	758.8	98.6
South Wales and Monmouths	425.1	67.6	423.3	67.7
Other English districts	826.7	136.7	825.1	136.8
Scotland	126.2	22.4	127.4	22.4
Scotland	653.7	91.0	639.4	91.2
Total	5,125.6	791.1	5,122.1	792.1

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that the market remains quiet. Although new business is scarce, heavy tonnages are passing into consumption.

The demand for pig iron is not so vigorous as it was a few weeks ago, but heavy deliveries are being made against current contracts. Production is heavy, and both makers and consumers are able to put iron into stock. Most users have covered their requirements up to June and are disinclined to extend their commitments into the second half of the year.

In the semi-finished steel department supplies are now adequate to meet the needs of all the consuming branches of the trade.

Although the output of finished steel is maintained at a high level, it is difficult to place orders for certain descriptions except for forward delivery. Export business remains quiet, but recently there has been rather more inquiry from several overseas markets.

Sheffield.—Somewhat quieter conditions in the iron market continue, and there is little likelihood of revival until nearer the end of the current quarter. There has been no decline in the volume of business in the steel market, and orders for basic billets are not easy to place in full. There is no change in the iron and steel scrap market, supplies of most sorts being equal to consumers' needs. Among the steady flow of new orders from home and abroad is one received by a Sheffield firm from the Russian Government for steelworks plant and equipment which will take over a year to complete. It is said to be the largest of the kind ever received here.

Middlesbrough.—Producers are well sold ahead, whilst consumers see no advantage in closing further contracts for later delivery. The local consumption of pig iron has not been reduced, but foundries are well supplied with iron from other sources, and Cleveland foundry pig iron can now be supplied without delay. It is not likely that consumers will purchase further parcels of foreign pig iron in view of the fact that home producers have introduced the 5s. per ton rebate to regular consumers. Owing to the increased home production of iron it is thought probable that the import duty will be re-established at the end of next month.

Glasgow.—Export business remains quiet, but there is a good volume of inquiry for several overseas markets and an early improvement in export demand is anticipated. Steelmakers are not yet able to promise prompt delivery for new business. Re-rollers are now obtaining almost adequate supplies of semi-finished steel. Manufacturers in Glasgow and neighbouring towns are still very busy.

Cardiff.—The recession in the demand for tinplates has been accentuated during the past few weeks. The

latest return of the South Wales Pool indicates that output during the week ended February 5th was only at 57.5 per cent. of capacity, compared with last year's peak figure of 80.5 per cent. and a weekly average of about 73 per cent. In the home market the demand is fairly well maintained, but exports continue to decline. Shipments at Swansea last week totalled only 4,041 tons, compared with 5,524 tons in the corresponding period of 1937. The slump is reacting on the steel furnaces and at several of them operations were suspended from the beginning of this week. In the other re-rolling sections of the industry there is little change. The demand for pig iron is still very active. Prices are unaltered.

Textiles

Cotton (Manchester).—There has been little change in market conditions. A limited business has been done and buyers have continued their policy of operating from hand to mouth. Raw cotton prices have risen. A feature of interest has been the passage of the Farm Bill in the United States. There is some confusion concerning the terms of the Bill, but it establishes drastic control of production. According to present arrangements the new crop is to be limited to 11,500,000-12,000,000 bales, against 18,750,000 bales harvested last year. The latest advices with regard to the trend of world consumption are not favourable.

It has been another poor week for spinners. Although many mills have been closed down and machinery stopped in other factories, production has exceeded sales, with the result that stocks have increased. Slightly more active demand has been experienced in the cloth market, but many difficulties have been encountered in arranging terms for fresh contracts. Business for India has been small. Here and there low prices have been accepted by needy manufacturers. Some producers of printed and dyed goods have done slightly better for the Straits Settlements. Irregular buying has occurred for Egypt, chiefly of white goods. Heavy materials have been in request for the Dominions. New business in home trade fabrics has not been at all important, but rather improved clearances are now taking place.

RAW COTTON delivered to Spinners (Million bales)

Variety	Week ended		Total Deliveries	
	Feb. 4, 1938	Feb. 11, 1938	Aug. 1, 1936-1937	Aug. 1, 1937-1938
American	27.7	23.5	657	715.9
Brazilian	3.2	5.0	202	185.8
Peruvian, etc.	2.6	3.3	88	74.2
Egyptian	10.5	3.8	213	187.9
Sudan Sakel	2.8	1.7	83	91.5
East Indian	5.3	15.3	230	172.5
Other countries	2.5	2.7	115	107.7
Total	54.6	55.3	1,588	1,535.5

Wool (Bradford).—There has been no improvement in the wool textile industry of this country during the past fortnight, although conditions are no

THE COMMODITY MARKETS

THE general trend of the prices of primary products was downward this week. The gradual decline in British business activity and the uncertain outlook in the United States did not provide any incentive for large-scale purchases by consumers or speculative operations.

Among non-ferrous metals, copper and tin were a little firmer than a week ago, but the prices of lead and spelter were marked down. The passing of the Farm Bill in the United States was responsible for a slight improvement on the raw cotton markets. Business and rubber was on a small scale at generally unchanged prices. Wheat was slightly cheaper, but raw sugar prices showed a small recovery. Meat prices are scarcely changed on the week.

In the United States, the sagging tendency of prices is revealed by Moody's index of staple commodities, which declined from 149.4 (December 31, 1931 = 100) to 147.8 during the week ended last Wednesday. A month ago the index stood at 152.4 and a year ago at 206.3.

Metals

Copper.—After a further decline, prices recovered to close on Wednesday with a gain of 3s. 9d. per ton on the week. An increased turnover in mid-week, despite the Austrian crisis, suggests that consumers are not well stocked and must come on to the market if the present rate of absorption is to be maintained.

According to the Copper Institute statistics, consumption outside the United States rose from 103,860 short tons in December to the high level of 114,640 short tons in January. Production of refined copper declined simultaneously from 119,410 to 103,820 short tons. In the United States, however, the position showed further deterioration last month. Apparent consumption, it is true, rose from 18,100 to 24,880 short tons, but refined production advanced from 60,460 to 70,480 short tons. U.S. stocks consequently rose from 259,900 to 299,130 short tons—a level high enough to induce consumers in that country to delay their long-overdue restocking movement still further. Stocks outside America fell from 211,850 to 206,820 short tons between December 31st and January 31st; but this improvement in the statistical position is unlikely to have much effect on the London market, in view of the psychological effects of the deterioration in the United States.

Tin.—Prices showed a further advance in anticipation of a substantial cut in the quota for the second quarter of the year, and of an announcement on the buffer pool question, after Friday's meeting of the International Tin Committee. The result of the meeting was not known at the time of going to press, but the maintenance of the improvement will depend upon the decisions then taken.

Lead and Spelter.—After an initial decline, prices of both metals rallied, to close on Wednesday showing a slight decline on the week. The unfavourable trend of American markets and the realisation that the statistical position continues to deteriorate were the principal causal factors. According to the Metallgesellschaft, the world's zinc smelter production reached the record total of 1,653,108 metric tons last year, against 1,495,245 in 1936. World production in December (145,680 metric tons) was equal to a daily output of 4,699 tons, against a daily rate of 4,529 tons for the whole of 1937 and 4,085 tons for 1936. In view of the setback to demand, the current rate of production must be reflected in a heavy accumulation of stocks.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
February 4	1,600	250	1,200	1,400
" 8	1,550	200	1,200	1,450
" 9	2,400	275	1,850	1,875
" 10	2,550	275	1,800	1,200
" 11	1,300	315	1,250	1,600
" 12	850	250	1,100	1,550
" 13	450	190	750	1,050
" 15	2,250	325	1,250	900
" 16	2,150	385	750	600

U.K. STOCKS

	Feb. 5, 1938	Feb. 12, 1938
Copper (Br. official whouses):	9,721	9,115
Rented	21,916	21,925
Tin (London and Liverpool):	2,502	2,716

Grains

The markets in wheat have been rather featureless in the period under review and prices are slightly easier. Demand for Australian remains somewhat disappointing, but there is no selling pressure from the Commonwealth. The statistical position of red wheat remains sound relatively to that of white, and Manitoba grades continue to command a premium. There is no improvement in demand for home-milled flour, while the position of imported descriptions is unchanged. The maize market has remained fairly steady,

but prices have eased slightly. Meanwhile, demand for imported feeding barley has improved and a fair business has been transacted at steady rates. There are few offers of English malting barley.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

From—	Week ended Feb. 5, 1938	Season to Feb. 12, 1938	Season to Feb. 11, 1937	Season to Feb. 12, 1936
N. America	463	483	17,585	13,480
Argentina and Uruguay	377	277	8,704	3,671
Australia	272	433	6,057	6,055
Russia	57	37	11	4,239
Danube and dist.	180	98	6,606	4,651
India	25	12	948	982
Other Countries	23	23	864	363
Total	1,374	1,363	40,775	33,441
To—				
U.K.	241	365	10,826	9,039
" Orders "	305	229	9,035	6,749
France	29	752	431	
Belgium	140	138	2,725	3,241
Holland	59	77	1,070	2,011
Italy	24	2	3,537	606
Greece	50	82	1,104	1,046
Scandinavia	54	24	1,103	854
Austria, etc.	53	44	1,177	1,195
Other European Countries	144	104	512	1,988
Ex-European Countries	275	298	8,934	6,281
Total	1,374	1,363	40,775	33,441

SALES OF BRITISH CEREALS

	Week ended Feb. 5, 1938	Feb. 12, 1938
Wheat	275,209 cwt.	248,825 cwt.
Barley	140,402 cwt.	109,111 cwt.
Oats	69,307 cwt.	44,125 cwt.

Other Foods

Provisions and Meat.—On the London Provision Exchange this week Irish and Dutch bacon were a slightly firmer market, with other kinds about unchanged in price; hams were rather dearer. Butter was firm on Monday but slow in mid-week. Colonial makes being dearer and Danish unchanged on the week. New Zealand cheese was cheaper, but other varieties were unaltered. The cold weather has served to check the seasonal weakness of the egg market and prices are only a shade lower than they were a week ago. Business in meat at Smithfield was fair and price changes were few.

Colonial Produce.—After last week's depression, the London market in raw sugar showed an improved tone and prices scored a recovery. The causes of the recent weakness are discussed in a Note in the Industry and Trade section. Cocoa was also a somewhat

firmer market following the news that part of the Gold Coast crop has already been burned. Tea, on the other hand, was in less active request this week and prices eased. The spot market in coffee was quiet and prices declined.

Fruit.—At Covent Garden during the past week the demand for most lines of dessert fruit has been adversely affected by the wintry weather, but prices have not suffered much. According to *The Fruitgrower* business in apples was not so active, although inquiry for cooking varieties remained quite good. A wide range of South African fruit, which was a prominent feature of the market, generally encountered an active demand. Grapes sold particularly well; peaches and nectarines were good items, but pears did not move quite so freely. Oranges remained a consistent trade, Jaffas being in best demand. Grapefruit were a slow trade, but business in lemons was rather better than recently.

OTHER FOODS: STATISTICS

	Week ended Feb. 5, 1938	Feb. 12, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,771	13,568
Canadian	6,696	7,301
Dutch	1,612	1,836
Lithuanian	1,117	1,080
Polish	2,913	2,612
COCOA:		
Movements in Lond. (bags):		
Landed	5,904	4,192
D. d. for home consumption	10,026	5,890
Exports	44	508
Stocks, end of week	111,669	109,463
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	57	77
" D. d. for home consn.	152	2
Exports	2,261	2,182
Stocks, end of week	2,261	2,182
Central and S. American:		
Landed	4,597	4,323
D. d. for home consumption	2,568	1,782
Exports	465	835
Stocks, end of week	62,355	64,061
Other kinds—Landed	1,741	1,108
" D. d. for home consn.	4,291	4,142
Exports	1,304	507
Stocks, end of week	78,337	74,796
MEAT:		
Supplies at Smithfield (tons):		
Total	8,765	9,344
Beef and veal	4,685	4,985
Mutton and lamb	2,508	2,701
Pork and bacon	886	939
Poultry, etc.	686	719
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	4	4
" Delivered	1,950	1,953
Stocks, end of week	13	20
White—Landed	54	20
" Delivered	10,922	10,910
Stocks, end of week	10,922	10,910
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	19,678	10,237
Deliveries	15,147	14,354
Stocks, end of week	282,099	277,982
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	43,178	45,173
S. India	6,083	5,466
Ceylon	20,820	17,978
Java	4,735	3,072
Sumatra	1,446	91
Africa	1,041	2,652
Total	77,303	74,432

* Weeks ended Feb. 3 and Feb. 10 respectively.

(Continued on page 420)

BRITISH WHOLESALE PRICES

	Feb. 1938	Feb. 16, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	58 3	56 9
Eng. Gaz. av., per cwt.	8 3	8 2
Liv. March, per cental	7 8 7	7 5
Flour, per 280 lbs.—		
Straits, d. d. London	36 6	36 0
Manitoba, ex store	39 6	39 0
Barley, Eng. Gaz. av.	12 10	12 8
Oats	8 5	8 7
Maize, La Plata, landed, 480 lb.	34 0	33 9
Do. January	34 0	33 9
Rice, No. 2 Burma, per cwt.	8 4 1/2	8 3

MEAT—		
Beef, per 8 lbs.—		
English long sides	4 10	4 10
Argentine chilled hinds	4 5	4 5
Mutton, per 8 lbs.—		
English wethers	4 8	4 8
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 8	5 0
Pork, English, per 8 lbs.—		
N.Z. frozen	6 8	6 8

BACON (per cwt.)—		
English	98 0	98 0
Danish	98 0	98 0
Dutch	93 0	95 0
Irish	92 0	92 0
United States	86 0	87 0

OTHER FOODS		
BUTTER (per cwt.)—		
Australian	110 0	113 0
New Zealand	111 0	113 0
Danish	112 0	113 0
Irish	127 0	127 0

CHEESE (per cwt.)—		
Canadian	75 0	75 0
New Zealand	68 6	67 6
English Cheddars	96 0	96 0
Dutch	63 0	61 0

COCOA (per cwt.)—		
Acacia, L.L.	28 0	28 0
Trinidad	43 0	43 0
Grenada	53 0	53 0

COFFEE (per cwt.)—		
Santos sup. c. & f.	32 0	31 0
Costa Rica, medium to good	52 0	50 0
Kenya, medium	45 0	45 0
EGGS (per 120)—		
English (15-15 1/2 lb.)	15 0	14 6
Danish (15 1/2 lb.)	12 6	12 0

FRUIT—		
Oranges, Jaffa	8 3	9 6
" Brazilian	15 0	15 0
Lemons, Maiaga	10 3	10 6
" Sicilian	12 9	12 6
Apples, Amer. (var.)	25 0	26 0
" (var.)	10 9	11 0
Grapes, Almeria	11 0	8 6
Grapefruit, Jaffa	17 6	14 6

LARD (per cwt.)—		
Irish, honest bladders	64 0	64 0
U.S.	52 0	52 0
PEPPER, per lb.—		
Black Lampung (in Bond)	0 4	0 2 1/2
White Muntok	0 4 1/2	0 3 1/2
POTATOES (per cwt.)—		
King Edward	6 6	6 3

SUGAR (per cwt.)—		
Centrifugals, 96°, prpt. shpm.	5 2 1/4	5 6
REFINED—London—		
Yellow Crystals	18 10 1/2	18 9
Cubes	23 7 1/2	23 6

WOLFRAM, Chinese	per unit	72 6
Platinum, refined	per oz.	12 17 0
Quicksilver	per 76 lbs.	12 17 0

* February 3 and 10 respectively.
and do not include the Government tax.

SUGAR (per cwt.)—cont.		
Crushed	19 3	19 1 1/2
Granulated	19 1 1/2	19 0
Home Grown	19 4 1/2	19 3
TEA (Auction Average) (per lb.)—		
N. India	14 33	14 24
S. India	14 52	14 64
Ceylon	16 36	16 62
Java	12 51	12 51
Sumatra	11 57	11 25
Africa	13 25	12 85
Total	14 79	14 70
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	2 6	2 6
Rhodesian stemmed and unstemmed	1 10	1 10
Nyasaland stemmed and unstemmed	0 7	0 7
East Indian stemmed and unstemmed	1 4	1 4

TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	5 01	5 02
" Sakellaridis, F.G.F.	8 30	8 33
" Giza, F.G.F.	7 47	7 53
Yarns, 32's Twist	10 8	10 8
" 40's Twist	10 8	10 8
" 60's Twist (Egyptian)	17 8	17 8
Cloth, 32 in. Printers, 116 yds.	18 2	18 2
" 36 in. Shirts, 75 yds.	24 8	24 8
" 38 in. ditto, 38 yds.	10 6 1/2	10 6 1/2
" 39 in. ditto, 37 1/2 yds.	9 6 1/2	9 6 1/2
" 16 x 15, 84 lb.	69 10	69 10
Livonian ZK	70 0	70 0
Pernau HD	71 0	71 0
Sianetz Medium, 1st sort	85 0	85 0
HEMP (per ton)—		
Italian PC	71 0	71 0
Manilla, Feb.-Apr. "J2"	26 0	27 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	£17/13/9	£18/15/0
Daisee 2/3 c.i.f. Dundee, Feb.-Mar.	£17/15/0	£17/17/6
SISAL, African, Feb.-Apr.	£19 0	£18 15
SILK (per lb.)—		
Canton	7 9	7 9
Japan	6 6	6 6
Italian, raw, fr. Milan	7 6	7 6
WOOL (per lb.)—		
English, Southdown, greasy	16 1/2	16 1/2
" Lincoln hog, washed	14 1/2	14 1/2
Queensland, scd. super combg.	25	25
N.S.W. greasy, super combg.	14	14
N.Z., greasy, half-bred 50-56	13	13
" Crossbred 40-44	12	12

MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	22 6	22 6
Durham, best gas, f.o.b. Tyne	22 0	21 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d.d.	109 0	109 0
Baird, Middlebrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Tin plates	22 6	22 6

NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	39 0 0	39 3 4
Three months	39 2 6	39 5 0
Three months	39 5 0	39 8 9
Tin—		
Standard cash	181 15 0	184 5 0
Three months	182 0 0	184 10 0
Three months	181 10 0	184 0 0
Lead, soft foreign—		
Cash	15 5 0	15 0 0
English, pig	15 6 3	15 2 6
Spot	14 2 6	13 16 3
Aluminium, ingots and bars	100 0 0	100 0 0
rolling billets	102 0 0	102 0 0
Nickel, home and export	180 0 0	180 0 0
Antimony, Chinese	67 0 0	67 0 0
Wolfram, Chinese	68 0 0	68 0 0

WOLFRAM, Chinese	per unit	72 6
Platinum, refined	per oz.	12 17 0
Quicksilver	per 76 lbs.	12 17 0

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Platinum, refined	per oz.	12 17 0
Quicksilver	per 76 lbs.	12 17 0

WOLFRAM, Chinese	per unit	72 6
Platinum, refined	per oz.	12 17 0

COMPANY MEETINGS

IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

INCREASED PROFIT — DISTRIBUTION OF 25 PER CENT.

LORD DULVERTON'S SPEECH

The thirty-sixth ordinary general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held, on the 15th instant, at Bristol.

The Rt. Hon. Lord Dulverton, the chairman, dealing with the accounts, said: The investments in subsidiary and associated companies, at cost, less amounts written off in those cases where depreciation has taken place, stand at £12,389,105, an increase of £278,094. This increase is the sum of several transactions, and represents an additional interest in businesses connected with our trade.

You will observe the note on the balance-sheet, which reads: "In the aggregate the market value of investments in associated companies is largely in excess of the book value"—and I am sure you will realise that this is mainly due to our holdings in the British-American Tobacco Company, Limited, and in some of its associated companies: these holdings represent your company's interest in the export trade, and we obtain a considerable revenue from this source.

STOCK IN TRADE

Stock-in-trade, including leaf in transit at approximate cost, and advances to branches abroad for purchase of leaf, etc., amount to £35,841,542. The increase here is £2,536,756 over last year's figure. The whole of this increase has been incurred in respect of purchases of leaf tobacco. The larger volume of trade now being done by your company involves the carrying of larger stocks of raw material, and, in addition, as I warned you last year might be the case, our leaf average prices are up again.

On several previous occasions I have alluded to the importance which we attribute to the selection and maturing of our leaf tobacco, and I think you will agree with me that the history of this company shows that our policy of buying the best tobacco that is produced, and of maintaining and maturing adequate stocks, has been amply justified. Your company has in the tobacco growing districts of America a large organisation of highly skilled buyers for the purchase of supplies of leaf, and similar organisations have been built up in the other countries from which our raw material is obtained. The closest touch between our leaf-buying organisations and our factories in this country has been maintained by visits of directors and officials to those organisations, and by corresponding visits from the responsible heads of those organisations to this country.

Debtors, less ample reserves for discounts and doubtful debts, amount to £9,522,007, an increase of £730,810. The explanation is a satisfactory one—increased trade. Here again, as in the case of stock-in-trade, there has been a very big increase over the last four years.

PROFIT AND LOSS ACCOUNT

The net profit for the year, after providing for all charges, bonus to customers, taxation and national defence contribution, and depreciation of property, plant, etc., together with all income from investments and loans—which includes substantial dividends from companies operating outside the United Kingdom—amounted to £10,760,609, an increase of £114,293. After providing £10,000 for directors' fees and transferring £250,000 to general reserve account there remains a balance of profit for the year of £10,500,609. Adding to that figure the balance brought forward from last year, £1,183,766, we get a total of £11,684,375 available for distribution. 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 £10,832,166.

THE DIVIDEND

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. The balance remaining to be carried forward to the accounts of the current year amounts to £1,441,405, which is £257,638 higher than the amount brought in at the commencement of the year under review.

We have thought it well for a number of years past to mark our appreciation of the loyal and willing service of our employees both at home and abroad by a gift over and above the ordinary salary or wage. This policy has always been approved by the stockholders; it has undoubtedly tended to maintain and increase the good feeling which has existed among our employees, 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, 1937. The general conditions of the gift remain the same, the directors reserving to themselves a discretion to grant or withhold a share in the gift in any case which may appear to them to require exceptional treatment.

CURRENT TRADE AND FUTURE PROSPECTS

Much as I hesitate to leave the firm ground of past history for the comparatively vague realms of prophecy, it would only be in accordance with custom if I were to attempt to give you our view of the immediate prospects of our business. Firstly, as regards our trade—our trade is healthy; indeed, our sales for the first three months of this year show an improvement over the corresponding period of last year. Secondly, as regards our financial prospects—here, of course, taxation is a very important factor. There is income tax and the national defence contribution to be paid upon the profits we earn, and in this connection I would invite your attention to the third paragraph in the directors' report, which reads as follows: "The national defence contribution began on April 1, 1937, and provision has been made in the accounts for the company's liability for the seven months to October 31, 1937. In the current year the charge for national defence contribution will operate during the whole twelve months."

TOBACCO DUTY

It is true that the considerable increase in our carry-forward at October 31st last will, if necessary, be available as a contribution towards the greater burden of the national defence contribution in the current year, but, of course, it can only be used once, and I should not like in any way to underestimate what I may term the taxation difficulties. Then there is the other kind of taxation which, though commonly described as indirect taxation, is nevertheless taxation in a form of which we are very directly conscious—namely, the tobacco duty. The duty on unmanufactured tobacco is at a very high rate, and I do not think its effect can be illustrated more graphically than by telling you that on the price which we as manufacturers receive for a ten for 6d. packet of cigarettes, nearly three-fifths is represented by duty, while the remaining two-fifths has to cover all our costs—the cost of the leaf itself, its handling in the country of purchase, its transport to this country, its storage while maturing in bond, our manufacturing, packing and distribution costs—and our profit. From this it must, I think, be obvious that the profits we derive from our manufacturing operations are the result of a low rate of profit on a very large turnover.

The general outlook for our business, despite the difficulties of high taxation and higher leaf costs, is, I think, encouraging, and I shall myself be disappointed if the results of the current year are less satisfactory than those which are before you to-day. If you regard this view of our immediate prospects as one of "qualified optimism," you will, I think, correctly interpret what I have attempted to say.

The report and accounts were adopted.

BORAX CONSOLIDATED, LIMITED

SUBSTANTIAL INCREASE IN PROFITS

POSITION FURTHER STRENGTHENED

The fortieth ordinary general meeting of Borax Consolidated, Limited, was held, on the 17th instant, at Southern House, E.C., Mr D. Abel Smith (the chairman) presiding.

The Chairman, in the course of his speech, said:—Ladies and Gentlemen,—The net profits are £486,232, or about £101,706 more than in the previous year. Our carry-forward from last year is £236,160, hence we have to deal with a total of £722,393.

The first and second debenture stock interest amounted to £112,500, the dividends on the preference shares to £44,000 and the sinking fund to £5,825. We have placed to buildings and plant depreciation reserve the sum of £70,000, an increase of £10,000 over last year owing to the larger amount now involved. The total of these items amounts to £232,325.

ALLOCATION OF PROFITS

Deducting this sum from the total of £722,393 there remains a balance of £490,068 as shown in the report. We propose to deal with this amount by paying a dividend of 6 per cent. for the year on the preferred ordinary shares, which will absorb £36,000, and a dividend of 1s. 6d. per share, or 7½ per cent., and 2½ per cent. bonus, making 2s. in all, on the deferred ordinary shares, which will take £130,000. We also propose to place to income tax reserve and National Defence Contribution the sum of £32,000 and £5,000 to the pensions and grants fund. In addition to allocate to a special reserve account the sum of £50,000, after which there will remain a balance of £237,068 to be carried forward to next year.

The special reserve account is a new item arising from the consequences of the shipping strike which practically tied up all shipments on the Pacific Coast of the United States from towards the end of October, 1936, to beginning of February, 1937. Many orders for ore accumulated during that period and the congestion in obtaining tonnage following the shipping strike involved still further delays in the execution of orders. Hence both we at our own works and many of our buyers, profiting by this lesson, have increased our reserve margin of stocks to avoid shortages of supplies in the event of any future disturbance in deliveries. So far as our own works are concerned, such stocks of ore are, of course, taken into account at cost, but in the case of our buyers they have paid for and hold these additional stocks and as they may reduce their orders in the future it is obviously wise to put aside a sum against this contingency. Your board has therefore deemed it advisable to place the sum of £50,000 to a special reserve account, which can always be dealt with as developments and circumstances may dictate.

CONTINUED DEMAND FOR PRODUCTS

During the period under review the demand for our products has continued steadily, spread over a wide variety of trades throughout the world, but unfortunately business is increasingly hampered by exchange restrictions, necessity of securing import permits, clearing arrangements, etc. Perhaps it is not generally realised that there are at present over 130 clearing arrangements in operation between different countries, which constitute but a halting substitute for the free flow of international commerce.

The constructional improvements at our mines and refineries already in operation have proved their value and the additional installations we have in hand, including increased storage accommodation, etc., will enable us to cope with any developments that the future may have in store for us.

As regards the prospects of the current year, so long as the present unrest and political uncertainties disturb the world it is impossible to predict the trend of trade. Our domestic and general sales during the first four months of the new financial year are satisfactory, if somewhat below the corresponding period of the previous year. In the United States, where, as you all know, business has had a setback, a shrinkage has occurred.

The unfortunate state of affairs between China and Japan has materially affected those markets, in both of which we have always enjoyed a good trade. We have unlimited sources of supply, also the cheapest and the most suitable ore known at present and you may rest assured that we can participate to the full in any improvement in the world's markets.

PROGRESS IN AGRICULTURE FIELD

In the last two annual reviews my predecessor has referred to the promising new outlet for our products in the field of agriculture, and I am glad also to be able to report that further progress has been made in this direction. This is particularly satisfactory as it is founded on sound principles. The universally recognised need for applying science to the study of agricultural problems has led authorities in all important countries to institute experimental stations, in the programmes of most of which the study of soil fertility is an important item. So great has been the appreciation of the remarkable results latterly obtained from Boron that, I understand, the study of its influence on plant growth is now being taken up at most of these experimental stations. Laboratory tests have shown conclusively that most plants, even though supplied in abundance with all other elements, cannot live if entirely deprived of Boron. The soil normally contains the small amount of Boron required by plants, but field tests have shown that conditions do exist where the supply of Boron in the soil has to be supplemented by judicious applications of Borax. These conditions have to be studied carefully and minutely over a period of years, so progress is necessarily slow. In view of the great interest shown by agronomists and the research now being carried out in so many directions, our company may look forward with confidence to a steady, increasing and wider application of Boron as a contribution to the elimination of diseases in plants and as a means of increasing the yield in a number of important crops.

INTEREST IN U.S. POTASH COMPANY

Regarding our holding in the United States Potash Company, as advised in our last report, this contributed a small maiden dividend which has been substantially improved upon during the current year. The mine continues to open up steadily, their refinery is disposing of its production at satisfactory prices and since potash plays so important a part in the fertiliser industry we consider this investment has proved its value and should continue to contribute a steady return.

Our managing directors, Messrs J. Gorstley and F. Lesser, visited our offices, mines and refineries in the United States during the past year—the former in the spring and the latter in the autumn. They were well satisfied with the way the company's interests on that continent are being safeguarded.

I hope this autumn to visit America to see for myself the company's great interests in that country. A first-hand knowledge of our activities there is essential for the chairman of this company. From what I have seen of this company's position in this country and elsewhere I am much impressed by its wide interests and the strong hold it has established in the main markets of the world in the face of all competition. It is built on a sound foundation with great possibilities in the future, provided there is no international upheaval.

DIVIDEND POLICY

There remains one point which in the interests of all concerned it is desirable to make clear to-day, namely, our board's decision in connection with the declaration of an interim dividend on the preferred ordinary shares. So long as world conditions could be regarded as stable and the trading of the company in the opinion of the directors so warranted, the practice was to declare an interim dividend on the 6 per cent. preferred shares in the month of May, followed by the payment of a final dividend in the month of November of the same year. We desire to give every possible consideration to the holders of the preferred shares whose dividend is limited to 6 per cent. per annum when in the opinion of the directors the declaration of such dividend is warranted. Under the present uncertain political and economic conditions ruling throughout the world the board in prudence have to be guided by the results of the year's working when ascertained. Hence we do not feel justified in considering this question until the approximate results for the twelve months in question are available—usually during the month of November—and subject to the figures so warranting we propose hereafter to declare and pay an interim dividend on such preferred shares around that date and, subject to the figures permitting, a final dividend on such preferred shares when the report of the company is published.

I wish to add a very appreciative tribute to the services of our staff in all countries for the loyal and able support they have so willingly rendered.

The report and accounts were unanimously adopted, and a resolution was passed authorising the conversion of the company's shares into stock.

POWER SECURITIES CORPORATION, LIMITED

ENCOURAGING OUTLOOK

The fifteenth annual general meeting of Power Securities Corporation, Limited, was held, on the 16th instant, at Winchester House, London.

Mr George Balfour, J.P., M.P., the chairman, said that last year they handled more financial business than in the previous two or three years, including underwriting or placing of debentures, preference and ordinary shares of industrial and public utility undertakings, mostly in Britain. Since the war there had been little activity in financing foreign or Empire enterprises. Empire territory should afford a good field for investment and attractions to emigrants from the Old Country if those at the head of affairs would only declare that they would not only welcome but adequately protect private enterprise. Emigration schemes had been talked and worked out, and money had been voted to settle emigrants in British territory abroad which could not be used. When would they realise that the only real urge to emigrate was to get a chance to "get on"? Human nature did not change and men would always take the risk of leaving home if they felt they were following money which would open up new fields of activity and give them the chance of self-expression even with the risk of disappointment. These new fields of adventure would never be attractively opened up to emigrants by State funds or control. States could only provide the necessary freedom, encouragement and security for a fair run for individuals to make profit or bear losses, according to individual enterprise, effort, sagacity and pluck.

LARGE CONTRACTS HANDLED

During last year they carried out a large amount of contract work at home and abroad, and completed many works, including the five-mile tunnel from Loch Garry to Loch Ericht, power station plant extensions in Malaya, East Africa and at home to over £1,700,000. The total amount of work handled was quite up to their average, and they had still on hand work amounting to over £1,500,000. The work on the Kut Barrage was progressing according to plan, and in the absence of any untoward conditions they should complete the job after next season's work, and when they came to settlement he had no doubt proper consideration would be given in dealing with the abnormal conditions they had encountered. Meanwhile they had made appropriate reserves in the accounts of Balfour Beatty and Company.

THE INVESTMENT RESERVE

The investment reserve, established to meet contingencies, had been applied in writing down the capital value of investments. Notwithstanding the fact that they received interest and dividend on their Italian investments, which were held by the Corporation in respect of contract works in that country, the directors thought it prudent to write down the capital value. They had recently realised some of the shares at prices on which their valuation was based. He was sure they would agree that it was wise to write down a large investment of that kind to what must be regarded as a safe value at that date. After taking this step the value of the whole of their securities was considerably in excess of the figure at which they appeared in the accounts.

After applying £250,000 from investment reserve, the investments, loans and participations stood in the balance sheet at £1,334,753. The net increase in the investments after adjustments was £43,687. Investments in subsidiaries remained at £457,529. The balance carried to the balance sheet of £104,811 showed a net increase of £1,380. The balance of £104,811, together with £31,339 brought forward from last year, made a total of £136,151, out of which there had been paid and appropriated dividend for the year on preference shares, less income tax, £26,833 and transferred to investment reserve £50,000, leaving a balance of £59,317 which the directors proposed to deal with in payment of a dividend on the ordinary shares for the year to December 31, 1937, of 7 per cent., less income tax, amounting to £42,933, leaving to be carried forward to next account £16,384 8s. 5d., compared with last year's figure of some £31,339.

As to prospects, the volume of work still on hand would employ their energies for some time to come, and there was a considerable volume of financial and engineering work in prospect. They had to move with extreme caution in dealing with business abroad, but he thought on the whole the outlook was clearer than for many years past.

The report was adopted.

KONONGO GOLD MINES, LIMITED

SATISFACTORY DEVELOPMENT WORK

The fourth ordinary general meeting of the Konongo Gold Mines, Limited, was held, on the 15th instant, at 20 Aldermanbury, London.

Mr Robert Annan, M.Inst.M.M., the chairman, after dealing with the accounts, said:—At the mine development has continued to yield satisfactory results, and at the end of the period the ore reserve amounted to 355,781 tons, averaging 9.7 dwts. per ton, compared with 272,759 tons, averaging 9.3 dwts., at the end of the previous year, showing a net increase of 83,000 tons and an improvement of four-tenths of a dwt. in value.

In the Akyenase Central Section the eighth level was opened during the year, and the first results were somewhat discouraging, indicating a considerably shorter length of ore than on the level above. However, driving to the north-east encountered further ore, and in the end this block has proved almost as productive as the one immediately above it.

In the South Section, No. 5 level, further work is required here before any conclusions can be drawn. In both the Central and the South Section another level is being opened up as rapidly as possible.

THE AKYENASE SHAFT

The Akyenase Central shaft has now reached a depth of 1,068 ft. A winze from the eighth level has been sunk in the ore-shoot in ore of excellent grade, and a start has been made in opening the ninth level from the bottom of this winze, the ore averaging about 12 dwt. in value. During January the fifth level in the South Section also came into ore again, 101 ft. of driving averaging 5 dwt. per ton over 109 inches.

On the Awere Vein another level, No. 5, is also opened up, adding to the reserves 7,000 tons of 28 dwt. ore, a substantially better result than from the block above. During the December quarter the sixth level reached the ore-shoot and advanced 130 ft. in ore averaging 20.3 dwt. over a width of 60 inches.

On the Odumase Vein results from development have been most encouraging. The first, second and third levels have now been driven on an ore-shoot 400 ft. long, and the fourth level was in course of development at the end of the financial year. As a result of this work we have added to ore reserves 47,617 tons, averaging 14.7 dwt. per ton over a width of 70 inches.

The most recent results received by cable indicate that the new ninth level being driven from the winze in Akyenase Central has now reached a length of 52 ft. in ore, assaying 10 dwt. over 53 inches. The fifth level in the South Section has, in addition to the January figures, which I have already given, been driven a further 38 ft., assaying 6 dwt. over 45 inches. The fourth level south-west in Odumase, which during January passed through 113 ft. of low grade ground and looked to have passed beyond the ore-sheet, has encountered ore again and has been driven 42 ft. on reef, averaging 12.5 dwt. over 47 inches.

OUTPUT OF THE MILL

During the year the mill crushed 66,241 tons, an average of 5,500 tons per month, the ore being derived as to 70 per cent. from the reserves, 24 per cent. from development and 6 per cent. from dumps. Gold recovered amounted to 28,363 oz., or 8.4 dwt. per ton, representing a recovery of 85.8 per cent. It has taken a good deal longer than anticipated to reach steady operating conditions.

At the time of our last meeting the mill was crushing an average of about 3,400 tons per month, and for the first four months of the current financial year the mill has treated an average of 7,147 tons per month, or 19 per cent. above its designed capacity, with a recovery of about 94 per cent. of the gold content, and there should be no difficulty in maintaining this rate of treatment.

Additional plant for flotation treatment, which was referred to at our last meeting, has been ordered, and the last of the material is being shipped this month. It should be in operation in April and should benefit both recovery and operating costs.

With the mill running at its present capacity the gross operating profit is averaging about £10,000 per month. Operating costs for the past year averaged 30s. 11d. per ton, a figure which we hope to improve in the current year. It includes 6s. 6d. per ton for development redemption, which up to the present has given us a safe margin over actual development cost.

Barring unforeseen accidents, we should now look forward to steady returns with the prospect of increasing output and reducing costs. Our ore reserves represent four years' supply for the mill at its present capacity and development and prospecting of the property will be continued with vigour.

The report and accounts were unanimously adopted.

RAILWAY SHARE TRUST AND AGENCY COMPANY, LIMITED

A SATISFACTORY YEAR

The forty-ninth ordinary general meeting of this company was held, on the 17th instant, at Winchester House, London.

Mr R. S. Guinness, the chairman, said that the accounts for the year were satisfactory, both from the revenue and capital point of view. The revenue at £135,875 was an increase of £4,770 over last year, and the recovery power of their holdings was strikingly illustrated by the fact that the aggregate increase of revenue since the low point of the year ended January 15, 1934, amounted to some £21,300. They had still a considerable distance to travel before they could reach their peak earnings of 1930, which had amounted to some £157,000 and into which redemptions and conversions of debenture stocks to lower rates had made large and permanent inroads. In prevailing conditions they could not expect to reach that figure rapidly, but by continuing to apply the same standard of investment selection and by the consistent policy of retaining a reasonable margin of earnings in the business, the board were strengthening the company's revenue year by year.

It was a satisfaction that this year the revenue account not only allowed them to retain a slightly larger margin than last year, but also to recommend an increase in the dividend by $\frac{1}{2}$ per cent. to $6\frac{1}{2}$ per cent. Difficult times were still ahead, but he thought that shareholders would share the confidence of the board in the trust's list of investments.

In conclusion, the chairman said that he wished to call attention to the fact that the name of the company no longer represented its real activities. When their company was formed as the result of an amalgamation some fifty years ago the name was adopted because railways were under construction all over the world and the idea was that the company would take an active part in railway enterprise, but fortunately the board foresaw in good time what was going to happen, and at the time of speaking the company's investment in the ordinary shares of railways was just under $3\frac{1}{2}$ per cent.

The board were now considering dealing with the question of the company's title accordingly.

The report and accounts were unanimously adopted.

RAILWAY DEBENTURE AND GENERAL TRUST COMPANY, LIMITED

IMPROVEMENT IN REVENUE

The sixty-fifth ordinary general meeting of this company was held, on the 17th instant, at Winchester House, London.

Mr Richard S. Guinness, the chairman, said that in the almost day-to-day variation in conditions, international, national, political and economical, in which they had had to work during the past year, it was a matter of satisfaction to the board that the report submitted showed the capital to be intact and an improvement in revenue. The actual improvement in revenue amounted to £3,326, although the receipt of income in excess of revenue actually accruing in the year was lower this year than last year. From the total income of £145,677 there had been deducted expenses of management, debenture interest, preference dividend and a provision of £1,000 for National Defence Contribution. The net balance of £46,747 represented 7.2 per cent. on the ordinary stock, against 6.8 per cent. last year, when there was no charge for National Defence Contribution. Their allocation to reserve of £5,000 was the same as in the past two years, and after providing for income tax and for the dividend on the ordinary stock at $5\frac{1}{2}$ per cent. for the year, they were able to add £3,997 to the carry-forward, bringing it up to £37,710.

The board were happy to be able to maintain the increased dividend of last year, based as it was upon a large proportion of low fixed income returns, and to swell the margin retained in the business. He made no apology for again emphasising the fact that a large proportion of their income accrued from fixed interest securities, and when they reviewed the many phases through which world conditions were passing, he considered it a factor of safety that approximately one-half of their income was derived from prior charges in the form of bonds and debentures. If they included preference dividends they were then covering three-fourths of their income. The mainstay of the revenue account was their holdings of United Kingdom securities, from which they received £86,635, or $59\frac{1}{2}$ per cent. of the total. As to the future, he believed their list of investments to be sound, and, unless there was a major change for the worse, they should be able to maintain the dividend at the present rate.

The report was unanimously adopted.

GENERAL INVESTORS AND TRUSTEES, LIMITED

CAPITAL INTACT WITH SUBSTANTIAL SURPLUS

The thirty-first ordinary general meeting of this company was held, on the 17th instant, in London.

Mr Gerald T. Moody, the chairman, said that the position disclosed in the report must be a matter of satisfaction not only to those directly concerned in its management, but to every stockholder. The revenue, after providing for taxation, amounted to £101,037, which compared with £97,188 in the previous twelve months. It was proposed to pay a further 7 per cent. on the ordinary stock, making 11 per cent. for the year, to carry £10,000 to a dividend equalisation reserve account, and to increase the carry-forward from £5,437 to £6,882.

Investments now appeared in the balance sheet at £1,957,820, and on valuation as at January 31st showed a depreciation of £144,000, or approximately $7\frac{1}{2}$ per cent. Since the reserve accounts and amount carried forward aggregated £316,882, the company was in the happy position of having its capital intact with a substantial surplus, in spite of the fact that the valuation was made on the day showing the lowest recorded prices of the year.

The investments included upwards of £100,000 in British Government securities, indicating a liquid position, more particularly when taken in conjunction with their cash balances amounting to £79,203.

In these times of depression in the market value of securities it was of the utmost value to have funds available for the purchase of good securities which other investors were forced into selling at prices incommensurate with their intrinsic worth. Based on the valuation already mentioned, the company had approximately 53 per cent. of its funds invested in the British Empire and 18.5 per cent. in what, for want of a better term, he might call International securities, interests in undertakings the business of which was chiefly financial or of investment character. Those companies were in the main dealing with Empire interests, so that in fact considerably more than half of their capital might be said to lie in the British Empire. Their next largest group of investments, some $6\frac{1}{2}$ per cent., was in the Argentine, and the balance was widely spread throughout the world, in no one country being as much as 4 per cent.

The report and accounts were unanimously adopted.

WANDSWORTH AND DISTRICT GAS COMPANY

INCREASED SALES

The annual general meeting of the Wandsworth and District Gas Company was held, on the 15th instant, at Wandsworth, London, Mr Frank H. Jones (chairman and managing director) presiding.

The Chairman, in moving the adoption of the report and accounts, said that the balance of profit of £280,377 compared with £276,527 for the combined companies in respect of 1936. The financial position of the company was perfectly sound. The sale of the various residuals was satisfactory, and an improvement over the previous year. That improvement had been obtained largely by economies in working and, therefore, was not wholly due to increased selling prices.

Expenditure on coal was again up by approximately 1s. per ton. The question of coal was one which gave the directors considerable anxiety. Their company, in common with others, was not permitted to declare a dividend other than one controlled by the price of gas, yet its main source of manufacture—coal—was almost free from any such restrictions. In the year under review the company had been able to recoup the increased price of coal by the improved sales of coke, but the directors felt that the rising price of coal from 1938 onwards would far outstrip any likely increase in the price of coke, and consequently they must look forward to a considerable increase in manufacturing costs. The directors had been compelled to raise the price of gas from January 1, 1938, an increase which had been caused by increased cost of materials generally and wages. General materials had increased by approximately 17 per cent., while the increase in the wages of employees actually represented an addition of 6 per cent., whereas the increase in the price of gas of 0.4d. per therm only represented 4 per cent. on the selling price throughout the area of the company.

The directors felt that to be able to report an increased sale of gas to consumers of 1.6 per cent., or over 60,000,000 cubic feet, was gratifying; 6,653 new consumers had been added, the total number now being well over 200,000. A new record had been obtained in the sale of new apparatus.

The report was unanimously adopted.

PETER WALKER (WARRINGTON) AND ROBERT CAIN AND SONS, LIMITED

FURTHER PROGRESS

The annual general meeting of this company was held, on the 17th instant, in London.

The Rt. Hon. Lord Brocket (the Chairman) said that the accounts again showed an improved result, continuing the progress and development of the business which he had anticipated last year. They were largely dependent on the trades of Lancashire and the North-West of England, and those had revived considerably during last year. Their largest centre of activity was Liverpool, the prosperity of which depended upon shipping and overseas trade, which had been particularly active during the period under review, and so far indications were that that would continue. Shipbuilding, too, had been very busy.

Last year was one of the most successful for the cotton trade for many years, and although the close of the year saw some slight diminution in orders, due to the decline in the price of cotton and owing to high stocks in the hands of producers and merchants, it was to be hoped that these factors would soon be rectified. They had large interests in the mining areas of Lancashire, and that branch of industry, assisted by the selling schemes and the greater demand for coal, had benefited their houses in Wigan and Leigh.

The output of the company and its subsidiaries had continued to increase in all districts, which was evidence of the excellence and popularity of their various beers. Particularly was that the case with sales in bottle. Further extensions to their bottling plant were necessary and in course of erection, which would bring their plant to the forefront in modernity, speed and efficiency. They had continued their policy of rebuilding and modernising their houses with beneficial results.

The expenditure incurred had justified itself in the increased trade, which reflected the appreciation of their customers. Rebuilding and renovations to-day were a costly matter, but every care was given to the various details connected with such expenditure, and he could assure them that no waste of money was allowed.

The balance of profit available was £285,146, an increase of £55,847. The ordinary stockholders would be pleased to hear that the board recommended a final payment of 5½ per cent., making 7½ per cent. for the year.

The report was unanimously adopted.

(Continued from page 414)

Vegetables.—All lines of salads have been in poor demand at Covent Garden, states *The Fruitgrower*, owing to weather conditions. Mushrooms, however, were a point firmer and celery was in good demand. Asparagus was rather more prominent and prices were consequently easier. All varieties of kitchen vegetables sold well at firm prices. Some spring onions were on the market. Old potatoes were in active demand at the various London markets, but supplies were ample and prices tended to lower levels.

★

Milk.—The appended statistics relative to the operation of the Milk Marketing scheme in recent months are issued by the Milk Marketing Board:

	Jan., 1937	Nov., 1937	Dec., 1937	Jan., 1938
Prices (per gall.)	d. 17	d. 18	d. 18	d. 19
Liquid	6.249	7.525	7.073	7.724
Av. manufacturing..				
Contract sales (mill. galls.)				
Liquid	16.01	50.38	51.26	51.77
Manufacturing	48.14	12.08	12.85	14.94
Total contract	64.15	62.46	64.11	66.71
Used by farmhouse cheesemakers	0.35	0.94	0.66	0.59

★

Miscellaneous Commodities

Oilseeds and Oils.—Markets have been unsettled by the uncertain outlook

in certain European consuming countries. Linseed supplies have increased and mills are now able to resume crushing. The large quantities afloat for Europe are gradually nearing their destinations, and with shipments of the new Argentine crop maintained at a fair level, the quantity on passage to Europe has increased to 203,600 tons, including 12,400 tons from India. Current demand, however, is only moderate and with Bombay shippers pressing new crop on the market, prices have taken an easier turn. The linseed crop in India is expected to exceed that of last season. Moreover, freight rates are easier and shipping room more readily obtainable than a few weeks ago. Plate linseed has given way to a lesser extent, the statistical position being considered strong, and the potential requirements of the United States far from satisfied.

★

Rubber.—The market has been very quiet in the period under review, but the undertone has shown some improvement. Prices at the close on Wednesday were unaltered, compared with those ruling a week earlier.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended Feb. 5, 1938	Feb. 12, 1938
Landed	3,019	3,281
Delivered	1,200	944
Stocks, end of week	63,169	65,706

BAH LIAS RUBBER ESTATES LIMITED

INCREASED PROFIT

The annual meeting of the Bah Lias Rubber Estates, Limited, was held on February 16th at 19 Fenchurch Street, London.

Mr H. Eric Miller (the Chairman) said that the rubber crop harvested amounted to 3,508,308 lbs., a new high record for the company. The average net sale price, at 8.87d. per lb., showed a gratifying improvement of over 1½d. per lb. over the previous year and the revenue account benefited to the extent of almost £50,000.

In addition to Netherlands Indies company tax, which absorbed 20 per cent. of the statutory profit, they also had had to face export duties amounting on 1937 shipments to almost ½d. per lb. He mentioned last year the efforts that were being made to obtain relief from the onerous terms of the export duty ordinance, and he was happy to say that those efforts had been so far successful that the rate of duty for 1938 had been fixed at the equivalent of approximately ½d. per lb., whereas under the old scale it might have amounted to almost 1½d. The special 2 per cent. *ad valorem* duty, which was due to expire on the 25th inst., was to be replaced by a "defence" export duty of 1 per cent. Their liability for N.D.C. for April/October, 1937, was estimated at £2,500, and provision for this had been made by transfer from taxation reserve.

The profit for the year, at £73,652, was over £32,000 more than the comparable figure for 1935/36. A final dividend of 10 per cent. making 15 per cent. for the year, was recommended and £42,880 was being carried forward. The financial position of the company was exceptionally strong. A considerable part of their reserve land was eminently suitable for rubber growing, and when the present restriction on new plantings was relaxed the question of extensions would receive consideration.

The International Rubber Regulation Committee had fixed the rate of export for the quarter April-June at the low figure of 60 per cent., and if there was no revival and that rate had to be continued for the remainder of 1938 world exports for the year would amount to no more than 930,000 tons. Absorption in 1937 amounted to roughly 1,085,000 tons, and a comparison of these two figures suggested that in the absence of any further untoward happenings there was a margin on the right side which justified the expectation of a recovery from the present unduly depressed level of price.

The report was adopted and a resolution converting the shares of the company into stock was approved.

Furs.—The London winter fur sales closed this week on a satisfactory note, prices having shown little change during the past week. Prices in shillings and pence per skin, compared with those realised at earlier sales, were as follows:—

	Winter Sale, 1937	Autumn Sale, 1937	Winter Sale, 1938
Beaver Mackenzie River Ex Ex Large	136/-	102/6	88/-
Ermine York Fort Ex Ex Large	7/- to 8/3	6/2 to 6/3	4/4 to 5/-
Fisher York Fort 1 and 2 Dark	180/- to 400/-	Unsold	107/6 to 200/-
Fox Bonnard York Fort 1 and 2	43/- to 78/-	69/-	77/-
Fox Blue Arctic Dark	150/- to 230/-	180/- to 330/-	100/- to 310/-
Fox Groat York Fort Medium 1	105/- to 240/-	130/- to 210/-	120/- to 210/-
Fox Red—York Fort Medium 1	82/- to 87/-	Unsold	75/-
Lapland 1 and 2 Pale	52/-	40/-	28/-
Lynx York Fort 1 Ex Large	225/-	218/- to 219/-	202/- to 210/-
Marten Mackenzie River 1 Pale	166/- to 174/-	137/-	112/-
Mink York Fort Ex Large 1 and 2 Dark	95/-	61/-	57/-
Atnapash Black U.S.A.	Unsold	7/11	5/4 to 5/5
Otter Canada 1 and 2 Ex Dark	154/- to 160/-	Unsold	104/-
Skunk York Fort 1	8/- to 8/6	6/3 to 6/4	6/6 to 6/9
Wolver York Fort Ex Large 1	51/6 to 70/-	48/6 to 59/-	42/5 to 50/-

South-West African "Persian" lambs, which were not sold at the Hudson's Bay Company's winter sale in 1937, showed little change in price so far as selected grades were concerned. Low grades, however, declined in price by about 12½ per cent., compared with last September.

CURRENT STATISTICS

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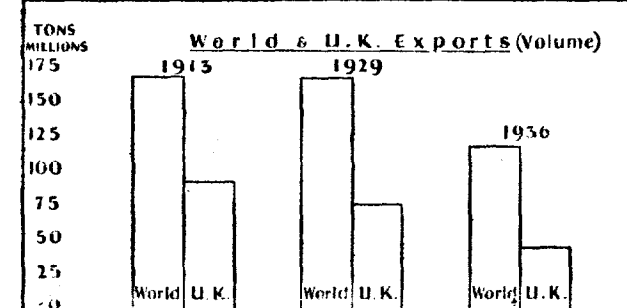
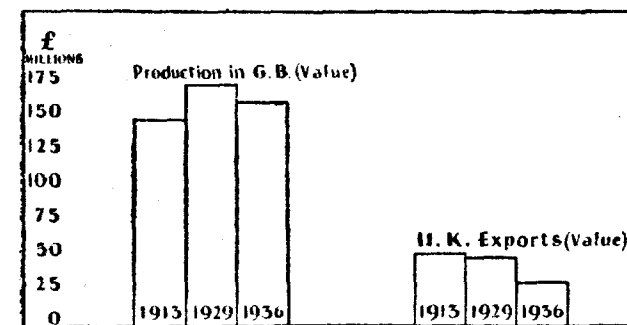
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

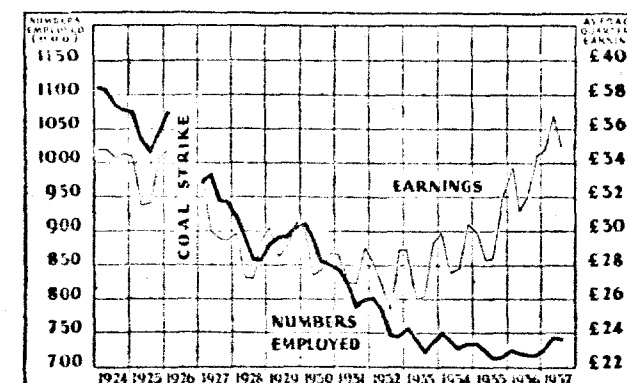
Coal Mining

The following charts illustrate developments in the coal industry since 1913. Chart I draws attention to changes in the values of British production and exports and the relation between British and world exports. Chart II traces the recent decline in employment and striking rise in earnings (discussed in a leading article on page 393). Chart III gives some indication of post-war changes in the efficiency of labour and the profitability of the industry. Chart IV shows graphically the increased mechanisation of various processes in coal mining since the war.

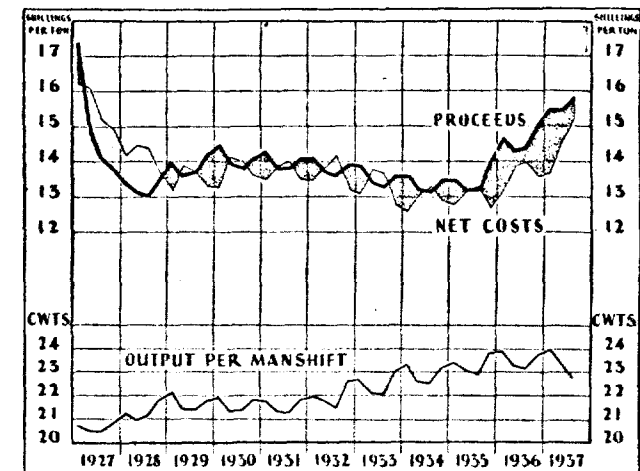
I. PRODUCTION AND TRADE



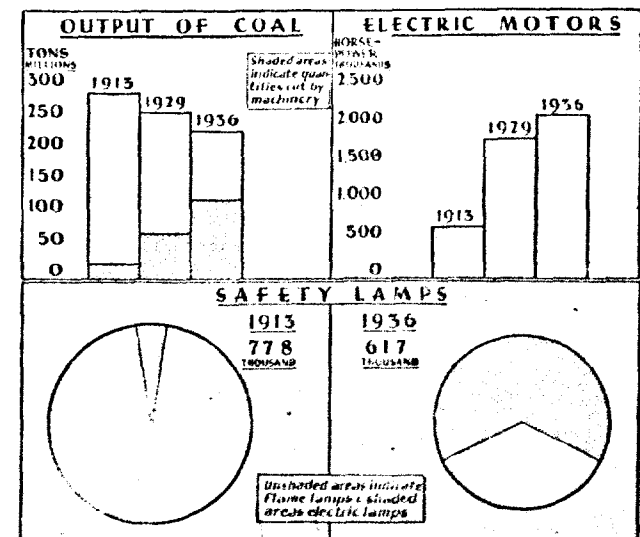
II. EMPLOYMENT AND EARNINGS



III. PROFITS AND EFFICIENCY OF LABOUR



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Finance

GOVERNMENT FINANCE

For the week ended February 12, 1938, the total ordinary revenue was £36,240,000, against ordinary expenditure of £12,089,000. The deficit accrued since April 1st last is thus £41,653,000, against a deficit of £39,202,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1937-38	April 1, 1937, to Feb. 12, 1938	April 1, 1937, to Feb. 12, 1938	Week ended Feb. 12, 1938	Week ended Feb. 12, 1938
Ordinary Revenue					
Inc. Tax	288,150	185,717	214,008	18,695	23,210
Sur-tax	58,000	33,980	35,620	3,250	4,310
Duties, etc.	80,000	74,780	77,510	2,020	1,420
Stamps	24,000	22,020	18,420	580	570
N.D.C.	2,000	...	340	...	98
Other Inc.	1,500	430	1,200	80	150
Rev. Duties	467,650	316,927	347,098	24,625	29,758
Customs	219,850	181,003	192,297	3,943	3,837
Excise	113,150	95,500	99,200	1,100	1,100
Total Cust. and Excise	333,000	276,503	291,497	5,043	4,937
Motor	34,000	32,118	33,879	277	329
P.O. (Net Receipt)	11,800	14,350	13,850	1,100	1,050
P.O. Fund	1,350	1,240	1,190	...	...
Crown Lds. Rec. from	4,300	4,481	5,161	...	...
Sun. Loans	11,000	16,631	11,579	303	166
Miss. Rec.	864,100	664,250	704,279	31,348	36,240
Total Ordinary Revenue	864,100	664,250	704,279	31,348	36,240
SELF-BAL. REVENUE					
Post Office and Broadcasting	75,198	59,700	63,400	900	950
Total	...	723,950	767,679	32,248	37,190

Expenditure	Issues out of the Exchequer (£ thousands)				
	Est. for 1937-38	April 1, 1937, to Feb. 12, 1938	April 1, 1937, to Feb. 12, 1938	Week ended Feb. 12, 1938	Week ended Feb. 12, 1938
Ordinary Expend.					
Int. & Man. of Nat. Dt.	224,000	199,286	203,319	304	444
Payments to S. Ireland	8,000	5,828	6,373	...	...
Other Loans	3,200	2,544	2,868	5	5
Fund Serv. P.O. Fund	300	421	...	...	...
Total	235,500	208,079	212,590	309	449
Supply Serv.	762,348	495,373	533,442	10,825	11,640
Total Ord. Expend.	862,848	703,452	745,932	11,134	12,089
Sinking Funds	...	7,371	7,589	225	230
Self-Bal. Expend.					
P.O. and Broadcasting	75,198	59,700	63,400	900	950
Total	...	770,523	816,921	12,259	13,269

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.
§ Now transferred as charge against revenue.

After raising Exchequer balances by £372,979 to £2,945,471, the other operations for the week (as shown in the next column, but excluding £1,700,000 issued under the Defence Loans Act and £230,000 issued to New Sinking Fund), reduced the gross National debt by £21,848,000 to about £8,168 millions.

CHANGES IN NATIONAL DEBT

NET REPAYMENTS, ETC.*	
Treasury Bills	19,788
Public Department Advances	1,710
Post Office and Telegraph (Money) Act	350
	21,848

* Excluding £1,700,000 issued under Section 1 (1) of the Defence Loans Act, 1937. There were no net increases in debt.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to February 12, 1938, are shown below:—

£ thousands	
Ordinary Exp. ...	745,932
Issue to Exch. Eq. Fund (July '37)	200,000
Issues under Defence Loans Act	9,000
Inc. in bills	245
	955,177
Ordinary Rev. ...	704,279
Gross borrg.	258,496
Less: New S.F. 7,589	
Old S.F.	9
Net borrowing	250,898
	955,177

FLOATING DEBT

£ millions	
Date	Treasury Bills
Tender	Tap
Public Depts.	Bank of England
Ways and Means Advances	Total Floating Debt
	Floating Assets
1937	
Feb. 13	540.0 166.5 32.5 ... 739.0 199.0
Mar. 31	500.0 174.6 23.5 ... 698.1 198.1
Dec. 4	617.0 301.8 42.6 ... 961.4 344.4
" 11	622.0 305.3 45.3 ... 972.6 350.6
" 18	622.0 317.3 41.6 ... 980.9 358.9
" 25	622.0 319.9 41.1 ... 983.0 361.0
" 31	889.7* 39.4 55.7 984.9 ...*
1938	
Jan. 8	622.0 312.4 41.6 7.0 983.0 354.0
" 15	612.0 308.9 35.3 ... 956.2 344.2
" 22	597.0 301.0 28.1 ... 926.2 329.1
" 29	587.0 292.3 31.6 ... 910.9 323.9
Feb. 5	572.0 281.7 33.6 ... 887.3 315.3
" 12	557.0 276.9 31.9 ... 865.8 308.8

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

£ millions	
Date of Tender	Amount
Offered	Applied for
Allotted	Average Rate
	Per Cent. Allotted at minimum Rate
1937	
Feb. 12	35.0 69.1 35.0 10 4.70 41
Nov. 26	50.0 62.3 50.0 10 5.22 79
Dec. 3	50.0 84.4 50.0 18 2.16 25
" 10	50.0 91.5 50.0 15 8.91 61
" 17	50.0 76.8 50.0 13 9.17 85
" 24	50.0 68.4 50.0 12 0.64 74
" 31	50.0 80.5 50.0 10 11.59 47
1938	
Jan. 7	40.0 81.8 40.0 10 4.20 38
" 14	35.0 81.8 35.0 10 0.07 47
" 21	35.0 88.2 32.0 9 11.46 22
" 28	30.0 86.5 30.0 10 0.80 18
Feb. 4	30.0 88.4 30.0 10 0.98 18
" 11	30.0 87.7 30.0 10 0.89 18

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On February 11th, applications at £99 17s. 6d. per cent. for bills to be paid for on any day except Tuesday of the following week were accepted as to about 18 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Tuesday at £99 17s. 7d. per cent. and above were allotted in full. £15.0 millions of Treasury bills are being offered on February 18th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
4 wks. to: Jan. 30, 1937	2,957,273	2,217,955
Jan. 29, 1938	2,952,548	2,214,410
Week to: Jan. 30, 1937	705,995	529,497
Jan. 22, 1938	816,211	612,158
Jan. 29, 1938	727,294	545,470

Net Exchequer receipts, week to January 29, 1938: £50,000.

BANK OF ENGLAND RETURNS

FEBRUARY 16, 1938

ISSUE DEPARTMENT

£	
Notes Issued:	
In circulation	473,083,361
In Bank Department	52,323,799
Govt. Debt..	11,015,100
Other Govt. Securities	188,317,224
Other Secs.	656,740
Silver Coin..	10,936
Amt. of Fid. Issue	200,000,000
Gold Coin & Bullion	326,407,160
	526,407,160

BANKING DEPARTMENT

£	
Capital	14,553,000
Reserve	3,647,232
Public Depts.*	15,771,619
Other Depts.	35,493,418
Bankers	106,405,418
Other	35,493,418
	141,900,836
Govt. Secs.	97,863,165
Discs, etc.	6,155,202
Securities	18,807,644
	24,962,846
Notes	52,323,799
Gold & Silv. Coin	722,867
	175,872,677

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

THE WEEK'S CHANGES

£ thousands	
Both Departments	Compared with
	Last Week
	Last Year
COMBINED LIABILITIES	
Note circulation	474,083 - 1,988 + 20,746
Deposits: Public	15,772 - 305 + 8,622
Bankers'	106,405 + 3,498 + 15,854
Others	35,496 - 54 - 1,162
Total outside liabilities	631,756 + 1,151 + 26,816
Capital and rest	18,200 + 27 - 10
COMBINED ASSETS	
Govt. debt and securities	297,198 + 4,595 + 16,178
Discounts and advances	6,153 + 3,404 + 688
Other securities	19,404 - 154 + 3,018
Silver coin in issue dept.	11 Same + 1
Gold coin and bullion	327,130 + 142 + 12,957
RESERVES	
Res. of notes & coin in banking department	53,047 + 2,130 - 7,789
Proportion of reserve to outside liabilities—	
(a) Bankers' dept. only	33.6% + 0.7% - 6.5%
(b) Gold stocks to deposits and notes	51.8% - 0.1% - 0.1%

COMPARATIVE ANALYSIS

£ millions	
1937	1938
Feb. 17	Jan. 26
Feb. 2	Feb. 9
Feb. 16	Feb. 16
Issue Dept.:	
Notes in circ.	453.3 473.2 476.7 476.1 474.1
Notes in banking dept.	60.3 53.2 49.7 50.3 52.3
Govt. debt and securities	197.9 199.4 199.0 199.3 199.3
Bankers'	2.1 0.6 1.0 0.7 0.7
Other sec.	313.7 326.4 326.4 326.4 326.4
Deposits:	
Public	24.4 13.6 11.4 16.1 15.8
Bankers'	113.3 111.4 102.9 106.4 106.4
Others	36.7 37.3 36.6 35.5 35.5
Total	151.6 164.0 159.4 154.5 157.7
Bkg. Dept. Secs.:	
Government	83.1 98.9 98.1 93.3 97.9
Discounts, etc.	5.5 10.4 10.5 9.6 6.1
Other	20.4 18.9 18.7 18.9 18.8
Total	109.0 128.3 127.3 121.8 122.8
Banking dept. reserve	60.8 53.6 50.3 50.9 53.0
"Proportion"	40.1 33.8 31.6 33.9 33.6
Reserve ratio†	51.9 51.4 51.4 51.9 51.8

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in issue Department, £10,936; capital, £14,553,000; rest, £3,647,232.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Roumania appeared in *The Economist* of December 25, 1937; Danzig and Lithuania, of January 29; Greece and Portugal, of February 5; International Settlements, Austria, Canada, Egypt, Estonia, Latvia, Norway, Poland, Switzerland and Java, of February 12; Bulgaria, of February 19.

U.S. FEDERAL RESERVE BANKS

Million \$'s	
Feb. 18, 1937	Jan. 10, 1938
Feb. 17, 1938	Feb. 16, 1938
12 U.S.F.R. BANKS	
Resources	
Gold certifs. on hand and due from Treas.	8,848 9,118 9,116 9,164
Total reserves	9,144 9,554 9,564 9,614
Total cash reserves	284 427 438 441
Total bills discounted	3 11 11 10
Bills bt. in open mkt.	3 1 1 1
Total bills on hand	6 11 12 10
Industrial advances	23 18 18 18
Total U.S. Govt. secs.	2,430 2,564 2,564 2,564
Total bills and secs.	2,460 2,593 2,593 2,592
Total resources	12,464 12,874 12,747 13,003
LIABILITIES	
F.R. notes in actual circulation	4,160 4,155 4,125 4,120
Aggregate of excess mkt. bank res. over reqts.	2,190 1,370 1,410 1,360
Deposits—Member bank reserve account	6,768 7,219 7,205 7,216
Govt. deposits	162 135 156 187
Total deposits	7,230 7,772 7,795 7,857
Cap. paid in and surplus	305 308 309 309
Total liabilities	12,464 12,874 12,747 13,003
Ratio of total res. to deposit and F.R. note liab. combined	80.3% 80.1% 80.2% 80.3
U.S.F.R. BANKS AND TREASURY COMBINED	
Resources	
Monetary gold stock—Treasury and Nat. Bk. currency	11,403 12,755 12,756 12,761
LIABILITIES	
Money in circulation—Treasury cash and deposits with F.R. bks.	2,530 2,639 2,661 2,662
	6,351 6,346 6,306 6,302
NEW YORK FEDERAL RESERVE BANK.—Million \$'s	
Feb. 18, 1937	Jan. 10, 1938
Feb. 17, 1938	Feb. 16, 1938
Total gold reserves	364.2 377.2 381.7 4.3 3,866
Total bills discounted	2.0 3.6 3.2 0.2
Bills bt. in open mkt.	1.1 0.2 0.2 0.2
Total U.S. Govt. secs.	652.3 739.5 739.5 740
Total bills and secs.	661.2 747.8 747.4 747
Deposits—Member bank—reserve acct.	313.2 322.8 324.2 4.3 3,249
Total res. to dep. and Fed. Res. note liabilities combined	86.5% 84.9% 85.3% 85.4

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

Million \$'s	
Feb. 18, 1937	Jan. 10, 1938
Feb. 17, 1938	Feb. 16, 1938
ASSETS	
Loans, total†	8,941 9,226 9,038 8,981
Investments	13,638 12,023 12,237 12,253
Reserve with Federal Reserve banks	5,330 5,473 5,735 5,674
Due from domestic bks.	2,249 1,918 2,046 2,010
LIABILITIES	
Deposits: demand (adjusted)	15,493 14,219 14,583 14,464
Time	5,077 5,225 5,213 5,225
U.S. Government	476 679 653 639
Inter-bank	6,405 5,665 5,747 5,733

† In this item, comparison between May 20, 1937, onwards and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

Million francs	
Feb. 12, 1937	Jan. 3, 1938
Feb. 11, 1938	Feb. 10, 1938
ASSETS	
Gold*	57,359 58,933 55,806 55,806
Advances on gold coin	1,148 26 26 26
Bills: Commercial	9,446 11,103 12,299 11,936
Bought abroad	1,295 856 818 818
Advances on securities	3,656 3,860 3,976 3,860
Thirty-day advances	927 967 1,178 1,138
Loans to State without interest: (a) general	3,200 3,200 3,200 3,200
(b) provisional	19,772 31,909 31,904 31,904
Negotiable bonds	5,640 5,580 5,580 5,575
Sinking Fund Dept.	3,911 4,212 4,131 4,364
Other assets	85,930 92,557 93,387 92,574
Notes in circulation	2,455 3,159 2,494 2,455
Deposits: Public	15,234 21,453 19,500 20,215
Private	2,735 3,540 3,511 3,358
Other liabilities	55.3% 50.2%

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Feb. 13 (£'000)					Aggregate Gross Receipts, 6 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total	Total Receipts	Passenger	Merchandise	Coal & Coke	Total	Total Receipts
L. M. & S.—										
1937	379	475	296	771	1,150	2,199	2,815	1,715	4,530	6,729
1938	388	494	307	801	1,189	2,293	2,877	1,862	4,739	7,032
L. & N. E. (a)—										
1937	255	322	274	566	851	1,489	1,910	1,569	3,479	4,968
1938	256	348	282	630	886	1,537	1,985	1,705	3,690	5,227
Great Western—										
1937	155	189	122	311	466	947	1,109	715	1,824	2,711
1938	160	196	121	317	477	962	1,171	757	1,928	2,890
Southern—										
1937	252	60	38	88	350	1,503	342	211	553	2,056
1938	256	61	37	98	354	1,549	343	223	566	2,115
Total—										
1937	1,041	1,046	730	1,776	2,817	6,138	6,176	4,210	10,386	16,524
1938	1,060	1,099	747	1,846	2,906	6,341	6,376	4,547	10,923	17,264

(a) Week ended February 12.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 303	+ 259	+ 119	+ 59
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 50.50	+ 43.17	+ 19.83	+ 9.83
Latest week compared with 1937	+ 39	+ 35	+ 11	+ 4
Latest week compared with average 1937-38	- 148	- 99	- 61	- 5

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending February 12, 1938, before pooling	553,200	+ 4,900
Total, 33 weeks to date	18,523,800	+ 89,400
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,217,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

AMERICAN RAILROADS

Company	Month of December, 1937	Compared with Dec., 1936	12 Months 1937	Compared with 12 Months 1936
Baltimore and Ohio	Gross 11,724,000	- 2,961,000	169,436,000	+ 443,000
	Net 702,000	- 1,911,000	24,908,000	- 5,277,000
Erie	Gross 5,706,000	- 1,988,000	83,925,000	- 1,080,000
	Net 45,000	- 1,226,000	13,614,000	- 2,725,000
New York Central	Gross 27,308,000	- 7,209,000	366,226,000	+ 5,160,000
	Net 927,000	- 2,757,000	36,029,000	- 9,250,000
Pennsylvania	Gross 30,135,000	- 10,267,000	458,933,000	+ 14,508,000
	Net 3,201,000	- 5,597,000	73,001,000	- 11,180,000
Southern Pacific	Gross 16,468,000	- 5,591,000	225,016,000	+ 20,678,000
	Net 1,108,000	- 5,861,000	22,616,000	- 11,476,000
Union Pacific	Gross 12,095,000	- 2,756,000	162,064,000	+ 6,851,000
	Net 2,316,000	- 1,577,000	22,886,000	- 2,185,000

† Net operating income.

Bovril, Ltd.—Net profits for 1937 are £31,770 higher at £281,964. Total deferred dividend 6½, against 5 per cent. To reserve, £65,000 (£50,000). Carry forward, £71,364 (£73,149). It is stated that sales have been well maintained both at home and overseas.

Philips (J. and N.), Ltd.—Net profit for year to January 19, 1938 £81,425, compared with £81,736. To special reserve £10,000 as before. Ordinary dividend maintained at 2 per cent. Carry-forward reduced from £3,298 to £3,057.

J. Sears and Company.—Net profit, after tax, N.D.C., and contingencies, of £262,369 in 1937, compared with £262,168. Ordinary dividend maintained at 13½ per cent. tax free for the fourth successive year.

To reserve £15,000 as before. Carry-forward raised from £140,321 to £146,060.

Minerals Separation, Ltd.—Net profits in 1937, before tax, £158,023, against £100,533. Provision for taxation and N.D.C. £18,500 against £2,000. Ordinary dividend raised from 25 to 50 per cent. Carry-forward raised from £38,484 to £70,756.

Inveresk Paper Company.—Net profit for 1937, £134,076, an increase of £46,731. Tax and N.D.C. take £48,000 against £28,000. The full dividend is to be paid on the 6 per cent. second preference stock for the first year in which it became cumulative. To general reserve £10,000 as before. Carry forward raised from £19,506 to £30,570.

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended February 11 (£'000)			Aggregate Gross Receipts 6 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.7	0.3	2.0	9.8	2.6	12.4
1938	1.6	0.4	2.0	10.2	2.4	12.6
Great Northern—						
1937	7.5	8.2	15.7	44.0	50.5	94.5
1938	8.1	8.4	16.5	47.8	48.4	96.2
Great Southern—						
1937	26.4	39.8	66.2	157.7	254.1	411.8
1938	27.6	39.8	67.4	166.4	247.3	413.7

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks Ending	Gross Receipts for Week		Gross Aggregate Receipts	
		1937	+ or -	1937	+ or -
Bengal & N. Western	17 Jan. 31	Rs. 11,69,966	+ 38,342	Rs. 1,23,62,156	+ 3,52,545
Bengal-Nagpur	43 Jan. 31	30,06,000	+ 3,08,840	7,71,67,536	+ 98,31,184
Bombay, Bar. & C.I.	45 Feb. 10	35,49,000	- 5,21,000	101,37,600	+ 7,74,000
Madras & S. Mah.	42 Jan. 20	19,76,000	- 2,06,181	5,88,23,052	+ 4,94,985
S. Indian	42 Jan. 20	15,36,711	+ 29,442	4,49,91,654	+ 18,63,442

CANADIAN

Company	Weeks Ending	Gross Receipts for Week		Gross Aggregate Receipts	
		1937	+ or -	1937	+ or -
Canadian National	5 Feb. 7	\$ 3,258,883	- 115,221	\$ 16,580,515	- 836,941
Canadian Pacific	5 Feb. 7	2,318,000	- 89,000	12,633,000	+ 32,000

SOUTH & CENTRAL AMERICAN

Company	Weeks Ending	Gross Receipts for Week		Gross Aggregate Receipts	
		1937	+ or -	1937	+ or -
Anglo-Arg. Trams.	6 Feb. 11	\$658,846	+ 49,720	3,800,062	+ 69,470
Antofagasta	6 Feb. 13	17,240	+ 1,810	103,740	+ 7,160
Argentine N.E.	32 Dec. 12	124,900	+ 17,200	4,986,300	+ 57,400
		7,748	+ 1,067	309,326	+ 16,027
B.A. and Pacific	32 Dec. 12	11,775,000	- 172,000	44,089,000	- 2,507,300
B.A. Central	31 Jan. 29	888,500	- 76,600	2,735,053	- 54,443
B.A. Gt. Southern	32 Feb. 12	3,619,000	- 112,000	75,535,000	+ 206,000
		224,504	+ 6,948	4,685,793	+ 163,194
B.A. Western	32 Dec. 12	787,000	- 199,000	24,258,000	- 1,607,000
		48,821	- 12,345	1,504,839	- 44,680
Central Argentine	32 Dec. 12	1,854,900	- 102,260	66,730,600	- 147,260
		115,068	- 63,437	4,139,617	- 730,243
Central Uruguayan	31 Feb. 5	418,512	- 29,051	4,785,422	- 297,371
		21,596	- 2,190	552,601	- 1,516
Cordoba Central	30 Jan. 29	401,000	- 103,000	14,834,000	- 2,062,000
		24,880	- 6,390	920,260	- 84,570
Leopoldina	6 Feb. 12	1,756,000	+ 358,000	10,615,000	- 196,000
		19,901	+ 2,426	1,202,671	- 13,735
Mexican Railway	5 Feb. 7	3,806,500	- 9,100	1,598,300	- 24,900
Nitrate	6 Feb. 15	478,518	+ 437	24,747	+ 3,917
United of Havana	32 Dec. 12	52,277	+ 1,125	629,072	+ 12,607

* Converted at average official rate 16-12 pesos to £. † Receipts in Argentine pesos. ‡ Forthright. § Converted at official rate. § Receipts in Uruguayan currency. ¶ Converted at "controlled free rate."

SUEZ CANAL RECEIPTS

Transit Receipts†	Weeks Ending	Gross Receipts for Week		Gross Aggregate Receipts	
		1937	+ or -	1937	+ or -
	4 Jan. 31	£ 250,100	- 77,000	£ 840,900	- 150,100

† 10 days.

MONTHLY TRANSPORT & POWER RETURNS

Company	Months Ending	Receipts for Month		Aggregate Receipts	
		1937	+ or -	1937	+ or -
Peruvian Corp.	7 Jan. 31	Gross £83,749	+ 3,948	587,785	+ 17,199
Rhodesia Rlys.	3 Dec. 31	Gross £421,643	+ 72,205	13,172,339	+ 278,911
Singapore Traction	4 Jan. 31	Gross £216,000	+ 29,000	828,000	+ 98,000
Suez Canal	1 Jan. 31	Gross £280,100	- 77,000	...	...

Freeman, Hardy and Willis, Ltd.—Net profit for 1937, after tax, £241,464 (after N.D.C.) against £241,233. Deferred shareholders again receive 42½ per cent. tax free. Carry-forward £102,581 against £102,054. During year a new factory (for ladies' shoes) has been built at Leicester to replace the existing Burlington Works.

D. H. Evans and Company.—Net profits for year ended January 31, 1938, increased by £23,301 to £137,778. Dividend 12 per cent. for year on 900,000 £1 ordinary shares comparing with 30 per cent. on 300,194 ordinary shares. Dividend absorbs £108,000 against £90,000. To reserve for N.D.C. £6,000. Carry-forward £36,681 against £37,480.

THE WEEK'S COMPANY RESULTS

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
					Prefer. Amount	Ordinary Amount	Rate				
		£	£	£	£	£	%	£	£	£	%
Breweries											
Boddingtons' Breweries.....	Dec. 31	6,637	54,175	60,812	16,500	29,700	9	6,000	8,612	50,235	8½
Octagon Brewery	Dec. 31	13,278	19,490	32,768	2,000	9,450	13½	8,000	13,318	17,217	12
Canals and Docks											
Manchester Ship Canal ...	Dec. 31	31,952	306,923	338,875	197,138	75,036	2	35,000	31,701	278,159	1½
Seaham Harbour Dock	Dec. 31	33,272	25,152	58,424	10,125	11,250	5	1,000	36,049	48,157	5
Electric Lighting & Power											
London Electric Supply.....	Dec. 31	66,852	142,309	209,161	41,952	87,413	10	Dr. 12,030	91,826	121,087	8
London Power	Dec. 31	761,648	761,648	761,648	3,000	6	758,648	710,001	6	8	
Yorkshire Electric Power ...	Dec. 31	83,970	569,180	653,150	73,035	150,000	8	335,000	95,115	535,628	6
Financial Land, etc.											
Canadian City & Town Props.	Oct. 31	Dr. 10,236	Dr. 4,610	Dr. 14,846	...	...	...	...	Dr. 14,846	Dr. 6,108	Nil
Edinburgh & Candn. Invest.	Jan. 15	3,892	7,470	11,362	7,500	...	...	...	3,862	6,549	Nil
Sackville Estates	Sept. 30	16,485	10,716	27,201	...	10,125	4½	225	16,851	9,541	4½
Gas											
Barnet District	Dec. 31	51,916	51,294	103,210	4,500	39,204	7	5,000	54,506	47,601	7
Croydon Gas	Dec. 31	52,156	137,561	189,717	6,000	88,758	7 & 5	40,000	54,959	122,189	7 & 5
Liverpool Gas	Dec. 31	108,830	142,326	251,156	12,275	130,044	6	...	108,837	142,711	6
Wakefield Gaslight	Dec. 31	2,197	10,557	12,754	1,125	9,225	6½ & 5	...	2,404	9,649	6½ & 5
Watford and St. Albans ...	Dec. 31	27,399	64,692	92,091	21,000	39,983	7	...	31,108	61,864	7
Hotels, Restaurants, etc.											
Langham Hotel	Dec. 31	16,700	17,044	33,744	...	10,333	16	6,000	17,411	15,786	15
Quaglino's, Ltd.	Dec. 29	823	24,647	25,470	...	15,500	10	9,512	458	32,162	16
Iron Coal and Steel											
Mather and Platt.....	Dec. 31	68,972	209,786	278,758	20,000	184,094	13½	...	74,664	180,339	11y
Shireoaks Colliery	Dec. 31	20,047	76,756	96,803	...	26,985	7	45,354	24,464	51,320	3
Motor Cycle & Aviation											
Brooks (J. B.) and Co.	Dec. 25	10,532	18,033	28,565	3,750	9,000	6	5,000	10,815	15,040	5
Shipping											
Isle of Man Steam	Dec. 31	20,965	40,681	61,646	...	36,000	6	10,000	15,646	40,522	6
Shops and Stores											
Freeman, Hardy and Willis	Dec. 31	102,054	241,464	343,518	45,000c	195,937	42½	...	102,581	241,233	42½
Lennards, Ltd.	Jan. 1	...	14,983	14,983	6,469	...	...	...	8,514	Dr. 26,502	Nil
Sears (J.) and Company ...	Dec. 31	140,321	262,369	402,690	167,464	74,166	13½	15,000	146,060	262,168	13½
Textiles											
Bairns-Wear	Dec. 14	4,553	42,270	46,823	5,200	24,375	15d	11,133	6,115	32,760	15d
Fleming Reid & Company	Dec. 31	55,866	155,099	210,965	7,875	114,844	17½	35,119	53,127	155,479	20c
Taylor (C. F.) & Company	Dec. 31	56,724	47,410	104,134	9,600	21,600	13½	10,000	62,934	51,176	12½
Winterbotham, Strachan, &c.	Jan. 31	21,237	42,485	63,722	11,250	26,250	10	5,000	21,222	43,826	10
Tramways, &c.											
Bristol Tramways, etc.	Dec. 31	15,556	164,978	180,534	20,000	124,025	8	15,000	21,509	162,705	8
Lancashire United Transport	Dec. 31	...	81,584	81,584	16,500	27,621	10	37,463	...	67,261	7½
Trusts											
Bay Hall Trust	Dec. 31	18,934	78,954	97,888	...	60,353	6	...	37,535	72,892	6
Midland-Caledonian	Dec. 31	6,070	12,912	18,982	...	10,950	6	...	8,032	11,307	5
Premier Investment	Jan. 31	1,336	66,498	67,834	45,000	15,000	2½	7,834	...	57,930	2
Redeem Securities Invest....	Dec. 31	7,186	18,795	25,981	12,000	4,974	2	1,500	7,507	17,905	1½
Second British Assets	Dec. 31	47,149	44,511	91,660	17,986	18,647	7	7,659	47,368	31,691	4
Waterworks											
East Worcestershire	Dec. 31*	16,060	13,409	29,469	986	4,000	10	2,500	21,983	7,907	10
Sutton District Water	Dec. 31	16,210	52,070	68,280	10,788	39,390	20 & 7	12,000	6,102	54,161	20 & 7
Other Companies											
Bovril, Ltd.	Dec. 31	73,150	281,964	355,114	78,750	140,000 (w)	6½	65,000	71,364	250,194 (w)	5
British Wagon	Dec. 31	23,286	37,519	60,805	...	21,938	21½	10,000	28,867	33,294	20
Consolidated Signal	Sept. 30	622	51,416	52,038	9,692	41,442	36½	...	904	44,449	30
Copestake, Crampton & Co.	Dec. 31	6,153	17,751	23,904	...	15,750	3½	...	8,154	14,000	2½
Crockers, Ltd.	Dec. 31	Dr. 10,416	Dr. 9,782	Dr. 20,198	...	...	...	Dr. 20,198	Dr. 8,619	Nil	Nil
Culter Mills Paper	Dec. 31	22,739	48,400	71,139	...	10,500	10	37,778	22,861	27,387	8½
Davies and Metcalfe	Dec. 31	650	19,601	20,251	...	15,000	15	3,500	1,751	(a)	(a)
English Electric	Dec. 31	36,279	499,685	535,964	73,830	144,347	10	263,500	54,287	298,806	Nil
Ford (J. J.) and Sons	Dec. 31	3,664	8,685	12,349	2,880	...	...	6,081	3,388	10,984	200+
Hubbard (S.)	Nov. 30	3	(u) 19,468	23,444	...	13,200	12	...	10,244	(a)	(a)
Inveresk Paper	Dec. 31	1	142,470	161,976	113,012	...	...	18,394	30,570	87,345	Nil
M'Laren (Wm.), Sons & Co.	Dec. 20	Dr. 7,000	3,870	Dr. 3,490	...	...	...	Dr. 3,490	Dr. 636	Nil	Nil
Perry and Company	Dec. 31	42,066	40,331	82,397	11,283	18,040	15	20,000	33,074	25,389	10
Philips (J. and N.) and Co....	Jan. 19	3,298	81,426	84,724	60,667	11,000	2	10,000	3,057	81,736	2
Liverpool Daily Post	Dec. 31	26,351	251,494	277,845	10,000	175,000	25	25,000	67,845	268,901	25
Rawlplug Company	Dec. 31	20,436	64,311	84,747	12,750	40,000	40	10,000	21,997	60,624	35
Read Brothers	Dec. 31	4,382	11,507	15,889	5,000	7,000	5	...	3,889	9,656	3
R.F.D. Company	Dec. 31	...	(v) 16,757	16,757	...	12,375	16½	2,000	2,382	(a)	(a)
Scottish Wagon	Dec. 31	5,425	9,079	14,504	...	9,450	10	...	5,054	9,864	10
Weyburn Engineering	Oct. 31	4,040	19,767	23,807	2,715	11,250	25	6,500	3,342	15,361g	20
Total Profits, 1938, in £'000's:											
To February 12	221	10,465	33,735	44,200	4,660	23,026	...	4,470	12,044	30,460	...
To February 19	274	11,870	39,301	51,171	5,831	25,388	...	6,349	13,604	35,406	...

Special Statistics

OVERSEAS TRADE RETURNS

	Imports (Value C.I.F.)		Exports (Value F.O.B.)	
	Month ended January 31		Month ended January 31	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour.....	5,495,358	6,963,458	146,999	149,085
B. Feeding-stuffs for Animals.....	857,937	992,041	51,209	52,743
C. Animals, Living, for Food.....	454,307	614,183	618	178
D. Meat.....	7,034,129	7,148,126	90,140	93,835
E. Dairy Produce.....	5,428,891	5,805,522	96,092	69,744
F. Fresh Fruit and Vegetables.....	3,090,561	2,990,104	65,859	38,176
G. Beverages and Cocoa Preparations.....	4,202,485	4,191,457	1,290,581	1,345,357
H. Other Food.....	4,069,644	4,345,667	869,722	869,722
I. Tobacco.....	1,401,191	2,803,774	381,116	410,798
Total, Class I.....	32,037,703	36,157,032	2,989,531	3,030,538
II.—Raw Materials and Articles Mainly Manufactured—				
A. Coal.....	1,779	1,169	2,553,119	3,019,166
B. Other Non-Metalliferous Mining and Quarry Products and the like.....	319,524	417,744	105,000	73,039
C. Iron Ore and Scrap.....	522,581	1,862,198	97,229	10,846
D. Non-Ferrous Metalliferous Ores and Scrap.....	1,024,717	1,421,922	206,117	227,089
E. Wood and Timber.....	2,847,584	3,321,005	5,914	4,846
F. Raw Cotton and Cotton Waste.....	4,968,925	3,592,686	90,433	31,063
G. Wool, Raw and Waste, and Woollen Rags.....	5,435,525	4,312,376	1,052,462	521,195
H. Silk, Raw, Knobs and Noils.....	145,203	275,811	543	275
I. Other Textile Materials.....	1,973,108	1,463,149	40,120	45,392
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums.....	3,108,593	2,722,421	304,520	249,105
K. Hides and Skins, Undressed.....	2,966,351	2,196,104	201,082	142,050
L. Paper-making Materials.....	1,049,585	1,707,518	126,807	108,892
M. Rubber.....	377,507	1,281,873	23,870	26,457
N. Miscellaneous Raw Materials and Articles, mainly Unmanufactured.....	953,727	962,796	283,192	220,863
Total, Class II.....	25,694,609	25,742,672	5,090,737	4,680,278
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel.....	17,925	474	315,758	404,114
B. Pottery, Glass, Abrasives, etc.....	574,975	612,814	687,271	806,822
C. Iron and Steel and Manufactures thereof.....	794,352	2,821,139	3,442,177	4,127,733
D. Non-Ferrous Metals and Manufactures thereof.....	3,174,864	3,196,465	1,103,834	1,136,167
E. Cutlery, Hardware, Implements and Instruments.....	533,968	572,185	651,665	749,158
F. Electrical Goods and Apparatus.....	294,882	262,555	849,143	1,259,699
G. Machinery.....	1,759,039	1,990,292	3,516,651	4,784,096
H. Manufactures of Wood and Timber.....	571,940	632,885	93,527	83,263
I. Cotton Yarns and Manufactures.....	226,070	281,280	5,357,046	4,908,942
J. Woollen and Worsted Yarns and Manufactures.....	252,758	309,610	3,164,903	2,828,078
K. Silk Yarns and Manufactures.....	209,052	199,188	101,962	116,765
L. Manufactures of other Textile Materials.....	613,078	649,698	1,601,933	1,410,416
M. Apparel.....	522,805	653,809	769,672	800,164
N. Chemicals, Drugs, Dyes and Colours.....	135,309	174,936	150,912	171,374
O. Oils, Fats and Resins, Manufactured.....	1,112,360	1,063,119	1,831,361	1,936,790
P. Leather and Manufactures thereof.....	2,523,396	4,392,708	558,304	532,971
Q. Paper, Cardboard, etc.....	716,728	551,279	417,173	302,084
R. Vehicles (including Locomotives, Ships and Aircraft).....	1,117,529	1,507,961	555,647	664,677
S. Rubber Manufactures.....	543,610	620,958	2,689,536	3,278,419
T. Miscellaneous Articles wholly or mainly Manufactured.....	56,215	60,131	134,497	112,396
Total, Class III.....	17,608,649	22,534,661	29,884,625	32,595,162
IV.—Animals, not for Food.....	114,476	188,231	61,002	70,301
V.—Parcel Post.....	257,586	333,744	1,074,831	806,853
Total.....	75,713,023	84,956,340	39,100,726	41,183,132

CITY OF TOKYO

FIVE PER CENT. LOAN OF 1912 STERLING ISSUES

NOTICE IS HEREBY given that the COUPONS due 1st March, 1938, will be PAID on and after that date (Saturdays excepted) between the hours of 11 and 3 at The Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons must be left three clear days for examination prior to payment.

For THE YOKOHAMA SPECIE BANK, LIMITED,
H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
14th February, 1938.

BRITAIN'S OVERSEAS MARKETS

(See leading article on page 380)

TRADE WITH BRITISH COUNTRIES. (£ thousands)								
From or To	Imports				British Exports			
	1929	1933	1936	1937	1929	1933	1936	1937
France.....	45,087	17,783	20,364	21,098	36,078	19,010	21,071	21,596
West Africa.....	11,386	5,779	10,135	14,224	12,316	6,392	11,393	14,235
South Africa.....	24,117	14,531	14,173	18,873	32,785	23,393	37,593	41,535
India & Ceylon.....	77,995	46,500	61,989	76,439	84,147	35,526	37,328	43,026
Straits Settlements.....	17,644	4,779	7,002	13,159	15,564	5,381	8,363	11,573
Australia.....	55,685	48,709	61,928	72,086	54,175	21,394	32,358	37,646
New Zealand.....	47,726	37,183	43,553	49,889	21,393	9,545	17,297	20,252
Canada.....	46,410	46,218	75,128	88,366	35,007	17,510	23,242	27,561
West Indies.....	5,327	5,817	8,007	11,171	5,012	4,632	5,229	6,190
Other Possessions.....	27,161	22,154	29,878	39,832	27,740	20,749	22,978	28,471
Total.....	358,842	249,458	332,361	405,162	374,451	163,535	216,858	252,110
Total, excluding France.....	313,756	231,677	311,996	384,069	338,373	144,524	195,786	230,519

TRADE WITH EUROPEAN COUNTRIES. (£ thousands)								
From or To	Imports				British Exports			
	1929	1933	1936	1937	1929	1933	1936	1937
U.S.S.R.....	26,487	17,416	18,903	29,096	3,743	3,283	3,507	3,083
Finland.....	14,944	12,771	18,145	22,452	3,362	2,845	4,217	5,963
Estonia.....	2,497	1,217	1,933	2,260	463	363	732	1,291
Latvia.....	5,467	2,640	3,411	5,355	1,496	1,001	1,245	1,698
Sweden.....	25,709	15,955	20,628	26,231	10,547	7,171	10,387	13,019
Norway.....	14,149	6,955	8,940	11,577	9,558	5,532	7,146	8,977
Denmark.....	56,211	35,427	33,127	11,796	10,678	11,796	14,946	16,884
Poland.....	6,908	6,551	9,855	10,857	4,504	2,740	4,861	5,698
Germany.....	68,817	39,818	33,002	36,188	36,966	14,712	18,980	21,634
Netherlands.....	42,372	18,589	25,088	32,016	21,818	12,480	12,343	15,031
Belgium.....	17,930	12,958	16,703	23,766	10,039	3,183	3,182	4,734
Denmark.....	44,019	12,914	18,644	22,825	19,413	8,836	9,466	11,160
France.....	277	29	20	214	749	992	403	530
Spain.....	36,540	19,084	25,623	25,661	31,663	18,159	17,752	21,404
Portugal.....	6,925	2,777	4,840	6,293	7,070	3,904	4,055	4,232
Switzerland.....	13,740	5,218	6,233	7,311	6,424	3,946	3,911	4,651
Italy.....	4,216	2,726	3,856	4,319	3,631	3,501	2,776	3,069
Denmark.....	1,213	367	427	534	4,513	2,328	1,938	2,446
Spain.....	19,074	11,275	10,515	8,627	12,055	4,493	2,975	2,441
Denmark.....	2,988	1,958	2,058	2,521	1,770	1,494	848	480
Italy.....	16,800	9,508	2,231	7,821	15,999	9,046	533	4,940
Austria.....	77	31	17	103	123	100	9	16
Hungary.....	2,781	1,266	2,356	2,686	2,520	878	1,469	1,846
Czechoslovakia.....	720	1,463	2,255	2,498	1,058	276	413	478
Greece.....	6,675	2,896	5,843	7,285	2,101	860	1,821	2,587
Roumania.....	2,742	2,318	2,174	2,129	4,947	1,957	3,321	2,954
Other European Countries.....	2,965	4,167	6,232	4,547	2,316	2,384	1,120	1,813
Total.....	2,321	3,128	6,648	8,328	3,466	2,267	3,182	3,714
Total.....	445,582	241,152	289,750	350,069	233,306	129,961	137,550	166,726

TRADE WITH NON-EUROPEAN COUNTRIES. (£ thousands)				
From or To	Imports			
	1929	1933	1936	1937
Turkey.....	2,244	1,151	1,297	1,635
Egypt.....	23,582	12,392	13,542	14,360
Iraq.....	1,676	439	2,467	3,721
Iran.....	9,147	7,835	7,668	10,513
China.....	12,156	5,131	6,618	8,342
Japan.....	1,131	6,296	9,772	11,860
United States.....	195,979	75,790	93,226	114,248
Denmark.....	2,196	811	1,493	1,862
Cuba.....	7,914	4,302	5,238	4,575
Mexico.....	2,689	2,534	3,071	3,847
Colombia.....	2,106	976	462	116
Peru.....	6,462	4,710	4,541	5,160
Chile.....	10,615	3,758	5,239	9,373
Brazil.....	7,292	4,809	9,814	8,539
Uruguay.....	5,651	3,462	3,955	3,998
Argentina.....	82,446	41,691	45,059	59,927
Other Non-European Countries.....	15,025	8,156	10,203	10,637
Total.....	396,340	185,161	225,619	273,832

RE-EXPORTS. (£ thousands)				
To	1929	1933	1936	1937
U.S.S.R.....	2,799	973	9,838	16,433
Germany.....	23,253	9,778	6,816	7,301
Netherlands.....	5,212	1,975	1,959	2,057
Denmark.....	149	77	82	84
Belgium.....	9,205	4,069	4,693	5,096
Denmark.....	36	22	16	19
France.....	17,517	7,624	8,034	8,646
Denmark.....	210	132	130	146
United States.....	16,458	7,052	9,148	10,927
Denmark.....	31	11	11	13
Other Foreign Countries.....	11,770	6,904	9,229	11,429
Irish Free State.....	10,220	4,650	4,362	5,726
Other British Countries.....	12,842	5,791	5,891	6,480
Total.....	109,702	49,078	68,749	75,167

THE ECONOMIST

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this feeling in the House itself and ensured that the voting followed orthodox party lines. But though only a handful of Conservatives followed Mr Churchill's lead and abstained, many Government supporters evidently went into the lobbies with the utmost reluctance.

In the country, criticism has been expressed much more frankly and on a scale comparable to that aroused by the notorious Hoare-Laval agreement. It would, of course, be hotly resented if it were thought that the change had been made at the dictation of either Berlin or Rome; but this idea, which is not seriously entertained by the average Englishman, has played little part in influencing opinion at home. The grounds of criticism are mainly of a different kind. First, it is felt that the time when Signor Mussolini's chickens are beginning to come home to roost, and he is faced with serious economic, financial and political difficulties, is not the moment to start negotiations which raise expectations that we are prepared to make concessions of principle or of British interests. Whether the Cabinet contemplates serious concessions going beyond recognition of the Abyssinian conquest has not been revealed; but persistent rumour has it that naval parity in the Mediterranean, representation on the Board of the Suez Canal and a share in its defence are among the items that will be put forward from the Italian side. These are no doubt bargaining terms, but that they should be thought possible shows what a long way we have travelled from the situation existing in the autumn of 1935. From the German side, it is evidently hoped that the old plan of a Four-Power Pact may be pressed home, and that France may be driven to break off her Russian alliance. It is hardly necessary to say that British opinion will not dance to the dictators' piping in this way.

But apart altogether from such considerations, there is widespread support for Mr Eden's demand for proofs of good faith. In his speech he deliberately omitted any reference to Abyssinia, though this country has not forgotten the broken pledges of 1935. It was enough for his purpose to point out that the gentlemen's agreement of January, 1937, was promptly followed by the shipment of a large consignment of Italian troops to Spain; and that though the agreement provided for the cessation of anti-British propaganda, the poisonous broadcasts from Italy hardly ceased for a moment. Again, in the summer, relations were improved for the time being by the Prime Minister's letter to Signor Mussolini; but this was shortly followed by a series of "incidents" in the Mediterranean and the glorification by the head of the Italian Government of the victories of the Italian forces in Spain. Moreover, for the past 12 months, we have had the sorry story of procrastination at the Non-Intervention Committee and the refusal of Signor Mussolini in October to join in a conference with France and England to discuss the withdrawal of troops from Spain. In such circumstances it is not unnatural that this country should regard any undertaking by Italy with suspicion unless

accompanied by some such proof of good faith as, Mr Eden believes, would be provided by withdrawal from Spain.

It may be that the fears of the democratic nations throughout the world and of British opinion at home will be disproved by events. In the course of the debate, Mr Chamberlain sought to meet his critics by emphasising that at this stage he merely proposed to talk and not to negotiate, and that he had told Count Grandi that the British Government would not consider any agreement as complete unless it contained a settlement of the Spanish question. He further announced that Italy had accepted the British formula for withdrawal. In other words, the Prime Minister argued that his position was not materially different from that of Mr Eden; he was prepared to enter into conversations, but not to conclude an agreement until the proofs of good faith had been forthcoming. Moreover, from the other side of the table Signor Mussolini urgently needs to come to an understanding; for the new forward policy of Herr Hitler in Austria makes it imperative that Italy, in this moment of her relative weakness, should have other friends to fall back on if Germany's policy becomes too aggressive in Central Europe. Thus, with Mr Chamberlain's prestige staked on the success of these conversations, and with Signor Mussolini anxious to allay British hostility, there will be a very great desire on both sides to reach a settlement. Yet public commitments on the one side and the interests of the Empire, the state of public opinion and our international obligations on the other, would present serious difficulties even if there were agreement between Britain and Italy on the principles of international policy.

Hitherto, this common ground has been conspicuous by its absence. The most disturbing feature of this week's debate was the uncertainty it imported into the fundamental principles of British policy. Public opinion in this country has been most disturbed by the Prime Minister's blunt confession of his disbelief in the League as an effective political instrument in present conditions, and his admission that we are in a phase of power politics. This may be a realistic description of the state of the world, but even if this be admitted, with its corollary that we must find a means of living on terms with the dictatorships, it does not follow that we should replace the international democracy of Geneva by a Four-Power Pact. Between the liberty-destroying regimes and the democracies there is no common ground; and there is no assurance that even the universal desire for economic betterment and the avoidance of bloodshed will in totalitarian States put a check upon imperialist designs fostered by mass propaganda. To weaken, therefore, the confidence between the peace-loving peoples in the hope of a temporary relaxation of tension with Italy would be a disaster. Fear of this calamity is the chief reason for the misgivings aroused by the Italian talks and the dropping of a Minister who has fought so bravely for international collaboration.

Warning From Berlin

FOR three hours last Sunday Herr Hitler addressed the Reichstag and the world. The most promising way of battling with the torrent of words is to distinguish, as far as we can, between the things new and old that this master of the demagogic art has brought, for the occasion, out of his well-stocked store chamber of rhetorical properties. In retrospect, Herr Hitler's speeches are not easy to keep distinct from one another owing to the strong vein of constant repetition with which he contrives to work upon the mass mind. Thus, nobody was surprised to find that last Sunday's speech, like its predecessors, contained both a denunciation of Bolshevism and a catalogue of Herr

Hitler's own achievements in the way of overcoming economic adversity at home and restoring Germany to the position of a Great Power in the world. There was the usual protestation of Herr Hitler's will to peace and moderateness of ambition—but here we begin to come to an important difference; for this "all-clear" signal, which was trumpeted in such strident tones after the re-occupation of the Rhineland in 1936, is inserted in the present speech with so perfunctory a lack of emphasis that it can hardly be heard against the prevailing note.

France is assured that Germany has no further territorial claims against her, while as to Britain, Herr Hitler

has no dispute except in the matter of colonies. But for the rest the prevailing note is one of truculence. The speech gives—and is unquestionably intended to give—the impression that the Third Reich has now reached, in its irresistible march from strength to strength, a point of vantage beyond which it will no longer be necessary for the leader of the victorious Teutonic hosts to spend breath and waste time in assuring his victims that he means them no harm.

There were, of course, definite targets for the truculence: and the chief of them were the free Press of the world, the League of Nations, and Mr Eden. The last of this trio of *bêtes noires* was castigated by Herr Hitler on Sunday as a patron of the freedom of the Press in his own country and of Bolshevism in Russia. This was at midday, and a few hours later Mr Eden was out of office.

The victory over Mr Eden was the most spectacular apparent result of the speech; but the furious onslaught upon the foreign Press was certainly its most distinctive feature. Herr Hitler actually gave as his reason for still further strengthening the German army the "danger to the peace of the people" of Germany which, in his opinion, the foreign criticism of his policy constitutes. The additions to Germany's military strength are to provide an assurance that "these wild threats of war against Germany will not one day be translated into bloody force."

When the Führer descends to details, the criticisms that arouse his wrath do not, however, appear to be threats of war at all. He is furious that the foreign Press has discussed his collision with the representatives of the Prussian tradition in the Army; and he is annoyed at their having pointed out that his support of Japan in the Far East is inconsistent with his professed championship of the "Aryan" race. Both the points that he has picked out for castigation are thus examples of nothing more sinister than fair comment on undisputed facts. Clearly, what Herr Hitler is up in arms against is freedom of speech itself. Does he now feel himself strong enough to insist upon absolute silence abroad as well as in the Reich?

A target to which Herr Hitler has devoted scarcely less attention in this speech is the League of Nations. He denounces it as an organisation for procuring majority votes in favour of injustices. It was the Italians, not the Abyssinians, who ought to have been treated with tender solicitude at Geneva; and in the Far East the cause of civilisation is bound up with the triumph of Japan over China, because the Japanese will, and the Chinese cannot, build a bulwark against Russia. The recognition of Manchukuo by Germany is announced, and the Berlin-Tokyo-Rome triangle is buttressed up, as industriously as the League is demolished. The two policies are, of course, the obverse and reverse sides of a single medal, and neither of them is new in itself. But Herr Hitler has never before

been so emphatic in pointing out the connection between them. In his speech he no longer even affects to conceal what he is really doing. He is shovelling away the last remnants of collective security which still cumber the ground in the path of his advance.

Neither the attack on Mr Eden, however, nor that on the world Press, nor even on the League of Nations, sounds quite so ominous in the ears of the world as the remarks that Herr Hitler had to make about his neighbours in Austria and Czechoslovakia, about Spain, and about colonies. In regard to Austria, it is the omissions rather than what was said that are frightening, for there was no mention of the explicit guarantee of Austria's independence, and the direct "hands off" orders to the German Nazis, which were widely reported to have been Herr Hitler's contributions to the bargain of Berchtesgaden. He practised, indeed, a masterly vagueness calculated to spare Austrian feelings without cramping Germany's free hand.

Czechoslovakia received no direct mention. But there is a most ominous assertion of the right to protect the political liberty and cultural freedom of the ten million Germans of the former Austro-Hungarian Empire, who had been separated from the Reich by the Peace Treaties, and the total cannot be raised to this figure without the inclusion of the Sudeten Germans in the Czechoslovak Republic. If the precedent of past "warnings" by the Führer holds good, this portends an attempt at direct interference with the domestic concerns of Czechoslovakia.

In the matter of the colonies, Herr Hitler's two principal shafts went home. The natives were not consulted when the former German colonies were taken away from Germany and placed under mandate in the peace settlement; and the self-righteous League Powers' colonies were originally acquired "through naked and brutal force." As for Spain, Germany proclaims herself in complete agreement with Italy in working for "an independent national Spain" and the exclusion of "Bolshevism" on the Mediterranean. This is the proclamation in the shade of which British and Italian negotiations are to begin.

The general significance of last Sunday's speech is unmistakable. Herr Hitler now feels himself on top of the world. He believes that the democratic peoples who reject his principles and abhor his faith are no longer in a position to stay his triumphal course. He can now take the pawns off the board, one by one, without having to reckon with the intervention of any Power that can give him any serious concern. Behind an impregnable rampart in the Rhineland and on the Frisian coast, he can now gather in his harvest ("above all, we have a scarcity of fertile soil") in the vast expanses to the east. It may be an intoxicating vision for the Nazis; but it is one to demand immediate attention in the rest of the world. As clearly and as truculently as never before, we have been warned.

Machinery in the Office

EVER since the sons of Adam fashioned rude implements to save the labour of their hands in the fields, man's ambition to devise machines to lighten his toil has been perennial. The cutting-edge, the plough and the potter's wheel were milestones on the road to that fortunate day foretold by Aristotle, when sticks and stones would do the work of slaves, and all men would be free. Oxen, horses and running streams were harnessed to the uses of man in the quest for his livelihood, and with the advent of steam power barely two centuries ago the long-sought Age of Machinery was begun.

Just after the War a play from Central Europe caught the spirit of the new mechanical era. The "robot" was pictured doing the work of men in every respect but one.

He could do everything but think. In industry, where the processes could be broken up into a series of simple mechanical motions, the machine was by then all-conquering, and the mechanical division of labour had opened the markets of the world to the factories of every country. Mechanical operations and machine parts were standardised, and men became increasingly planners and tenders of machinery.

In other fields of human labour the triumph of the machine was not so easy. Domestic toil could not be wholly reduced in each small home to a series of simple repetitive operations. A leading article in *The Economist* on February 5th (page 279) showed how certain machines had already invaded the home, but domestic management is still too

large an element in housework for the robot to take entire charge.

In the office, too, there are limits to the use of the mechanical aids which in the last thirty years have transformed business life. The influx into business of young women, trained in typewriting and shorthand, bears witness to a notable change. The days of the quill pen and high stool have almost gone. The typewriter, the adding machine, the mechanical calculator and the sorting machine have been pressed into service to save the manual labour of writing, copying and performing simple repetitive—and monotonous—tasks. But a machine can do only mechanical work, and there is more in business than mere routine. Judgment remains a human perquisite.

Moreover, many even of the mechanical devices contrived to do repetitive operations are costly to produce. Only in offices, consequently, where a great number of routine tasks are controlled under a single management is it economic to substitute these expensive instruments for the labour of human hands or the simple processes of figuring—which by their standardised nature can be mechanically done. True, a limited number of machines like the typewriter and the cash register have come into general use. And at the other extreme, the cost of developing that indispensable instrument of modern office equipment, the telephone, on a national scale is far too heavy for any but a great "utility" organisation or the State itself. In the last resort, however, the factors which determine the scope of machinery in the office are functional rather than merely financial. The processes of business are less mechanical than those of industrial production. They are more diverse, and their average scale is narrower.

Admittedly, a significant part of the work of every office is based on routine, on correspondence and book-keeping, and to that extent the substitution of typewritten for handwritten letters, for example, has effected a substantial saving in time and money. But the higgling and haggling of the market are obviously beyond the robot's competence, and so are the discretion, the shrewdness and the business acumen expected of those who hold even junior positions in the hierarchy of business management. Even in the case of repetitive operations which by their nature are capable of being mechanically performed, the "plant" may be complicated and expensive enough to be uneconomic for all but the largest firms.

The installation of office machinery began with the adoption of card and loose-leaf systems of book-keeping at the beginning of this century. The laborious task of copying out complete records of every transaction in longhand into a bound book was in part eliminated to facilitate the use of the typewriter, which was then coming into common use. But book-keeping is more than the mere recording of the details of all transactions; it involves the classification of individual items according to the analysed information required for costing and other purposes; and from the introduction of machines to give a typed, instead of a handwritten, record, it was an obvious step to fashion and employ machines to add and compute figures. Laborious manual tasks were broken down into a series of simple operations, each of which could be performed by machinery.

To-day, accounting machinery—the "keyboard" models—of the typewriter *cum* adding machine variety can be divided, broadly, into two types. On the one hand, there are general purpose models which perform not one task, but many. Driven by electricity, they not only add and subtract, but can also, with slight adjustments, be used for such tasks as completing account cards and payment books or making up ledger, wages and audit sheets. On the other hand, special purpose machines are available to perform specific tasks. Whole office systems can be built up by the complementary use of many machines of this kind. Special models are produced for municipalities and public utility organisa-

tions; and the use of statistical data has been widely encouraged by the employment of computing machinery. One firm alone advertises over 450 different keyboard models with more than 2,000 optional features. And, as more and more extensive and varied figures are required for the scientific control of industry and to satisfy the schedules of information required of many undertakings by law, the need for new models or for greater adaptability in existing equipment grows.

Indeed, in view of the high capital cost of these intricate and ingenious machines, elasticity in the uses to which they can be put is essential. The purchase of a single model involves an important addition to overhead expenses. And the cost of the more elaborate machines might be wholly prohibitive but for the fact that their production is centralised to a considerable extent in Canada and the United States, whence the whole English-speaking market is supplied. The following tables give some indication of Britain's dependence on overseas supplies, the more so if it be borne in mind that a large proportion of the machines produced in the United Kingdom and exported consists of cash registers and typewriters rather than the more complex forms of computing machinery:—

ACCOUNTING AND CALCULATING MACHINES AND AUTOMATIC CASH REGISTERS

Year	Production* Factory Value	Exports		Retained Imports	
		Quantity	Value f.o.b.	Quantity	Value c.i.f.
	£'000	Tons	£'000	Tons	£'000
1932...		23	57	298	392
1933...	342	30	68	438	486
1934...	350	31	59	629	692
1935...	585†	42	85	247	476

* Including replacement parts. † Including adding, listing, book-keeping and billing machines with typewriters incorporated.

Keyboard accounting machines are lineal descendants of the typewriter and the old hand book-keeping, but another type of machine, which has recently come to be extensively used in commerce and industry, owes nothing to the traditional book-keeping system. In this type, complete details of each transaction are recorded by punching holes in a card, according to a specified code. By simple and rapid sorting (up to 24,000 cards an hour) any required classification of data can be automatically obtained. Punching holes in a card is probably the quickest known method of writing, and these machines (which were installed by a large and well-known insurance company during the war, when the servicing of foreign equipment was difficult) are speedy and comparatively free from error. They are equally useful without alteration in decimal and sterling countries; and models have been devised for invoicing and most office work. On the other hand, their original cost is very high, and the preparation and checking of the card used as a basic record is an expensive proceeding.

We may conclude, in short, that, while the introduction of intricate office machinery has been encouraged by the increasing integration of industry and commerce, which has made possible the incurring of high capital costs with economic justification, the day of the robot office has not yet arrived. The first round of the conflict between the clerk and the machine was won by the typewriter—to the ultimate advantage of the clerk and, still more, of the shorthand typist. In the second round the clerk has so far survived, because computing and accounting contrivances, although they save time and labour, are too costly to be used by offices other than the largest. The triumph of the large business corporation may turn the scale in the machine's favour. But, in the long run, no one may be the loser; for the installation of machinery at least eliminates much of the drudgery traditionally inseparable from office routine, and frees the minds of workers for more congenial and responsible business duties.

The Irish Tariff

PERHAPS no country in the past five years has embarked more boldly on the perilous seas of protection than Eire, formerly called the Irish Free State. That country's tariff covered at the end of 1931 some 68 articles; and the duties levied on nine of these were simply intended to produce revenue. By October, 1936, however, the list included 288 articles, and only seven of the duties were for revenue purposes. In addition, the tariff is supplemented by the official import list which, last year, specified as many as 1,947 articles in foreign trade subject to restriction or control. These regulations are evidence of the determination of the country to vindicate in the economic sphere the extreme nationalism of the De Valera regime. In view of the British Government's current discussions with the neighbouring Dominion, it may be useful to examine the details of this tangled tariff and to estimate the effect of the duties and restrictions on Irish trade, industry and agriculture.

While the list of duties and the methods of assessment are liable to amendment, the main details of the tariff can be indicated. In addition to the articles on which duties are chargeable, there is a further list of goods the import of which is prohibited except under licence, such as bicycles, boots and shoes, perambulators and some wearing apparel. In certain cases articles admitted under licence are subject to duty; but in others, as in the case of maize, no duty is charged. There are three types of licence. The General Licensing Provisions permit the exemption from duty of any chargeable article which is considered essential to the process of any manufacture. The Ordinary Licensing Provisions extend only to certain specified articles, such as metal furniture, forks and spades, and permits the import of licensed articles without payment of duty. The Special Licensing Provisions have more limited application. Persons ordinarily engaged in the sale of agricultural machinery, which is liable to an import duty of 33½ per cent. or a preferential rate of 25 per cent., may, for instance, import under licence grass mowers, wheel rakes and swathe turners free of duty.

The number of these concessions, combined with the range and magnitude of specified duties and prohibitions, makes precise description of the tariff difficult. For example, a person wishing to import a coffin will find this article liable to an *ad valorem* duty of 50 per cent. Coffins are, however, subject to the Ordinary Licensing Provisions, and may under licence be imported free of duty. To obtain a licence may involve delay, and the coffin importer will find among the "divers exemptions from all duties" in the Customs and Excise Tariff the stipulation that

Where an article is an article of personal, domestic or household use or ornament of a portable character . . . and was given by a person ordinarily resident outside Saorstát Éireann as a wedding present to a person about to be married who is ordinarily resident outside Saorstát Éireann and intends to reside permanently in Saorstát Éireann after such marriage, the article may be imported free of duty.

Thus, persons intending to reside in Eire after marriage may import a coffin free of duty, if they can persuade a friend to include one in their wedding presents. But the person normally resident in the country must pay duty on an imported coffin, even if it enters the country enclosing a dead body.

More important than the complications of the tariff regulations themselves are the effects of this mass of duties and prohibitions, leavened by licensing, upon the Irish economy. Between 1931 and 1935, for instance, imports of thirty-three articles fell in value by roughly £10 millions

owing to the growth of domestic production. Imports of wheat flour, bacon, sugar, bread, sweets and sweetmeats fell by nearly £4,000,000; of leather footwear by more than £1,500,000; and of furniture by £44,000. These few articles thus accounted for over half the decline of £10,000,000, and it may therefore be useful to look more closely at their history since 1931.

In July, 1932, a duty of 5s. per sack was imposed on imports of wheat flour in excess of limited quantities. In May, 1933, import was forbidden except under licence. Since 1931 domestic production of wheat flour has risen from 3,848,000 cwt. to 6,852,000 cwt. Home-grown wheat in 1931 was 7 per cent. of available Irish supplies. In 1935 home-grown wheat had risen to 33 per cent.

The remaining articles, imports of which fell markedly between 1931 and 1935, were leather footwear and furniture. In 1932 the 15 per cent. *ad valorem* duty on boots and shoes was raised to 37½ per cent., with a preferential rate of 25 per cent. In September, 1934, the import of boots and shoes, except under licence, was prohibited; and since then a limited quota has been admitted each year, under licence, paying 30 per cent. in duty. The duty on imported wooden furniture is now 50 per cent. (preferential) compared with 33½ per cent. in 1931.

Undoubtedly these measures restricted imports—as we have seen—and enhanced domestic production. Employment in industries producing wheat flour, bacon, sugar, sweets and sweetmeats, leather footwear and wooden furniture increased between 1931 and 1935 by 15,319, compared with a general increase of 37,000 in the number of insured workers in all industries, excluding agriculture and domestic service, during the same period. Thus, nearly half the increase in industrial employment took place in the very industries whose products accounted for over half the reductions in imports. Can we, therefore, infer that the more Eire has restricted imports the more she has increased industrial employment? We cannot. The articles we have singled out for special discussion are consumers' goods, for the most part food and clothing; and there is some evidence that the people of Eire are less well shod and well clad now than in 1931—in spite of the increase in domestic production of footwear and clothes. At least, the prices of these articles are relatively higher than they were. We have thus to balance increased employment against consumption of inferior articles and reduced spending power on other things.

The issue is even more important and interesting in the field of agriculture, which employs some 50 per cent. of the 1,300,000 gainfully occupied in the country. It may even prove that the diminution of rural employment, occasioned by the restriction of imported agricultural raw materials, more than outweighs the recorded gain in industrial employment. It is true that basic slag is subject to neither tax nor licence, but imports fell from 38,700 tons in 1930 and 27,600 in 1931 to 7,600 tons in 1935 and 16,600 tons in 1937. Oil seed cake and meal are free of duty but require licence, and imports fell from 1,135,700 cwt. in 1931 to 428,900 in 1936. Last year, however, they exceeded 660,000 cwt.

Similarly, neither maize nor maize meal are subject to duty, but they require import licences. These licences are given very reluctantly in the case of maize meal, and imports fell to practically nil in 1935 and 1936. Combined imports of maize and maize meal dropped from 12,570,000 cwt. in 1931 to 4,370,000 cwt. in 1936, though in 1937 imports exceeded 6 million cwt. Meanwhile, rural population fell by 98,000 between 1926 and 1936, and the movement of country people into Irish towns and overseas has become a major social problem.

While it is true that the vicissitudes of world trade, production and employment during the recent depression have influenced these trends, and that there was a distinct improvement in some directions in 1937 when commerce was generally reviving, there is more than a strong presumption that Irish agriculture has been deleteriously affected by policies which, at one and the same time, have restricted the supply of materials necessary for animal husbandry and curtailed the markets abroad for animal products. The gross value of Irish agricultural output fell from £64.9 millions in 1929-30 to £40.5 millions in 1934-35, during which period the pound was devalued. Clearly this decline was in part due to the sharp drop in world prices—although much of the produce was sold in

Eire—but, on the other hand, the figures suggest that the recent increase in industrial employment is more than counterbalanced by the diminution of agricultural activity.

Summarily, therefore, it may be suggested that, although protection has occasioned an increase in the production of consumption goods since 1931 and a corresponding rise in employment, the population of Eire has lost rather more than it has gained. The price of food and clothing has risen, while the quality has declined. Foreign markets have been diminished and activity on the land has fallen. Only the intangible gains of self-sufficiency and self-determination may possibly restore the balance in the minds of the Irish people and their legislators. Even so, the population of the country is steadily drifting overseas.

Herr Hitler's Figures

STATISTICIANS should feel grateful to Herr Hitler. There can have been no previous occasion when so many figures were listened to, voluntarily or compulsorily, by so many millions of people as in his speech to the Reichstag. To reproduce all of the figures he gave to illustrate Germany's progress in the five years of his rule would fill several pages of *The Economist*. Several of the more important and interesting figures are, however, tabulated below (the 1938 figures are the estimates given by Herr Hitler):—

GERMAN ECONOMIC PROGRESS, 1932-37

	Unit	1932	1933	1937	1938
National income	Milliard R.M.	45.2	46.6	68	...
Cost of living	120.6	...	125.1	...	...
Industrial production	Milliard R.M.	37.8	39.9	75	...
Retail turnover	"	...	21.8	31	...
Agricultural production	"	8.7	...	12	...
Unemployment	Millions	...	6.5†	0.47‡	...
Imports	Milliard R.M.	...	4.2	5.5	...
Exports	"	...	4.9	5.9	...
Savings Bank deposits	"	11.4	12.1	16.1	...
Short-term interest rate	"	6.23	...	4.5	...
Revenue	Milliard R.M.	6.6	6.8	14.0	17
Coal production	Million tons	104.7	109.7	184.5	...
Lignite production	"	122.65	126.8	184.7	...
Steel production	"	...	9.66	19.21	21
Iron ore mined	"	1.3	2.6	9.6	...
Bauxite	Tons	1,360	...	73,280	...
Nickel ore	"	Nil	...	87,000	...
Crude oil production	Thous. tons	...	238	453	...
Light oils	"	...	386	1,480	1,700
Wool production	Tons	...	4,700	7,500	...
Flax production	"	...	3,100	24,000	...
Artificial wool	"	...	4,000	100,000	...
Rayon	"	...	28,000	57,000	...
Production of motor-cycles	No.	56,400	...	234,000	...
Production of passenger automobiles	No.	41,100	...	216,000	...
Production of goods vehicles	No.	7,000	...	59,600	...
Motor-vehicles registered	No.	1,500,000	...	3,000,000	...
Railway revenue	Milliard R.M.	2,234	...	4,480	...
Expenditure on roads	Million R.M.	440	780	1,450	...
Wireless listeners	Million	4.2	...	9.1	...
Production of radio sets	Thousand	1,011	...	2,156	...
Film audiences	Millions	235	...	376	...
Foreign tourists	Thousands	1,114	...	2,400	...
Visits of foreign journalists	No.	872	...	2,973	...
Births	Thousands	970	...	1,270	...

* Not given. † January. ‡ October.

All these figures have been taken directly from the speech, and have not been verified or supplemented from other sources. The descriptions are close translations of Herr Hitler's terms, though in some cases closer definition would be desirable (e.g. "Industrial Production" is presumably a gross figure, as it exceeds the whole National Income).

These figures are, beyond question, an impressive record, and they illustrate in the most striking way the completeness of Germany's recovery from the depression. They were used by Herr Hitler, however, to demonstrate the superior economic virtues of National-Socialist rule. This is an entirely different matter, and it is very questionable how far even such an impressive array of figures as this would sustain a comparative argument. They might be held to prove not that the condition of Germany was good now, but that it was bad five years ago. Obviously, the country

which suffers the deepest depression will show the largest recovery. The only fair measure of progress is to compare like with like, to put 1937 alongside the last year of comparative prosperity in 1929. Herr Hitler would doubtless argue that 1932 is a fair criterion for assessing his achievements, since it was the cowardly weaknesses of the hated Weimar Republic that brought Germany so low. But in that case the equally democratic year 1929 is also fair. How, then, does the progress of Germany between 1929 and 1937 compare with the progress of Great Britain in the same years? The following table gives British and German figures for nine of the most important indices of economic progress that are available in comparable form in both countries. All the figures have been given in the form of index numbers with 1929 equal to 100. The greater severity of the depression in Germany is thus automatically shown by the fact that the German figures are lower than the British in 1932, while a comparison of the two 1937 columns shows what progress has been made in the two countries since 1929. To carry the comparison into as many details as Herr Hitler did would be tedious, but the following table gives British and German figures for nine of the most important indices of economic progress that are available in comparable form in both countries:—

ECONOMIC COMPARISONS, UNITED KINGDOM AND GERMANY

	United Kingdom		Germany	
	1932	1937	1932	1937
Industrial production	83.4	122.7	53.3	116.9(a)
Output of coal (inc. lignite)	81.3	93.9	67.3	109.2
Electricity generated	118.8	222.5	76.7	149.0(b)
Production of steel	54.7	119.2	35.5	118.3
Production of automobiles	97.4	212.6	27.7	189.9(c)
Retained imports*	58.6	85.8	34.7	41.7
Domestic exports*	50.1	71.5	42.5	43.8
Employment	91.4	112.4	70.0	103.0
Real wage rates†	109.4	110.9(d)	104.3	97.9(d)

* Value in national currency. † Official index of wage-rates corrected by official index of cost of living. (a) Based on eleven months. (b) Based on nine months. (c) Based on ten months. (d) Year 1936; figures for wage rates in Germany in 1937 not available.

The nature of the indices is sufficient answer to the objection that they have been selected to make a case against Germany. Yet in only one instance is the British figure for 1937 below the German. The figures of employment are significant; for if unemployment has gone down without employment going up, it can only be because men have been taken off the labour market by means of other than the provision of gainful employment. The last line of the table is perhaps the most eloquent of all. During the democratic years, the standard of real wages in Germany did not lag much behind the British; since Herr Hitler's advent to power the same cannot be said.

The whole world will rejoice with Herr Hitler that Germany is once more prosperous. But it will not follow him in ascribing the fact entirely to the ideas of the Nazi Party.

Topics of the Week

Anglo-Irish Talks Resumed.—The crisis of Mr Eden's resignation unfortunately coincided with the return of Mr de Valera and his delegation to London to resume their talks with British Ministers. Formal meetings had to be postponed, but informal discussions were soon begun, apparently in a hopeful atmosphere. Mr de Valera's comment on the Ulster elections made it plain that the partition of Ireland is still the first item in his agenda for any Anglo-Irish talks; and on Thursday four Nationalist members of the Northern Ireland Parliament came to London to confer with him. But he is apparently willing to reach agreement on economic and defensive problems provided he receives at least a gesture from the British Government on the issue of partition. It has been hinted that the gesture should take the form of action to secure more equitable treatment for the Catholic minority in Northern Ireland. Every Englishman of good will would applaud such a move. Meanwhile, the negotiations with Mr de Valera seem likely to move towards the expected compromise of remitting the land annuities against increased expenditure for Irish defence, which would allow formal British rights of occupation of certain Irish ports to be relinquished.

* * *

India's Crisis.—The Indian constitutional crisis caused by the refusal of the Governors of Bihar and the United Provinces, acting on the Viceroy's instructions, to consent to the immediate release of all political convicts, has moved steadily towards a compromise. Under the influence of Mr Gandhi, whose rôle of elder statesman has twice been invaluable during the past year, the Congress meeting at Haripura passed a mild resolution which avoided the danger—feared throughout India—of a "sympathetic strike" of other Congress Ministries. The Viceroy responded by holding out, though a trifle stiffly, the hand of reconciliation in a long statement explaining his action. His reasons had been threefold: the abrupt method of ultimatum used by the provincial Ministers, the danger to adjoining provinces, and the encouragement likely to be given to terrorism in Bengal. These are urgent reasons, more especially when Viceroy and Governors are willing to proceed with a policy of releasing prisoners after scrutiny of each case. But when Lord Linlithgow declared that the Ministers' responsibility for law and order is subject to the Governors' responsibility for peace and tranquillity in their provinces, which again is subordinate to his own responsibility for peace and tranquillity throughout India, the Congress view is bound to arouse sympathy. For the distinction between law and order on the one hand and peace and tranquillity on the other is not obvious; and either government is responsible or it is not.

* * *

Parliament at Work.—The House of Commons has done more in the last ten days than debate and approve a notable change in foreign policy. Indeed, the Government has suffered two slight reverses in the domestic field. On February 17th, a private motion approving pensions for spinsters, and backed in the country by support of a character and vehemence likely to disturb the most complacent member of an almost wholly male assembly, was carried, after the Treasury had pronounced unfavourably upon its financial implications. And the dust and heat of controversy and Cabinet fissure ought not to obscure Mr J. W. Banfield's triumph two days later. For ninety years, zealous members of the House have sought without avail to abolish night baking. On February 19th, a private bill for its abolition was carried in the teeth of the Government's contrary advice. There was force, however, in the official contention that the measure so long advocated by Mr Banfield was not

designed to remedy the whole evil, since long hours and low wages were the foundations of bakers' complaints. The Bill was, nevertheless, a step in the right direction, and its second reading, together with the consideration in Committee on February 18th of the National Health Insurance (Amendment) Act and the third readings accorded to the Blind Persons and Population (Statistics) Bills, reveal that there has been more than Ministerial calamity in the Commons' recent proceedings. The Commons' concern to redress popular disabilities has repeatedly been shown in recent months, and Mr Chamberlain's announcement on Wednesday that a Committee would be set up to review the project of pensions for spinsters was a recognition of the House's authority and independence in matters of social welfare, when powerful vested interests are not aroused. The way of the Films Bill is less straightforward; for conflicting interests are concerned and the Government's policy, like the trade's wishes, is uncertain. In Committee on Wednesday, the old questions of a small film commission instead of the Advisory Council proposed by the Bill and the cost test for quota purposes were wearily debated. Only the deputation of film workers who visited Westminster to protest against the labour implications of the proposed legislation seemed to have any clear idea of what they wanted.

* * *

Aftermath of Berchtesgaden.—Herr Hitler's victory at Berchtesgaden is being followed up with a masterly show of moderation. At first it looked as though the pace might be hotter; for the new Austrian Minister of the Interior, Dr von Seyss-Inquart, travelled to Berlin on the very day of his appointment, and had interviews there not only with Herren Hitler and Göring, but also with Herr Himmler, the Nazi Chief of the Secret Police. It has been announced, however, that this visit was paid with Dr von Schuschnigg's approval; and if *post hoc* means *propter hoc*, as it may be assumed to mean in Dr von Seyss-Inquart's case, his action since his return to Vienna may be taken as evidence that it was agreed in Berlin to put on the brake in Austria. The general amnesty for political prisoners, which was the first point in the Berchtesgaden agreement, has been applied impartially for the benefit of Social Democrats and Communists as well as Nazis; but the effect upon the two sets of beneficiaries has not, of course, been the same, for the parties of the Left are as deeply depressed as the Nazis are highly elated. Both parties have expressed their feelings in demonstrations; and while the Social Democrats have rallied to Dr von Schuschnigg, the Nazis have tried to take the bit between their teeth. The



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Nazi demonstrations on Sunday were repeated on Monday on a larger scale and with a greater enthusiasm, but on Monday night the Government intervened by banning all political meetings and processions of every complexion; and on Tuesday Dr von Seyss-Inquart broadcast an address in which he firmly emphasised the need for rigorous discipline; the duty of working within the framework of the Patriotic Front, the existing constitution, and the law; the need for domestic peace, not conflict; and the importance of avoiding provocation. It has also been announced that the basis of Austrian monetary and economic policy is not to be changed in any way, and that there are no points in the Berchtesgaden agreement that have not been made public.

These manifest efforts to spare Austrian susceptibilities will, of course, if maintained, very potently promote Herr Hitler's aims—not only in Austria but in Central Europe as a whole. The repercussions of the Berchtesgaden agreement and the Berlin speech are already making themselves felt far and wide. In Hungary, the Magyar Nazi leaders have been rounded up by the police; in Roumania the Iron Guard has liquidated itself. In Czechoslovakia Herr Hitler's challenge of last Sunday has been resolutely taken up in the Government's organ, the *Prager Presse*. The Prague Government does not underestimate the seriousness of its position. But while it is prepared for any reasonable agreement with Germany, it is determined not to concede any diminution in the sovereignty of the Czechoslovak Republic, and it believes itself well able to resist any forcible intervention in its affairs. There is nothing more certain than that Dr Benesh will not go to Berchtesgaden. On the other hand the Poles are leaning over more heavily in the German direction. The next chapter in Austria will be one of the decisive factors in determining the policy of all these neighbouring States.

Two Wars.—The long battle for Teruel has turned in its latest phase in favour of the Insurgents. After their capture of the Republican positions in the Sierra Palomera a fortnight ago the Insurgent forces launched a strong attack on Teruel City, which fell to them on Tuesday. The result of the battle so far is therefore a net gain of territory to the Insurgents, since the Government troops have been driven back to their original line south of Teruel, and beyond it to the north of the city. But it is questionable whether the results of the battle can be measured in square miles, since the Government have undoubtedly succeeded in postponing, at least for a time, the threatened Insurgent attack upon Madrid, and in compelling General Franco to use up in the effort to regain Teruel a large part of his reserves of men and material, which cannot be too abundant. The recapture of Teruel was accompanied by a naval raid on

Valencia and Sagunto, which had more success in demonstrating General Franco's command of the sea than in inflicting damage on the cities. It is not improbable that this command of the sea will lead him into trouble with foreign Powers, as his reply to the strong Note on piracy has been rejected by Mr Chamberlain, and another stern warning from London is on its way.

In China, the Japanese continue to report detailed advances in their attack on the Lunghai Railway, but the strategic importance of the line is so great that a stubborn Chinese resistance is being put up, and the actual progress made by the Japanese forces is slow. These operations, however, and even the novelty of a Chinese air raid on Japanese territory in Formosa, have been overshadowed by the news that General Matsui, the Japanese Commander in Central China, and his two principal lieutenants, of whom one, Prince Asaka, is a member of the Imperial House, have been recalled. The reasons for this step are not clear. The Shanghai expedition was organised hurriedly and largely staffed both in its highest and its lowest ranks by reservists, and it is understandable that in view of a long and difficult war it is desired to make more permanent arrangements. At the same time it is impossible to resist the conclusion that the unfortunate impression made upon foreign opinion by General Matsui's blusterings in Shanghai, and still more by the outrages perpetrated by Prince Asaka's troops in the advance on Nanking, has played a large part in the decision. Thus, in spite of all appearances to the contrary, outraged world opinion has to be taken into account, even by Japanese Generals. There is some sign that domestic opinion has also revolted in detail, if not yet in principle, against the domination of the military, for a National Mobilisation Bill introduced by the Government to confer the most stringent powers of control upon the military in time of war or "incident" has met with strong opposition in the Diet, which has also been protesting with vigour against the alleged attempts of Admiral Suetsugu, the Home Minister, to organise a Fascist movement. On the surface Japan still looks strong, confident and united. Every now and then, however, the outside world is vouchsafed brief glimpses into the real state of affairs, which is by no means so flattering to the glorious conception of Imperial Japan which her propagandists would impress upon the world.

A New Constitution for Roumania.—King Carol, having abrogated the Roumanian Constitution by proclamation, has now put a new document in its place, upon which the Roumanian people was invited to express its opinion on Thursday of this week. The new Constitution is admirably designed to fulfil its main purpose, which is to provide a legal basis for the dictatorship of the King. The size of both Houses of Parliament is reduced, and there is the fashionable admixture of a corporative element in the process by which they are to be elected, although the regional method is in the main retained. The minimum age for electors is raised to 30, which is a direct blow at the main popular support of the Iron Guard. All initiative in legislation is to come from the King, although Parliament is to be given the privilege of final ratification of the King's decrees. The Constitution includes guarantees of equality before the law, and liberty of conscience, work, the Press, assembly and association. Whether these rights will be granted as fully in fact as they appear on paper is a matter on which it is perhaps legitimate to express some doubt; and in any case they are qualified, even in principle, by a prohibition of the advocacy, in speech or in writing, of a change in the form of Government, a change in the distribution of the wealth of others, exemption from taxes, or class trouble—a somewhat peculiar set of prohibitions, but one elastic enough to justify most measures of repression. The same doubts may be expressed about the practical force of the provision protecting all Civil servants from dismissal on a change of Government, and providing

punishments for the squandering or misuse of public money. If such a policy could be fairly enforced in Roumania it would immeasurably cleanse the politics of the country. But those familiar with the methods of the men and women most closely associated with the King will have some difficulty in believing that they will carry through this policy with the necessary thoroughness. It is evident from this new Constitution and from the vigorous measures for internal pacification adopted by the new Government that the King is making a determined effort to impose his government upon the country. M. Codreanu, the leader of the Iron Guard, has already conceded defeat. He has retired both from politics and from the country. Whether the strong democratic principles of the National Peasant Party can be so easily overcome is a very different matter. Roumania's crisis is all too clearly not yet at an end.

Civil Estimates.—The totals of the Estimates for the Civil and Revenue Departments in the coming financial year are given in the following table:—

	£000's omitted 1937-38	1938-39	Change
1. Central Government and Finance.....	2,653	2,542	- 111
2. Foreign and Imperial	9,275	10,270	+ 995
3. Home Department, Law and Justice.....	24,043	28,096	+ 4,053
4. Education	63,327	65,487	+ 2,160
5. Ministry of Health, etc.....	26,637	26,970	+ 333
Old Age, etc., Pensions	61,516	64,717	+ 3,201
Labour and Unemployment	82,700	80,644	- 2,056
6. Board of Trade, etc.	3,745	3,751	+ 6
Agriculture	13,649	14,511	+ 862
Transport, Roads, etc....	15,773	22,384	+ 6,611
7. Works, Stationery, etc.	10,414	11,692	+ 1,278
8. War Pensions	43,933	43,094	- 839
9. Contributions to Local Revenues	54,392	54,248	- 144
Total Civil Estimates ..	412,055	428,406	+ 16,351
Revenue Departments	13,896	14,285	+ 389
Post Office.....	73,228	76,802	+ 3,574
Total Civil and Revenue Departments	499,180	519,492	+ 20,312

The increased burden on the Exchequer will not be quite as large as the increase of £20,312,000 in the total, as the increase of £3,574,000 in the Post Office vote represents self-balancing expenditure. But even the net rise of £16,738,000 is alarmingly large for a year in which the Budget is already to be unbalanced by heavy defence expenditure. It will be seen from the table that the largest individual increases are under the heads of Transport and Roads and the Home Office. The latter is very largely due to Air Raid Precautions expenditure, which is to take £8,493,400, against £5,177,800. The increase in road expenditure is presumably due in the main to the taking-over by the State of the main trunk roads, and it is difficult to tell whether there is any increase in addition to this. Increases in education and in old-age pensions show that the citizen is costing the State more at both ends of his life's span. The only decrease of any size is in the cost of unemployment. The Unemployment Assistance Board is estimated to require £44,235,000, which is £7,135,000 less than in 1937-38. Expenditure from the Special Areas Fund is increased from £3,500,000 to £7,500,000. Altogether, the Estimates do not encourage the belief that the Chancellor of the Exchequer will be faced with an easy task on Budget Day.

Rubber and Tin Restriction.—Both the rubber and tin restriction schemes have the same fundamental character. They are primary producers' schemes with compulsory legislative backing. Both have been in force for some years; the tin scheme secured a fresh lease of life last year and the extension of the rubber scheme is in process of deliberation. But whereas the rubber scheme has consistently had a good market and a good press, the

tin scheme has been a source of endless controversy. Important announcements relating to both schemes are discussed in the Industry and Trade Section of this week's issue of *The Economist*. The statement on behalf of the rubber-growing industry, which relates mainly to proposed future standard tonnages in the different areas, is distinguished by its lucid detail. The tin announcement, embodying the decision of the International Tin Committee to reduce quotas for the second quarter of 1938, was so worded as originally to provoke serious misunderstanding. The market interpreted the new 15 per cent. cut in quotas, which it disclosed, as being related to "standard" tonnages, whereas it appeared that the cut was actually in terms of "operative" tonnages, after the making of certain adjustments last December. On the first interpretation, the actual physical reduction would have been about 9 per cent.; the true figure was a full 15 per cent.

The tin scheme's arithmetic, indeed, has now become so complicated that a revision seems overdue. The real source of difficulty, however, is not merely mathematical. At present the scheme, by general admission, does not enforce an equal degree of effective restriction on all the producing areas. Broadly, it would seem that in the second quarter of this year Malaya and the Dutch East Indies will be restricting to the extent of about half their effective capacity, while areas like Bolivia and the Congo will restrict by less than one-fifth. To add to the scheme's complexities, proposals have been made for a buffer pool, which do not appear to have been warmly received in Malaya. The last-named area, however, has a remedy for dissatisfaction in its own hands. The latest cuts will probably reduce total production sufficiently to bring into force a clause in the agreement under which any restricting country can give six months' notice of withdrawal if the production of countries outside the scheme is more than 15 per cent. of the world output for six consecutive months. Whether Malaya will take so extreme a step is doubtful, but the clause at least affords her a bargaining weapon for securing a more equitable allocation of the burden of sacrifice.

Mr Roosevelt on Prices.—President Roosevelt, who is at home in most rôles, assumed that of the Professor of Economics on Friday of last week. Lecturing with school pointer and an abundance of charts, he developed his thesis that the United States is suffering not so much from prices that are in general too high or too low as from a lack of balance between prices. Prices in "administratively controlled" industries are too high, in his opinion, and those in industries subject to free competition are too low. An exposition such as this, in academic terms, will meet with very general agreement. The precise importance of it when in the mouth of the Head of a Government, however, depends upon the

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emphasis. In the past Mr Roosevelt has concentrated upon the need for reducing prices in industries such as steel, where (it may be pointed out) it is not merely the selling prices, but also the level of wage rates, that are under "administrative control." This time, however, the President made it clear that he was more interested in raising prices, and he declared for a moderate rise in the general price level. His contrary statement almost a year ago, calling for reductions in the prices of some commodities, has frequently been cited as one of the contributing causes of the sharp recession both in prices and in industrial production that followed upon it. Whether this interpretation is correct or not, it is certainly true that the President's new statement has either created or coincided with a perceptible improvement in the business atmosphere, and for several days Wall Street, that most sensitive barometer of American industrial conditions, has been enjoying a series of quite sharp rises. Thus for the moment it looks as if the price level can be influenced as much by pronouncements from the White House as by other factors. In the long run, of course, this is an absurd over-statement of the influence of any opinion, however authoritative, and the startling effect of the President's two statements, last year and this, has been very largely due to the fact that they coincided in direction with the apparent tendency of more fundamental factors. This is reassuring, for even the most ardent advocate of a controlled economy would hardly welcome the subjection of economic tendencies to political pronouncements.

* * *

French Wages.—So long as the French Government rests upon the support of the Popular Front, the New Deal set on foot by M. Blum cannot be abandoned. M. Chautemps has clearly shown an appreciation of his obligations since the reconstruction of his Cabinet, and so far he has not wavered in his intention to make collective bargaining both comprehensive and effective in French industry. Collective agreements were first embodied in the law of France in 1919, but were easily evaded by employers who were not affiliated to employers' associations. The Matignon Agreement of June, 1936, a central feature in the social reforms of the first Popular Front administration, was designed to put an end to strikes and to cover the whole field of industry with collective agreements determining wages, hours and conditions of employment. In operation, the new Code was frustrated by the reluctance of employers to accept any measure of Trade Union control or even, in many cases, co-operation, and by the demand of workers in certain places to exercise a dominant influence over employers' recruitment and staffing policies. Strikes in December and January showed that the problem was complicated by rising prices and the retarding influence of the forty-hour week on industrial output. Patently, however, there was need, for the sake of political stability, to meet the reasonable wishes of the Trade Unions, whose importance in the Popular Front was considerable, while at the same time securing amendments of the forty-hour week to facilitate that increase in production upon which the future of the franc and the Budget depended

* * *

Last week, M. Chautemps seemingly made considerable headway in bringing the two parties together. On the immediate point at issue, the relation of prices to wages, he secured the Trade Union's approval for a compromise scheme, whereby employers will be permitted to state reasons to arbitrators why they are in fact unable to adjust the remuneration of their workers to movements in the cost of living. The Chamber has shown general favour to Chautemps' Labour Code, and if the Senate can be induced to accept it without serious amendment, the Prime Minister will have retained the principles of the New Deal intact without permitting its rigid application to impair French industry at a critical moment or allowing either the employers or the Trade Unions to dictate

industrial policy. Peace in industry and increased output are France's crying needs, no less for political than for financial reasons.

* * *

More Money for Broadcasting.—By its new charter granted at the beginning of 1937, the British Broadcasting Corporation was allotted 75 per cent. of net licence receipts. The Corporation was committed to heavy expenses for the Empire service, regional developments, and television; and the Ullswater Commission had urged that the 25 per cent. of licence receipts taken by the Treasury should be regarded as potentially available for broadcasting. It was therefore provided that the Corporation's allotted income should be increased if it proved inadequate. The B.B.C.'s annual report, published on Wednesday, shows that this contingency has now arisen, though more details of expenditure might well have been given. Not only has broadcasting come to occupy an essential place in the planning of National Defence, but, within the frame of orthodox entertainment and instruction, the present revenue of the Corporation is no more than sufficient for sound broadcasting. Allotted income from licences rose in 1937 from £2,590,705 to £3,112,887, excluding £104,000 applied to depreciation and income tax. The amount available for appropriation to capital account was only £200,000, which was not enough even to cover the year's expenditure. The financing of television from funds primarily intended for sound broadcasting limits the quality of both enterprises, and when to routine programmes is added the responsibility of protecting Britain's reputation in the air, the case for an increased income is unassailable, especially as licence revenue is unlikely to increase appreciably in the next few years. The issue on Wednesday of a supplementary estimate of £360,000, of which £310,000 is intended for foreign broadcasts and television, went some way to meet the Corporation's immediate difficulties. In the long run, however, more is required, and most if not all of the Treasury's share of licence revenue might well be surrendered.

* * *

Organisation in Road Haulage.—Important developments are impending in the road haulage industry in anticipation of new Government legislation implementing many of the recommendations of two major inquiries—the Baillie Committee on Wages and Conditions and the Transport Advisory Council's Report on Service and Rates. The broad principle of the latter has now been accepted, and the Minister of Transport is consulting with the road organisations on practical details. As a measure of security for road hauliers, the Minister of Transport is about to make regulations to increase the period of "A" (Public Hauliers) and "C" (Private Carriers) licences to five years, from two years and three years respectively, and the "B" (Limited Carriers) licence from one year to two years, provided that the observance of the conditions of licences be upheld by the strongest possible measures including, after fair warning, suspension and revocation of licences. The Minister also wishes to introduce a Bill dealing with road haulage rates. A further Bill promised in the King's Speech will be sponsored by the Minister of Labour, and will deal with wages machinery. Meanwhile, several rationalisation projects for the largely unorganised road haulage industry are in the air. At least five large-scale mergers have either been formed or are under negotiation. The most ambitious of these schemes was recently described in outline at a meeting of Associated Road Operators, one of the two largest road haulage organisations. In common with other schemes which have been mooted, it apparently provides for organisation on a regional basis. The fact that the goods haulage side of the road transport industry has not so far followed the passenger side by organising in large groups is partly due to the strict interpretation placed by the licensing authorities on Section 11 (3) (b) of the Road and Rail Traffic Act, 1933, which restricts the transfer of licences. Some relaxation in this direction will probably be necessary to facilitate the grouping of the multitude of operators in the industry.

Overseas Correspondence

From Our Special Correspondents

United States

Government Spending Plans

WASHINGTON, February 8.—Uncertainty about the course of business and the future of international relations hangs over the Administration and Congress. The debate about the business recession has quietened down, but if there is no quick and sharp upturn in a few weeks it will break forth anew. For the present the sceptics are waiting to see how right the Administration's forecasts of returning activity may turn out to be.

The expectation is that, as inventories are exhausted, the forward march of business must begin again. So far, business is not fulfilling this promise. In a few weeks, unless there is a really substantial improvement, the Administration is expected to devise a new spending programme. Senator Bulkley of Ohio is receiving the advice of Government engineers in working out a \$1,600 millions outlay for a great system of trans-continental high-speed toll roads, to be financed on a self-liquidating basis.

This is only a first straw in the wind. Other spending plans can be expected to follow. Whatever they are, the President announces they must be self-liquidating. There is to be no increase of dead-weight debt.

Increase in the Navy

The recession has been supplanted as a topic of the day by national defence. And the question of the hour is what lies behind the sudden decision to increase naval tonnage by twenty per cent. This question is being given many answers, some of them obviously no more than rumours, though even the most foolish rumours are repeated in the half-whisper that makes them sound like disclosures of treasured secrets. The gist of most of them is that the President is preparing to spring back again to the theme of his Chicago quarantine speech, and that arrangements have been made to co-operate with Great Britain and France against Japan.

The Chicago speech is, of course, the one factor that keeps the naval increase from being accepted as inevitable, since the American public insists on foreign policy being conducted without consultants and collaborators. The increase is going to cost in the neighbourhood of \$200 millions, spread over several years. It will give the United States the largest navy in its history, at a time when the public is determined to do as little abroad as possible beyond holding on to a minimum of rights.

No Foreign Entanglements

One easy explanation offered as truth is that the navy is being made strong to come to the aid of Britain. Another is that the democracies are finally going to take concerted action against Japan, and intend to operate a long-distance blockade in the Pacific. The peace movement is agitated by such rumours, and by a growing uneasiness about the President, who is now privately criticised as a "big navy" man, and a person of impetuosity, not to be trusted with a large navy.

The Isolationists are at present the allies of the Pacifists. It is an unnatural alliance, since the Pacifists do not believe in war at all, while the Isolationists fervently believe in a war of self-defence. The Isolationists are just as much upset by the rumours of secret commitments with Britain as the Pacifists. Between them they have created a background of whispers nearly as hostile to the President as the undercurrent among business men.

All these rumours and explanations are only worth repeating to give some idea of the atmosphere in Washington. The best informed correspondents believe that the rumours about foreign commitments are fantastic. As they see it, the State Department is trying harder than ever, not only to

avoid the "evil" of an understanding with Great Britain, but even the appearance of evil. Admiral Leahy has denied, as explicitly as a sailor with a command of language can, that there are any commitments.

The navy has no thought of obtaining assistance from any other nation. It has no thought of giving assistance in the solution of the problems of any other nation. It has no foreign commitments. There are no understandings regarding assistance to be given or received. There has been no talk of giving, or receiving, assistance.

The Aims of Defence Policy

If that is correct, the naval increase is explicable in quite simple terms. The United States is taking account of the partnership between Japan, Italy and Germany, with an eye on South America, where that partnership might become active. And the United States is insistent on footing its own naval bills, and will have none of the cheaper costs of collaboration. Adding together the German, Japanese and Italian navies, the Navy Department told Congress that the American fleet was considerably smaller. This was a strange calculation to make, as it is beyond imagination that the full navies of the three powers should ever go to war against the United States. But it is significant that these three navies were set before Congress as the ones with which comparisons should be made.

The testimony of Admiral Leahy often emphasised that the American navy must be prepared to defend two coasts simultaneously. This is taken to mean that the navy will be used to defend the Western Hemisphere, and so the naval increase is a warning to the dictator countries not to trouble themselves with plans for expansion on this side. The increase is the reply of the United States to the mounting armaments of the dictator countries. In other words, the United States have made a declaration of interest, the affirmation by a democratic power of the factors it intends to take into account in moulding its policy.

Nobody doubts that Congress will accept the naval increase. The only formidable opposition could come from the Isolationists, and the Administration has only to convince them that no secret understanding lies behind the new construction. This would be easier to do if British and American interests were not parallel, and their policies were not so much alike. If action has to be taken in the Far East it would be more palatable to American public opinion if it were taken alone, or at least begun alone. Certainly the emphasis is all on the lone hand, and it is worth noting that British friendship is, for the purposes of passing the Navy Bill, more of a liability, politically, than an asset.

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France

The Anglo-Italian Discussions

PARIS, February 24.—French people, who for many years have regretted that Great Britain is no longer the leader of a liberal world, are anxious to know the outcome of the negotiations between Mr Chamberlain and the Duce. Since Paris cannot conceive of any weakening of the Entente Cordiale, the British Prime Minister's "audacious" move carries with it the best of wishes. If he is successful, then the Moderates foresee that French policy will be adjusted accordingly. But, until that happens, internal circumstances make it necessary for France to wait and see. And it is realised that, if Mr Chamberlain does not succeed, important political changes in Britain are likely.

National Defence

Meanwhile, after recent developments abroad, national defence has become more and more the focus of the financial and economic preoccupations of the Government. Following upon the transfer of the supervision of War, Navy and Air to M. Daladier, and the appointment of General Gamelin to control National Defence, a *Caisse Autonome de la Défense Nationale* will be created, presided over by M. Daladier, assisted by the Governor of the Bank of France and various Members of Parliament.

This body will issue loans (probably in small short-term National Defence bonds), and the Minister of National Defence will have control of these funds, which will be entirely devoted to armament—a provision which should facilitate the taking-up of the loans, since the previous experience of the Auriol Loan of March, 1937, with an exchange guarantee, gave rise to some doubts about the exact way in which the money might be used. Members of the three commissions for the Army, the Navy and the Air Force will meet *in camera* (for the first time since the war) to examine the problem of defence as a whole. Meanwhile, new exceptional credits have been decided upon for national defence: 1,800 million francs for the Ministry of Air; 800 millions for the navy; and 600 millions for the army; making in all 3,200 million francs, which, added to the 11,200 millions included in the extraordinary Budget for 1938, brings the total of extra defence expenditure to 15,000 millions for the year.

Activity Falters in Consumption Trades

Official statistics show that the index of industrial production is maintained at 91 (1928 = 100) largely by the activity in the industries which are working on Government contracts. The index of the output of metals was 92 in December, 1937, against 86 a year ago; and the index of coal and mineral production, which was increased by the decision to work extra shifts, rose to 99, against 85 at the end of 1936. But activity in the industries which produce for individual consumption is falling off. The index of paper production fell in the year from 192 to 183; of textile output from 95 to 91; of leather from 83 to 68; of automobiles from 101 to 87; and of building from 70 to 56.

The decline in the purchasing power of the masses is still perceptible. The number of persons unemployed on February 12th was 409,776, against 406,050 in the previous week

and 415,580 a year ago. The monthly figures published by the Statistique Générale de la France, showing industrial production, are as follows:—

	(1928=100)			
	Dec., 1936	Oct., 1937	Nov., 1937	Dec., 1937
<i>General index</i>	90	88	91	91
Mines	85	94	100	99
Chemical industries	106	100	105	107
Paper	192	177	189	183
Textiles	95	88	89	91
Leather	83	70	68	68
Iron and steel	73	88	90	87
Engineering	86	86	89	92
Automobile	101	83	85	87
Building	70	56	56	56
Gas and electricity	121	126	126	127
Miscellaneous	116	113	111	113
<i>Old general index (1913=100)</i>	100	100	102	102

Prices are now definitely above the December level, and the general index is the same as in October.

	Dec., 1936	Oct., 1937	Nov., 1937	Dec., 1937	Jan., 1938
General index of Wholesale Prices (1914=100)	496	611	590	601	611
Domestic products	522	641	636	650	654
Imported products	448	559	506	515	535
Foodstuffs	511	594	591	615	622
Industrial products	483	627	590	591	603
Retail prices (1914=100)	550	657	664	676	693
Lighting and heating	93.6	113	113.2	114	114.2
(1930=100)					
Clothing	77.2	102.3	102.3	100.6	100

The number of bankruptcies in January was 421, against 481 in December and 444 in November; bankruptcies and judicial liquidations together numbered 601, against 643 in December and 595 in November.

Labour and Output

A compromise has been reached in the Chamber between the demand of the Communists for an automatic adjustment of wages to the cost of living, coupled with trade union supervision, and the plan advocated by M. Chautemps, who does not want completely automatic adjustment, and rejects any control other than that of arbitrators representing both the employers and the workers. This compromise has still to be amended by the Senate.

Social conditions since the advent of the present Government have been generally calm. But industrial production remains too low and M. Daladier, Minister of National Defence, has emphasised once more that output must be increased, since "national work" is the franc's best guarantee. M. Marchandau's plans for increasing production have been approved. The State will waive its right to turnover tax chargeable on the increase in production between 1937 and 1938, and to the tax on industrial profits, when those profits are reinvested in new plant likely to increase production.

Germany

Britain and the Axis

BERLIN, February 22.—The resignation of Mr Eden from the British Foreign Office eclipsed other German political interests this week, including Herr Hitler's Reichstag speech, the German-Austrian agreement, and the Army changes. Mr Eden has never had a good German Press. He was regarded as too much tied up with the League and collective security, and therefore permanently opposed to Germany and Italy on broad grounds of policy.

Mr Chamberlain's apparently more conciliatory attitude to the two anti-democratic countries ought consequently to be welcomed. It is not clear, however, that this is really so. The relations between Germany and Italy, of which very little is known, are the determining factor. It was conjectured immediately after the Army affair that German-Italian friendship might be weakened. On the one hand, it was said that influential military men in the Reich doubted the wisdom of too close an association with Rome, if for no other reason than that Italy's Spanish entanglements must

weaken her as a factor in general European affairs; on the other hand, it was suggested that Italy might regard the changes in the German Army as immobilising it for immediate action.

With these conjectures the two accompanying rumours that some German military men wanted a *rapprochement* with England, and that Rome wanted reinsurance by way of clearing up differences with London, were both consistent. No German utterances could be directly unfavourable to an Anglo-Italian agreement. But it is probably feared that the "axis" may be weakened, and it might easily have been taken for an attempt to detach Rome from Berlin.

Against this must be set the impression that Mr Chamberlain may go further than Mr Eden towards meeting the Reich's wishes, though it is probable that nothing short of substantial colonial concessions would really improve Anglo-German relations. It is significant that while the Austrian affair was ripening the colonial agitation here almost ceased; but it is likely to come up again soon, unless, as is possible, Czechoslovakia is destined to take precedence.

Austro-German Trade

The agreement with Austria had no appreciable influence on the Bourse. It is not considered likely that the Customs Union plan will be revived. A decade ago such a union would have been relatively simple, and the two currencies could have been easily amalgamated; but, since the transfer crisis of 1931, conditions have become complicated.

Trade between the two countries has fallen heavily, from Rm. 641 millions in value in 1929 to Rm. 216 millions last year; and Germany's surplus of exports in trade with Austria has fallen even more, from Rm. 239 millions to Rm. 29 millions, although on total merchandise account in 1937 Germany's export surplus was substantial. In recent years, Germany has had difficulty in paying for Austrian timber, and Austria's purchases of German machinery and chemicals have been small. So far as can be judged from rather vague official hints, the negotiations now pending will concern only matters of trade.

Labour Recruitment

The decree issued this week, instituting a compulsory working year for all unmarried women under 25 years of age, was not unexpected. Nor was the proviso that women of rural origin must serve their year in the country. It is significant that this measure was decreed by Field-Marshal Goering as Commissioner for the Four-Year Plan. This strengthens the impression that the Plan—and with it General Goering—is to be the decisive factor in all economic matters.

It is estimated that the numbers in employment in the present calendar year will increase by 810,000, of whom 200,000 will be women. To mobilise the whole 810,000 will require State compulsion. Measures will probably be taken to convert very small retail traders and craftsmen into wage-earners—a process quite contrary to original National-Socialist policy, which favoured very strongly the independence of small shopkeepers and "hand-workers."

Complete confidence is officially expressed, probably with good reason, in the prolongation of the present boom in production. According to the Reich Prices Commissary the system of price-control in itself ensures against a trade recession. The chance of a dangerous advance in prices, and the setting up of a vicious spiral in prices, wages and costs, can be best prevented, it is held, by increasing Germany's independence of foreign supplies. And that is one aim of the Four-Year Plan.

This view is not entirely clear. It is claimed that mere stability of prices can prevent a "decline in investment and in the output of investment goods," which is the Commissary's definition of depression. Yet the present boom has witnessed little investment worth mentioning, except that undertaken by or enforced by the State, and this would presumably have proceeded under any price conditions.

Heavy Fall in Exports

The foreign trade returns for January, though affected by seasonal influences, cannot be considered satisfactory. The import surplus of Rm. 33 millions, compared with an export surplus of Rm. 79 millions in January, 1937, would have not been an unfavourable sign, if it had been due to very large imports. Actually, however, it was due to a heavy shrinkage in exports. Exports were only Rm. 31 millions higher in value than in January, 1937, when the seasonal decline, compared with December, 1936, was only Rm. 42 millions,

against a fall of Rm. 106 millions between December, 1937, and last month. Comparative figures were as follows:—

	(Millions of Marks)	December, 1937	January, 1938
Imports			
I. Foodstuffs	205.1	179.5	
(a) Livestock	17.1	9.1	
(b) Animal foodstuffs	57.4	49.6	
(c) Vegetable foodstuffs	99.7	91.1	
II. Industrial goods	321.2	299.8	
(a) Raw materials	182.0	178.3	
(b) Semi-manufactured	96.1	88.4	
(c) Manufactured	43.1	33.1	
Total	531.2	483.2	
Exports			
I. Foodstuffs	8.5	6.7	
(a) Livestock	0.4	0.8	
(b) Animal foodstuffs	1.0	1.7	
(c) Vegetable foodstuffs	3.5	2.9	
II. Industrial goods	543.6	439.1	
(a) Raw materials	47.3	43.7	
(b) Semi-manufactured	46.3	40.0	
(c) Manufactured	450.0	355.4	
Total	552.3	445.9	

Exports of manufactured goods fell between December and January by Rm. 95 millions, and almost all varieties of finished goods suffered. It is, therefore, surmised that the reaction in world trade may have begun to affect German exports.

Spain

Democracy Maintained

BARCELONA, February 6.—The recent meeting of the Cortes was a significant demonstration of unity among the Popular Front parties which constitute the Government. There was no illusion among members that the war would end in less than two or three years, but they were confident of success. Spanish pride is deeply wounded by the tendency of foreign countries to make arrangements about Spanish affairs without regard to the sovereignty of Spain's legitimate Government.

The Republican Constitution has never been suspended during the war. The Central Government has been given complete powers over public order, food supply, and the regulation of trade and banking, and all conflicting and regional organisations for these purposes have been abolished. No dictatorship is, however, being set up. The Government depends upon the support of the Popular Front parties, and were they to lose that support, the President, Señor Azaña, would have to form another Cabinet with popular favour.

Indeed, Señor Azaña, one of the principal brains behind the Government, is insistent that the Government should be strictly constitutional in all their actions. Within the Government, three Ministers, all Socialists, are outstanding. They are Dr Negrin, the Prime Minister, Señor Prieto, Minister of Defence, and Señor Zugazagoitia, Home Secretary. These men have been largely responsible for the restoration of order. Citizens are almost as safe in Republican territory as in law-abiding England; and many extremists, guilty of acts of violence during the period of chaos, are now in prison.

In general, the Government are pursuing a progressively more moderate policy. They have moved so far from the extremists that, within the framework of the Constitution, they may almost be regarded as Conservatives. The Anarcho-

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Syndicalists, who were never members of the Popular Front and were removed last May from the temporary revolutionary administration, have ceased to count. The Government are giving facilities for the private celebration of Catholic religious services in Barcelona, and hope to extend this protection to other parts of Spain when circumstances permit. To re-establish public worship might be interpreted by some as giving aid to the Republic's enemies. The chapel of the Church of England is still closed, though it has never been molested, and one wonders why the large British colony does not resume regular services.

Economic Reconstruction

The most important Government measures have been in the economic sphere. A complete reconstruction programme has been worked out, and is under the direction of the Prime Minister, who is also Minister of Finance and Economics. Food supply is being organised. Decrees have been prepared to establish a uniform system of banking. The ill-starred experiments in collectivisation and workers' control have been abandoned.

Foreign interests, such as the American-owned telephone company, the British-owned power and light company and the Barcelona street railway, are being protected. The railways have been taken over by the State, administered by a National Council. In a quiet way, State intervention in industry is re-establishing the principle of private ownership as against collectivisation and workers' control.

A Government representative is appointed in each case. He manages the undertaking, and names the board of directors, on which first place is given to the original owner or owners of the concern. The directors then conduct the business under the supervision of the Department of Economics, which supplies raw materials and either buys and markets the products or directs their distribution. Some of the main industries now directed in this way are metals, power and light, paper and mining.

The Problem of Food Supplies

On February 1st, the Prime Minister said that the question of supplies was causing the Government great concern. The Catalan Government's department of supply has been merged with that of the Central Government, and a uniform system for the civil and military populations alike has been set up. The food problem is accentuated by the fact that the principal areas for wheat, meat and dairy products are in enemy hands.

Lack of labour and fertilisers reduced last year's crops, especially of cereals and potatoes, and inadequate transport facilities made matters worse. The Government's policy, however, is not to rely on imports. Spain, as Dr Negrin pointed out, has so far fought the war without foreign credits, and the Government's chances of success will depend upon the full employment of domestic resources. General rationing will soon be instituted. Transport is being reorganised; and both industrial and agricultural production are being intensified.

Palestine

Depressing Political Influences

JERUSALEM, January 26.—Pending the report of the new Commission, the population of Palestine is kept in suspense, and the different branches of economic activity are suffering from political unrest and uncertainty. But despite the discouraging political outlook which prevailed during the last twelve months, Jews in Palestine and abroad invested

nearly £P6,000,000 in 1937, according to an estimate of the American Economic Committee for Palestine.

The current deterioration in general economic conditions has not yet been reflected in all local markets, though it is probable that all will soon be influenced by the general downward trend. The decline in monthly immigration from 5,000 persons three years ago and 2,000 in 1936 to well below 1,000 last year is more eloquent than trade statistics.

The fall in the number of newcomers, each of whom used to spend some hundreds of pounds during their first weeks in the country, is the main reason for the fall in trade and industry. A population of 450,000 Jews, most of whom endeavour to maintain their former European standard of living, means a steady demand for agricultural and industrial products, but experience has shown that progress is dependent on an uninterrupted immigration.

Decline in Building

Conditions in building, the backbone of the Palestine economy (apart from the citrus industry), are very dull. Public works may bring some relief, but wage rates are falling. The average monthly area of building authorised in Tel Aviv fell from 35,000 and 37,000 square metres in 1934 and 1935, respectively, to less than 22,000 square metres in 1936 and below 16,000 square metres by November, 1937. In Haifa the authorised area fell from 27,000 and 32,000 square metres to 23,000 square metres and 17,500 square metres. The effects of the disturbances are more clearly reflected in Arab towns. Building in Jaffa came to a complete standstill in 1936, while in 1937 it shows an average of 4,000 square metres per month compared with 16,000 square metres in 1935.

Nevertheless, the estimated number of unemployed among the Jewish population does not exceed five or seven per cent. of the total number of workers, who are estimated at about 130,000. Some hundreds of those who were formerly engaged in building have found employment in the citrus groves, since many citrus growers no longer employ Arab labourers. Others, however, financially burdened as a result of the low prices realised by the 1936-37 crop, prefer the cheaper Arab labour.

Other Jewish workers have found employment on public works, such as the port at Tel Aviv, the Hadassah Hospital near Jerusalem, the Reading Power Station near Tel Aviv, and the levelling of sand dunes south of Tel Aviv. These and other schemes, together with the usual road construction, have this year employed many more people than in 1936 or 1935.

Wage rates have fallen, and the standard of living is declining. The fall in purchasing power is reflected in the complaints of retailers and grocers; but on the other hand, in some of the most important branches of industry there has been no marked falling-off.

Increased Expenditure

Revenue rose from £P2,759,000 to £P3,178,000 during the first eight months of the current fiscal year, an increase of about 15 per cent., but expenditure rose during the same period from £P2,718,000 to £P3,000,000, or nearly 22 per cent. The cost of defence is still a heavy burden on the taxpayer; in these eight months an additional sum of £P339,000 was spent for this item.

Palestine and foreign banks are becoming increasingly active. More than £2,000,000 were advanced in the period from July to October, 1937. Deposits increased and credits to customers of banks and members of the ninety-five Jewish credit co-operatives were increased. The number of bills protested fell in 1937 (up to November) to 7,300 for Jerusalem, Haifa, Tel Aviv and Jaffa, compared with 9,507 in the same period of 1936 and 7,264 in 1935. Landlords in the big towns are suffering from non-payment of rents.

Poor Citrus Season

The citrus season 1937-38 is not much better than last year. Prices of grapefruit are reduced, and planters are faced with the prospect of losses. Shipments during the present season up to the first week of January amounted to over 4,000,000 cases of oranges, grapefruit, lemons and other citrus fruits, which represents an increase of about 25 per cent. over the shipments during the same period of the preceding season.

Up to November the value of imported goods amounted to over £P15½ millions, compared with £P12½ millions and £P16.4 millions in the corresponding periods of 1936 and 1935, respectively. Exports, however, rose in value to £P5 millions in the eleven months, against £P2,760,000 and £P3,710,000 in the same periods of 1936 and 1935 respectively. The increase is due to greater exports of citrus fruit, Dead Sea chemicals, rice, skins and hides, barley and edible

oils. The import surplus in 1937 was £P9½ millions, the same as in the previous year.

Australia

Lower Prices and Slower Turnover

MELBOURNE, January 26.—Monetary conditions in Australia show a tightening tendency, owing to the lower prices ruling for wool, compared with last season, and the slower rate at which woolgrowers have been selling. The latter factor should be made good later on, but the lower prices mean a smaller supply of fresh money to increase bank deposits and reduce advances. At the same time, trading and industrial activity still reflects the stimulus given by the excellent 1936-37 season, imports and bank advances having both increased.

While the results of the 1937-38 season as a whole will be good, they are not expected to reach the 1936-37 level, and the margin between imports and exports will be less. Taking the figures so far available, the quarterly averages to December 31, 1937, of the trading banks in Australia show deposits within Australia of £314,088,237, or an increase of £22,759,822 compared with the December quarter, 1936; advances £274,320,326, or an increase of £6,688,699; and Government and municipal securities £44,722,260, or an increase of £3,289,919. After allowing for an increase in cash held in Australia, the balance has gone to swell London funds, which do not enter into the above figures.

The increase of £22,759,822 in deposits during the year fell mainly within the second half of the 1936-37 season. During the last quarter of 1937 the increase in deposits was only £5,813,962, against an increase of £7,048,979 during the final quarter of 1936. The smaller movement is due to the comparative sluggishness of the wool market.

Increasing Taxation

Taxation questions continue to engage the attention of business. The latest official statement shows a total of £108,303,392 collected by the Commonwealth and States during 1936-37, against £92,084,701 in 1929-30, or an increase of over £16 millions in seven years, although in the meantime the Governments have had the benefits of reduced interest from conversions in Australia and London and the suspension of interest payments to the British Government. Now that unemployment has fallen to the pre-depression level, there is a pronounced feeling that unemployment relief taxes should be abolished, but the Governments are not readily inclined to give up what has become a source of revenue for general expenditure.

Argentina

The President and the Opposition

BUENOS AIRES, February 12.—Political interest is concentrated on Dr Ortiz's new Cabinet, the names of whom will be announced within a few days. The Government's lack of a working majority in the Lower House has been the cause of parliamentary stagnation in the last two years. It has been widely rumoured for some weeks past that Dr Ortiz is anxious for conciliation with the Opposition. A rapprochement should not be difficult in view of his own long association with Radicalism.

If the new President can succeed in obtaining the co-operation of the Alvearista Radical deputies, the way will be clear for the passage of several important bills which have been held up for a long time, including measures for the State purchase of the Córdoba Central and Transandine Railways. Elections are due to be held in March to replace half of the Federal Deputies. Unless the voting is very much "regulated" the Opposition is expected to gain ground.

The country's economic outlook for 1938 has not improved during the past month. Despite heavy rains in the North of Argentina, a great part of the cereal zone is very dry. Recently the Banco de la Provincia de Buenos Aires, a semi-official institution, published a decidedly pessimistic report about the prospects of the maize crop in the Province of Buenos Aires. The hot months are normally the wettest in Argentina, and now, with autumn not far off, the hopes of general rains tend to diminish.

Diminished Exports

Exports in January were again disappointing. The volume was the lowest recorded in January in any of the last ten years, and was only 912,990 tons, against 2,400,732 tons last year. Owing to appreciably higher prices, the decline in value was less marked; exports in January were valued at 145,737,254 pesos, compared with 282,282,761 pesos in January, 1937. The value was higher than in January, 1936, though the volume was much lower. The decline last month, compared with January, 1937, was most pronounced in exports of cereals and linseed, the value of which fell 56.4 per cent. The fall was, however, general, and the value of exported pastoral products fell 35.9 per cent., chiefly because of the slackening of the world demand for wool.

The fall in exports during recent months is not in itself the chief cause of anxiety; owing to shortage of stocks, this would have happened even if the current season had recorded bumper crops. The more serious aspect of the situation is that, because of the partial failure of all the chief crops, there is little likelihood of the leeway being made up later in the year. The economic "miracle" of July, 1936, when a depressing outlook in Argentina was suddenly reversed by crop failures Northern Hemisphere can scarcely be repeated this year, since there will be no large cereal surplus available for export.

On January 28th the Government unexpectedly reduced from 20 per cent. to 10 per cent. the surcharge on imports from countries whose exports to Argentina are greater than their purchases from Argentina, and the Central Bank's support of the Argentine peso in the free market was at the same time withdrawn. The value of the peso was then 17.02 to the £1, and it fell steadily to 19.05 on February 5th, after which there was some recovery. As the greater part of the country's imports and exports still pass through the official markets, which are controlled, any buying or selling pressure on the free market produces much more effect on the rate of exchange than if there were no exchange control. That is, the balance of payments passing through the free market does not necessarily correspond to the complete balance of payments through both the free and official markets.

Continued Surplus of Imports

The value of Argentine imports in December was much higher than in the same month of 1936 at 143,737,694 pesos, against 104,326,439 pesos. In consequence of this and the decline in exports Argentina recorded an import surplus for the second month in succession. This is significant in view of the fact that Argentina has very few invisible exports and very large invisible imports. The current economic position of the country is obscured by the extraordinarily favourable figures recorded for the year 1937:—

	(In pesos)		
	Imports	Exports	Export Surplus
1936	1,116,710,994	1,655,712,396	539,001,402
1937	1,557,684,380	2,308,294,661	750,610,281

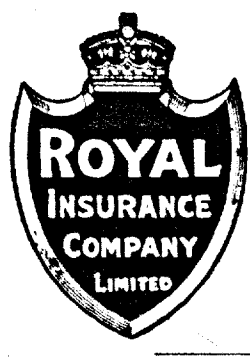
On February 11th the Government sent to Congress a long message explaining their motives in taking over the Córdoba Central Railway. The message recapitulates the Government's policy of ultimately taking over all the privately-owned railways, announced last year. The nationalisation of the railways, it considers, would strengthen the bases of Argentine social peace. The action of the Government in taking over the Córdoba Central Railway by decree has been criticised in Argentina as an encroachment upon the powers and privileges of Congress, and it is apparent that the purpose of the recent message is to persuade Congress to endorse the action of the Executive with regard to the railways without delay.

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Letters to the Editor

Lancashire's Problem

TO THE EDITOR OF THE ECONOMIST

SIR,—Close examination of the article on "Lancashire's Problem" in your issue of January 29, 1938, lends colour to the view felt in Lancashire that those not directly connected with the cotton trade do not fully appreciate the complex nature of our difficulties.

The statement is made that Lancashire can count on her full share of any revival in the world's cotton trade. By using the average of the last few years as a starting point, this is probably true, but any comparison with recent years is confusing, inasmuch as Lancashire contends that some proportion, though admittedly not all by any means, of the 70 per cent. of trade lost prior to 1930, can be recaptured.

You support your contention by referring to last year's improvement of dividends in the spinning section. Since the operation of the Spinning Act, these results are not indicative of the position of the major proportion of the industry, and of the 3,000 firms engaged in the cotton trade, less than 500 are spinners, the others chiefly consisting of weavers, finishers, and merchants.

There is not the slightest doubt that, bad as conditions were prior to 1937, the results of the manufacturing sections (spinners excepted) will be considerably worse in 1937-38, in spite of a slight increase in exports—on account of the increased costs of production brought about by the protection the Government has afforded to other industries. Failing an advance in prices, these increases can only be met by improving the productive efficiency of the industry, and until the Government gives us the necessary authority to unify the trade, this cannot be achieved.

In the Lancashire cotton trade, production and distribution are nearly always separate functions, a state of affairs which always combines to assist the buyer and weaken the seller. When this is coupled with redundancy, of which there is at least 20 per cent., price-cutting becomes unavoidable.

Of the 400 finishing firms, scarcely any two work under similar conditions. The spinning section can use the spindle as their common denominator for negotiation or co-operative action. The finishing section has no similar yardstick, unless given statutory authority to use turnover for this purpose.

To-day, a small minority in each section is holding up all schemes for the betterment of the trade as a whole. The trade requires statutory authority to enable them to make this minority take their share of responsibility in the efforts to expand our export trade.

The desire to increase prices is not, as would appear from your article, Lancashire's main concern. The paramount point is that costs of production can be reduced very considerably if certain measures were adopted to eliminate uneconomic working. With statutory backing this could be done.

Yours faithfully,

W. CROSSLEY,

Director.

Yorkshire Dyeing and Proofing Co., Ltd.

[Our 1936 articles stressed the difference between the spinners and the rest of the trade, and our January 29 article fully recognised that the spinners had benefited more than other sections. But the spinners seem to have been at least as much concerned to widen their margins during 1937.—Ed. Econ.]

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More Oil from Coal?

TO THE EDITOR OF THE ECONOMIST

SIR,—There is one point in the otherwise excellent article on "More Oil from Coal?", published in your issue of February 12th, upon which I feel compelled to join issue with you. It is stated in the article that power alcohol, "in addition to the 8d. preference, enjoys the benefit of the remission of 8½d. per gallon duty." This is not the case at all.

Power alcohol, which is mainly produced from imported molasses, is not only exempt from the 8d. duty applicable to petrol produced from imported crude, an exemption worth £187,000 a year to the alcohol producers, but in addition receives, not a "remission of duty," but a bonus or subsidy on production of 5d. per proof gallon, which is equivalent to 8½d. per absolute gallon. This dates back to the Revenue Act of 1906, as amended by the Finance Acts of 1920 and 1921.

The reason for this bonus or subsidy is that manufacturers of power alcohol are subjected to a certain amount of supervision and control of their processes, stocks and records by the Revenue authorities in order to check possible evasion of duty on potable alcohol. The bonus was granted in 1906 to give compensation for disorganisation to business caused in this way, and, until recently, was not particularly objectionable, since the amount of power alcohol produced was negligible.

The great increase in the scale of power alcohol production in recent years, from 14,000 absolute gallons in 1931 to some 5,600,000 absolute gallons in 1937, however, renders the present scale of the bonus grotesque, subjects the Treasury to an annual expenditure on the bonus of over £200,000, and inflicts grievous injustice on the purveyors of products competitive with power alcohol.

Yours faithfully,

H. E. CRAWFORD.

Bush House, W.C.2.

[The 8½d. a gallon is described in the Finance Acts of 1920 and 1921 as an "allowance," and is in fact a bonus on the production of power alcohol.—Ed. Econ.]

War or Depression?

TO THE EDITOR OF THE ECONOMIST

SIR,—Political leaders and most newspapers refuse to acknowledge any trade setback, but have no hesitation in describing the political outlook in most depressing terms. Personally, I see no reason why the international political situation should not improve, while I view the business outlook with grave concern.

Ever since 1918, the political outlook has been described as "fraught with danger," "extremely grave" and "just like 1914." Men have regularly forecast another war every few months, and have regularly been proved wrong. Great wars do not take place frequently, because they exhaust the combatants, and a very long time is necessary for the restoration of their strength.

My belief in the improbability of an early war has been confirmed by the result of the Austrian *démarche*. We have now had the murder of Dollfuss, the assassination of King Alexander, the remilitarisation of the Rhineland, the Abyssinian and Manchurian affairs, and the Spanish and Sino-Japanese wars, each enough to involve us in a war, but all passing off safely.

Why, therefore, should one ascribe the present weakness in the markets to the international situation? Why should steels and motors (pronounced cyclical industries) be suffering so severely if the trouble is political and not economic? Was the market strong before the Austrian affair? Those who are acquainted with your columns should not require any reasons for expecting difficult conditions in business, other than economic ones.

Yours faithfully,

G. E. ROSS.

London, E.C.2.

Books and Publications

The Price of Revolution

IVAN SOLONEVICH was born and bred in White Russia; lived through the revolutionary period; worked in a dozen jobs under the Soviets; was clapped into a concentration camp in Karelia on a charge of espionage after a foiled attempt to escape from the country; and finally managed to flee over the Finnish frontier in the middle of 1934. The subtitle of his book* is "A Record of Unspeakable Suffering," and the publishers, in a flourish on the dust jacket, claim that it represents "the most damning exposure of Sovietism ever written." At the moment the author is in Sofia, editing a Russian newspaper "The Voice of Russia," and has dedicated the rest of his life to anti-Soviet propaganda.

The book is well worth reading, and, like so many of the anti-Soviet books of the last twelve months, will no doubt have a spectacular sale. M. Solonevich, writes Communism, the Party, all Soviet officials, the Red Army, the G.P.U., the Activists, the Stakhanovists and, indeed, everybody and everything with a name in the Soviet Union.

In his view, the entire Soviet population lives in daily hope of a great day of bloody retribution for the sacrifices that have been exacted in the erection of a fool's paradise. He quotes a former Red commander, Trienin (now escaped to France), who has said:—

"The country is awaiting war to give it a chance for insurrection. There need be no talk whatever of the defence of the Socialist Fatherland upon the part of the masses of the population. On the contrary, no matter with whom the war were fought, nor what military ruin were threatened, every bayonet and every pitchfork which could possibly be stuck in the backs of the Red Army would certainly be driven home. Every peasant knows it, as does every Communist. Every peasant knows that, as soon as the first shot is fired, he will immediately stab the president of the nearest village Soviet, president of the Kolkhoz, etc., and the latter understand quite clearly that on that day they will be slaughtered like sheep."

This is the lesson we are supposed to learn, but we are not wholly convinced.

For some years before his arrest, the author was a sporting journalist for the Soviet Press. His occupation carried him up and down the country, and he claims to have seen everywhere only hunger, misery, corruption, futility and the universal brutality of Soviet officials. He hated every minute of his life, his daily struggle for rationed food no less than the hypocrisy of Soviet journalism; and he sees all things Soviet through the veil of his own deep personal distaste.

His brother, Dr Boris Solonevich, had spent five years as a prisoner in the Solovetsky Islands. His son, Yura, was a suspect for associating with foreigners. Ivan himself had been apprehended by the G.P.U. many times for suspicious behaviour. Finally, the three of them made an attempt to escape by train from Leningrad. They were captured, clapped into solitary confinement and finally sent off with thousands of others to a lumber camp near the Svir river, attached to the Baltic-White Sea Canal project.

Most of the book is a vivid and sometimes moving account of experiences in the camp. The degree of suffering is, indeed, almost unspeakable. M. Solonevich estimates that at least 10 per cent. of the entire Russian manhood must be dwelling "in or near" concentration camps of the crudest kind. Page after page of gruesome details about the Svir camp fill this tempestuous book.

There is no sense of historical perspective anywhere in M. Solonevich's writing, and not a little of it is the sheerest nonsense. The author can lay no claim at all to impartiality, and rancour and resentment inform all his judgments. Yet the Soviet Union does really contain some of the horrors described, and a deep appreciation of modern Russia's great and genuine achievements can only be formed by those who know something of their tragic cost.

* "Russia in Chains." By Ivan Solonevich. Williams and Norgate. 312 pages. 12s. 6d.

Shorter Notices

"British War Missions to the United States" (1914-1918). By W. G. Lyddon. Oxford University Press. 228 pages. 10s. 6d.

The story of the Missions sent to this country to America during the Great War to organise the purchase and shipment of essential supplies and, after the entry of the United States into the conflict, to ensure the most effective aid possible to the Allies, is little known. In a book which deserves to be widely read for its lively, incisive and economical presentation of an extremely interesting and successful experiment in Anglo-American co-operation, Colonel Lyddon has recorded the general history and particular objectives of the British War Missions. Faced with novel problems and, especially, the danger of appearing to interfere in the administration of a proud and independent State, the members of the Missions evolved *ad hoc* methods of procedure and organisation which satisfied at once the British Government and the American public. The strong personalities of Mr Balfour, Lord Northcliffe, Mr Gordon, Mr Brand and Lord Reading stand out from Colonel Lyddon's pages; and the various complicated problems of shipping, transport, food supply, munitions, war material and priority are made very clear. The virtual establishment of an alien shadow administration on American soil without friction was a remarkable achievement; and Colonel Lyddon's excellent book is a tribute to its success in delivering the goods.

"Complete Practical Income Tax." Ninth Edition. By A. G. McBain. Gee and Co. 336 pages. 7s. 6d.

The ninth edition of this convenient work includes a new chapter on the National Defence Contribution, and incorporates all the changes introduced by last year's Finance Act. Among business men and investors alike, it has proved its utility since 1925, and fully warrants its title.



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THE BUSINESS WORLD

Interest Rates and the Treasury

THE annual addresses of Mr J. M. Keynes to the members of the National Mutual Life Assurance Society command an influential audience; for Mr Keynes is regarded to-day as the spokesman *par excellence* of the institutional investor. And last year, as Mr Keynes showed in his speech on Wednesday, the institutional investor's lot was not a happy one. Since Mr Keynes declared, a year ago, that ordinary share prices were too high, they have fallen, according to the Actuaries' Index, by 20 per cent. As the chairman of a British insurance office, however, Mr Keynes is concerned less with the trend of ordinary shares than of gilt-edged and fixed interest securities generally—in other words, with the course of long-term interest rates.

Now, although gilt-edged securities do not normally fluctuate as widely as ordinary shares, they have had an indubitably downward trend during the last three years. If the National Mutual had put all its assets into War Loan at the beginning of 1935, it would have lost 6 per cent. to-day; and if it had put them into 2½ per cent. Consols, it would have lost nearly 20 per cent. During the same period, industrial debentures and preference shares have both fallen, on the average, by 4 per cent. The decline in fixed-interest stocks was particularly noticeable last year, and Mr Keynes is disposed to attribute it, in the main, to a single cause—the policy followed by the monetary authorities in the face of a large influx of "hot money" from abroad.

Mr Keynes's argument, briefly, is that, in the first nine months of 1937, the Exchange Equalisation Account purchased about £190 millions of gold. Mr Keynes might, perhaps, have explained the method of computation of this figure; seeing that the increase officially disclosed in the holdings of the Bank of England and the Exchange Account between March 31st and September 30th was only £113 millions (at 140s. per ounce), and that this period included the heavy purchases made during the "Gold Scare." How were the increased gold holdings paid for? The authorities did not follow the "normal" method of selling Treasury bills to the market; for the bills held by the market actually *fell* by about £36 millions in the first nine months of last year. How, then, was the money raised? Mr Keynes finds that, roughly speaking, £14 millions was obtained by the re-sale of gold to the Bank of England; net receipts on long-term capital account from 2½ per cent. Funding Loan and National Defence Bonds were about £104 millions; and there was a revenue surplus of £12 millions after repaying Treasury bills formerly held by the market. The balance of about £60 millions, Mr Keynes declares, was apparently provided out of the capital resources in the hands of Government Departments, such as the Health Insurance Fund, the Unemployment Fund, etc., which took over Treasury bills from the Equalisation Fund and paid for them out of current accruals or by selling longer-dated securities to the market. The net result was that, over and above the Treasury bills repaid to the market, about £176 millions of liquid resources were withdrawn from domestic holders and placed at the disposal of foreigners who brought their hot money to London in the shape of gold. These holders, Mr Keynes believes, preferred to keep the greater part of their funds liquid, in the shape of bank deposits, Treasury bills and the like. As the monetary authorities chose to make no increase in total bank deposits, or in the market's holdings of Treasury bills, the foreigners' gain was the domestic market's loss. It is reasonable, Mr Keynes believes, to put the reduction in domestically held liquid assets, last year, at at least £100 millions to £150 millions.

Now, as we have repeatedly shown in earlier articles, an influx of foreign gold which is "sterilised" in the Exchange Fund and financed in the normal way by Treasury bill issues to the market may, paradoxically, have a deflationary effect if it be unaccompanied by any expansion of the basis of credit. But last year this effect was accentuated by the official policy of resorting to the issue of longer-dated securities, whose subscription necessitated a cheapening of the prices of gilt-edged securities generally. But the prevention of a rise in long-term interest rates remains, ostensibly, a cardinal feature of official policy!

Mr Keynes has performed a public service by drawing attention anew to the inopportune effect which a large-scale influx of volatile foreign resources may have upon a delicate financial mechanism like that of the City of London. Informed opinion will re-echo Mr Keynes's endorsement of Lord Wardington's plea that the banks should review the question of the rate of interest they allow on foreign deposits. Clearly, it is inadvisable that "hot" gold should be added to the deposits of the Bank of England and become the basis of an increase of credit up to ten times its own amount. But whether the technique chosen for "sterilising" it must carry the lion's share of responsibility for last year's drop in gilt-edged security prices may well be questioned. Apart from the fact that the accounts of large institutional investors for 1937 which have so far been published afford no conclusive evidence of a substantial increase in gilt-edged holdings, the time-table of last year's fall in values is difficult to reconcile with Mr Keynes's theory. The influx of gold was protracted at least until September; and the fall in gilt-edged prices was concentrated mainly on the two months of January and February, as the following table (based on the Actuaries' index figures for 2½ per cent. Consols) clearly shows:—

2½ PER CENT. CONSOLS					
Date	Price (Dec. 31, 1928 =100)	Yield (%)	Date	Price (Dec. 31, 1928 =100)	Yield (%)
1936—			1937—		
Dec. 29	150.9	2.95	July 27	132.2	3.37
			Aug. 31	131.4	3.39
1937—			Sept. 28	131.8	3.38
Jan. 26	147.3	3.03	Oct. 26	131.7	3.39
Feb. 23	133.4	3.34	Nov. 30	133.6	3.34
March 30	136.3	3.27	Dec. 28	132.7	3.36
April 27	136.6	3.27	1938—		
May 25	135.9	3.28	Jan. 25	136.2	3.27
June 29	133.2	3.35	Feb. 22	138.2	3.23

Although the lowest quotation recorded in the table was at the end of August, the decline between February and August was no more than 2 points in the Index, whereas in the first couple of months of 1937 the Index fell by as many as 17½ points. From February onwards, in fact, gilt-edged prices were not so much falling as bumping along the bottom. The reasons for the extremely moderate rise since August (which still leaves the Index nearly 13 points lower on Tuesday last than in December, 1936) may be a matter for argument; and they serve to reinforce Mr Keynes's submission that the financial authorities should take the market more fully into their confidence in disclosing the direction and consequences of their policy. But the fact that the gilt-edged market had re-achieved something like stability after February last year, while the influx of hot money continued at least until the autumn, suggests that while the sterilisation technique of the authorities may have continued to exert a depressing effect, other factors

must needs have been working the opposite way. Possibly some foreigners may have desired to combine safety for their hot money with a moderate income yield, and may thus have invested part of their proceeds in the gilt-edged market. And domestic, as well as foreign, investors probably tended increasingly to seek refuge in fixed interest securities as the slump in ordinary share values became increasingly severe.

Above all, one may question whether any explanation of last year's fall in gilt-edged values can be complete which does not include some reference to the far-reaching developments in industry and trade in the course of 1937. The abrupt fall in gilt-edged values at the beginning of the year coincided with a steep upward movement of commodity prices and with rising industrial activity. In conjunction with re-armament, these developments awakened fears—which at the time seemed neither unreasoning nor unreasonable—of a possible inflationary boom. Before the end of the spring, however, prices had turned downwards; and subsequently the curve of business activity began to flatten out in Great Britain and steeply to decline in the United States. The moderate rise in gilt-edged values in the autumn and winter coincided, in fact, with the growth of a certain anxiety in non-official quarters over the possible imminence of trade recession.

Home Railway Prospects—I

Home Rails and the Investor

ALL four group railway companies have now published their reports for 1937. Together with the speeches of the Southern and Great Western chairmen at this week's meetings, they provide detailed material for the home railway stockholder's annual review. There probably never was a year when the drawing of ready-made conclusions from the published results was more difficult. All companies had to meet a substantial increase in operating costs last year, but their net revenues did not equally reflect adverse cost conditions. All obtained benefits from an increase in charges during the last quarter of the year, but these benefits were smaller and less evenly shared than advance estimates had originally suggested. In last week's issue of *The Economist*, we showed that the Great Western had retained 29 per cent. of its gross increase in railway receipts, the L.M.S. some 14 per cent. and the Southern only 10 per cent. The L.N.E.R. report, which is analysed in detail on page 454, shows that the company retained some 37 per cent. of its increase in gross receipts as net revenue. This result, and the unexpectedly high dividend of 1½ per cent. on the second preference stock, follows not from a more favourable operating experience than other lines, but rather from an actual reduction in the revenue charge for rolling stock renewals.

Before investors can attempt to formulate a long-term policy it is obviously necessary that they should put the results of last year into due perspective. General business activity in 1937, according to *The Economist's* index, was 13 per cent. higher than in 1929 and 32½ per cent. higher than in 1932. Railway net revenues have not recovered in anything like the same proportions. Between 1929 and 1932 business activity fell by 15 per cent., but net revenues were reduced by 41 per cent. And last year they were still 15 per cent. lower than in 1929, except on the Southern, which exceeded the 1929 net revenue figure by a small margin. The L.M.S. and L.N.E.R. figures were, respectively, 16½ per cent. and 22½ per cent. below the 1929 level, which itself fell appreciably short of the "standard" level under the Railways Act of 1921.

Again, so far as the railways have shared in recovery, other pockets than the stockholders' have obtained the main benefits. Last year's wages award completed the restoration of the "cuts" made in 1931. Higher wages and increased costs of materials together absorbed 60 per cent. of the increased receipts of the L.M.S. last year, and the Great Western's experience seems to have been much the

If economic as well as technical causes were partly responsible for last year's changes in long-term interest rates, the moral is not that the monetary authorities should disregard Mr Keynes's warning of the effects which their policy may exert, but rather that they should review its implications in the light of present conditions which are certainly not identical with those of a year ago. There is wisdom in Mr Keynes's appeal that the authorities, while they continue to exhort the business community not to become unduly "slump-conscious," should themselves become, possibly, a little more "slump-conscious." "We could sleep more easily in our beds if we felt that they were sleeping less easily in theirs." The financing of hot money is not the only factor which may affect market confidence. All that jitters is not gold. A time will come when the Treasury will be borrowing to pay for British guns rather than foreign gold, and when the question of widening, or leaving unchanged, the basis of national credit may have a close bearing on the course of domestic economic activity. If, by any chance, symptoms of a business setback in this country were to become more pronounced, would the authorities be prepared to broaden the basis of national credit in a way they might have been unwilling to contemplate a year ago? The question is being widely discussed in the market to-day.

same. It may be that costs are now tending to reach a provisional upper limit; but approximately only one-third of the latest wages award was reflected in the 1937 accounts, and no appreciable reduction in the costs of typical railway materials, like coal and steel, is yet in sight. The railways, on the other hand, were spurred on by the depression to introduce operating reforms whose effect has outlasted their cause. The substantial reduction in the number of locomotives operated by the L.M.S. between 1929 and 1937, for example, has brought considerable benefits, both in operating and maintenance costs. And by general consent this company's forward-looking rolling-stock renewals policy should lighten the burden of renewal costs in the next few years. But there is no assurance that the companies will be able substantially to improve their net revenues by introducing further operating economies on a major scale in the immediate future.

What, then, are the prospects of increased revenue? The companies will have the advantage of the full 5 per cent. increase in charges this year. But, so far as the returns lend themselves to analysis, the actual increases in receipts recorded since the higher scale was introduced have proved somewhat disappointing. The average weekly increase for all companies up to the thirty-ninth week of 1937, before the higher charges took effect, was £132,000. The average weekly increase during the remainder of the year was £160,000. But if the companies' submissions to the Railway Rates Tribunal had been fulfilled an additional increase of something like £110,000 per week should have resulted from increased charges alone during the last

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quarter, assuming that the volume of traffic had been maintained. The difference between the estimated and realised figures may suggest that more traffic has been diverted through the increase in charges than was generally expected.

It is unlikely, in fact, that the railways will find salvation through increased charges so long as individual traders can resort to the "C" motor licence. It is significant that although tonnage and gross receipts from general merchandise increased last year on all four lines, the average receipt per ton was lower than in 1936. The companies were more successful in retaining the increase on passenger and heavy goods traffic, but the very remunerative lighter goods traffic remained vulnerable to competition, even in a good year like 1937.

Stockholders will ask with some anxiety how they would be likely to fare if the volume of traffic were to fall off in some future year. The marginal equity stocks all offer ostensibly high yields at present prices, the figures being 6.7 per cent. for L.M.S. ordinary, 7.4 per cent. for Southern deferred, 6.8 per cent. for Great Western ordinary, and 7.6 per cent. for L.N.E.R. second preference stock. But these figures are certainly not too high if, in fact, the railways are vulnerable to the trade cycle, and if they are likely to continue to lose more revenue in depression than they regain in time of recovery. We may ask, therefore, what are the possibilities, on a longer view, of increasing the basis of railway net revenue?

During recent years, when all four railways have been bringing to full fruition the economies of "grouping," the Southern alone has attempted to achieve a positive increase in receipts by a policy of main-line electrification. And, by a curious coincidence, the Southern Railway has decided to postpone the electrification of its direct line to Hastings; precisely at the same moment as the Great Western directors, impressed with the increased cost of steam working, have decided to embark upon an electrification policy. Is the Southern becoming less convinced of the merits of main line electrification, except when a quasi-suburban load can be assured?

Lord Horne's disclosure on Wednesday that the Great Western is investigating the potentialities of electrification on the company's main line between Taunton and Penzance is by contrast highly significant. Admittedly, elec-

trical working over this section is unlikely to give such good results as in a suburban area. But if this proposal is found to be economic after full investigation, the case for main line electrification will have been greatly advanced.

The long-term investor would be curious to know, in fact, whether it may not become practical politics for all four railways at some future time. They can now borrow at gilt-edged rates by obtaining the Treasury's endorsement on their new capital, and Government-assisted railway construction might well make the same public appeal in a future depression as in the last. Two operating economies would follow extensive electrification. The electricity supply industry could obtain a higher load factor, and the railways could effect substantial economies in wage costs. The Weir report showed that the latter are, in fact, the most substantial of the potential savings of electrification, and estimated that the total net return on the capital cost of electrification would be 6.7 per cent.

Whether the Weir Committee estimates would hold today is questionable. Costs may be higher, but interest rates on new railway capital are lower. But whatever merits main line electrification may have for the long-term investor, it is of little help in assessing the immediate outlook, which, *prima facie*, is unexciting. The traffic returns published this year show an average weekly increase, on the four lines together, of £111,000. Allowing for the 5 per cent. increase in charges, therefore, the "natural" growth in traffic is evidently exiguous. Against it must be set the further increase in costs which occurred during the second half of last year. On the L.M.S., for example, the additional working expenses arising from increased prices and wages was estimated last June at £3,175,000 in a full "notional" year—which is roughly what 1938 will be. Additional charges at the rate of £1,625,000 per annum have since become operative, of which some £1,160,000 may be attributed to the wages award of last August. Additional wage costs alone this year may be put at £475,000 for Great Western, £675,000 for L.N.E.R. and £475,000 for the Southern. In these circumstances, buoyant net revenues can hardly be expected on any of the four lines this year. We propose to consider available figures of railway receipts and expenditure in greater detail in future articles.

Worsted Spinning Problems

THE wool textile industry, which was one of the first to recover from the depression, has, unfortunately, been among the first to experience a setback. The recession during the past few months has been substantial. Last month the proportion of insured workers unemployed in the industry stood at the high level of 21.1 per cent., an increase of 14.5 per cent. during the year. During the same

period, exports of wool tops fell from 4,466,000 lbs. to 2,500,000 lbs., and shipments of worsted yarns declined from 2,430,000 lbs. to 1,708,000 lbs. Similarly, exports of woollen tissues fell from 7,848,000 square yards to 6,663,000 square yards, and shipments of worsted tissues from 3,980,000 square yards to 3,765,000 square yards.

Clearly, deterioration in the position of the industry has been sudden and severe. For some time leading representatives have been concerned with the discovery of practical means to improve matters. Their efforts have taken tangible shape in an invitation to all worsted spinners to meet on March 3rd in Bradford, in order to discover what support exists in the industry for control schemes to eliminate price-cutting and redundant machinery.

The problem, in its essentials, differs in degree more than in kind from that of the Lancashire cotton spinning industry. There is at present too little work to employ British worsted spindles and looms, mainly because foreign consumers are making more of their own materials and buying less from abroad. Their policy has progressed in well-marked stages. At first they installed looms, for which they still bought British yarn. Later they installed spindles to produce their own yarn, but still bought British tops. Afterwards they began to take less of our tops, and the combing industry in its turn found that its capacity greatly exceeded its available business. That industry has reorganised itself in the last six years by imposing a combing tariff that ensures profitable running, and by buying and scrapping much redundant machinery. It is not sur-

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	A. C. Cossor	Surety Trust	Total
Year ended 31st March 1931	£88,845	—	£88,845
Year ended 31st March 1932	£285,242	—	£285,242
Year ended 31st March 1933	£198,834	—	£198,834
Year ended 31st March 1934	£200,109	£532	£200,641
Year ended 31st March 1935	£208,561	£5,580	£214,141
Year ended 31st March 1936	£195,340	£9,070	£204,410
Year ended 31st March 1937	£204,238	£4,588	£208,826

The combined profits for the last five years show an average annual profit of £205,370, which is sufficient to cover the annual dividend on the Preference Shares over six and three-quarter times. After providing for such dividend the balance of such average profits is equivalent to 35.07 per cent. on the nominal amount of the Ordinary Share Capital, and 23.38 per cent. on the price at which the Ordinary Shares are offered for sale.

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prising, therefore, that the worsted spinners, faced with difficulties as formidable as those which faced the woolcombers a few years ago, desire a similar plan to that which was discussed in *The Economist* of September 4th and October 2nd, 1937 (pages 461 and 5). Indeed, they have paid the woolcombers a compliment by sending out their circulars for next month's meeting through the woolcombers' offices, so that every worsted spinner can be notified, whether he is a member of the Spinners' Federation or not. Labour support will probably be forthcoming for any scheme to make the industry more healthy; on the ground that even if no more spindles can be run than at present, and no more labour employed, a prosperous industry can afford to pay higher wages than a depressed trade.

It is not proposed to put before the forthcoming meeting any cut-and-dried scheme for control, but it is hoped that the meeting will at least reveal the extent of support for the movement. The difficulties, admittedly, are very great. The variety of yarns produced exceeds by many times the variety of tops turned out. There are at least five times as many spinners as combers. Some firms use only five or six qualities of wool, and their bulk output runs into about thirty or forty counts of yarn. Others use ten or fifteen qualities of wool in various blends, and produce scores of counts of yarn, in colours as well as in white. Others, again, blend or twist cotton or rayon or staple fibre with wool. It would be difficult to find more than half a dozen firms whose "balance" is identical and whose costs are alike. The industry is also open to the same kind of competition as faced the woolcombers when their own scheme was drawn up. Certain concerns which encountered financial difficulties some years ago have since been running under bank control, and have, in some cases, been noteworthy for their price-cutting policy.

In view of the fact that production costs vary enormously between one mill and another, it may well be simpler to arrange for the elimination of redundant machinery than to attempt to impose standard conversion costs. The elimination of machinery for which there is now no employment cannot be uniform throughout the different sections of the industry, and any agreement upon it will call for much skill and diplomacy. There are undoubtedly a number of firms to-day who, after three or four years of profitless

running, would be ready to sell out their undertakings—but on the basis not of scrap value, but of nuisance value.

The imposition of fixed conversion charges in such an industry seems almost impossible. Not only will the efficient low-cost firm object to turning away bids of a fraction below the standard rate—on which it could make a satisfactory profit—but it will object to providing a levy to help less efficient competitors. Some years ago spinners of single crossbred yarn endeavoured to operate a price-fixing scheme, when political causes had deprived them of many of their European markets. The agreement, as planned, covered only a small section of the trade—but it failed completely.

If the present movement receives support and some plan is put into operation, it may appreciably improve the morale of the industry. For example, it is undesirable that firms should be compelled to gamble in raw material to keep their machinery running. The scheme might also impose the reasonable conditions of payment known as "Federation terms," and prevent the recurrence of a situation in which yarn, spun to customers' instructions, remains in the spinner's warehouse for many months because the customer refuses to take it. There is, of course, a danger that any attempt to increase margins to an economic level may drive more of the business from spinners to spinner-combers, just as the increase of combing costs has tended to transfer combing trade to firms outside the Combing Association or to spinner-combers. Severe price-cutting between manufacturers who have a production capacity much in excess of available business has, in its turn, intensified price-cutting amongst spinners. A united front among the spinners might reduce cut-throat selling by weavers, and even encourage them to attempt a similar project on their own account—though, in fact, some of the keenest prices for cloth are quoted by firms possessing both spindles and looms.

Nevertheless, even if considerable support is forthcoming for the proposals, greater difficulties will need to be overcome than in the case of woolcombing. Even in Lancashire, the cotton spinning scheme had not to cope with so great a variety of products as worsted spinners produce. Unless owners of something like 90 per cent. of the spindles can be induced to co-operate, the present plan is probably doomed to failure.

Finance and Banking

Rally in the Dollar.—On February 17th President Roosevelt made his latest statement upon American monetary policy. He declared that no inflation or further devaluation of the dollar was intended. Nevertheless, he did feel that certain prices, such as those of farm products, were too low, while other prices—for example, those of building materials—were too high. A moderate rise in the general price-level was desirable, but should be achieved by raising those prices which were now too low. The recent decision to abandon the sterilisation of gold was in part linked with the new line of policy implied in these views, though it was due also to other considerations. The foreign exchange market has so far given greatest importance to the President's initial declaration ruling out further devaluation. Hurried bear covering brought sterling down from \$5.03½ on February 17th to \$5.01½ at the beginning of this week. Part of this movement, however, was due to the immediate uncertainties caused by Mr Eden's resignation, for on Monday sterling itself was weak all round. Since then, there has been a moderate recovery in the pound to \$5.01½ last Thursday, but it remains fair to say that the latest dollar scare is now at an end. On the other hand, it is clear that President Roosevelt is, if anything, shifting from the deflationary to the inflationary—or, at least, to the reflationary—tack, the latest evidence of this being the instruction to the Reconstruction Finance Corporation to resume lending. Hence the possibility of a future dollar scare cannot be ruled out.

Italian Credits.—The political developments of the week have let loose a flood of rumours concerning the imminence of large Italian credit operations on the London market. For the time being these may be completely written off. As far as normal bank acceptance credits are concerned, the tendency in recent months has been towards contraction. There is no reason to anticipate an early reversal of this trend, for the very good reason that, political *detente* or no, Italy remains a thoroughly bad credit risk in the City of London. A moderate volume of Italian paper continues to circulate in the market. The Italian agency bills have recently been more difficult to place at anything approaching fine rates. Market experience suggests, however, that the Italian banks in London have, on the whole, maintained more money in the short loan market than the total of their paper which is being run by the discount market. There is no specific guarantee afforded by this juxtaposition, but it has undoubtedly helped to maintain a reasonable market for Italian bills.

* * *

As far as the Export Credits Guarantee Department is concerned, there is no indication of any change of policy, following the events of this week. The department bases its operations on commercial considerations, and is influenced by political events only in so far as they

indirectly affect the export credit and transfer risks which it is called upon to underwrite. During the sanctions period the Department suspended all transactions involving the extension of facilities to Italy. Since sanctions were lifted, however, it has again been at liberty in the course of its normal commercial operations to underwrite export risks to that country. The Chancellor of the Exchequer announced this week that no request had been received from Italy for new and extensive short term credits with Government guarantee. Meanwhile, negotiations are proceeding in London between representatives of the Board of Trade and of the Italian

Ministry for Foreign Trade, for the renewal of the Anglo-Italian Payments Agreement of 1936. The arrears of commercial indebtedness which that agreement was intended to clear up have now been virtually settled. There is hope that, in its renewed form, the agreement will have universal scope and that it will in fact approximate more to a bilateral trade agreement than to a mere payments or clearing agreement. It remains possible, of course, that in the course of the present political negotiations, Italian demands will be made for credit facilities analogous to those granted to Soviet Russia under the Export Credits Guarantee scheme.

MONEY MARKET NOTES

Foreign Exchanges

The immediate consequence of Mr Eden's resignation was a weakening of sterling last Monday. In addition to the appreciation of the dollar, referred to in a Financial Note, both French francs and belgas were bid against sterling, the Paris spot rate falling to Frs. 152½ and the Brussels spot rate to bel. 29.51½. This movement against the pound only lasted for one day, for on Tuesday francs once more came on offer and remained so for most of the two following days. In consequence by Thursday the spot rate had risen to Frs. 154½, coming back later in the day to Frs. 154½. Three months' francs have also widened from Frs. 4½ to Frs. 5½ discount. The French Control has also had to support both the spot and forward market, and is thought to have lost a fair amount more of its resources. Belgas have equally depreciated to their previous rate of bel. 29.56. On the other hand both the Dutch and Swiss rates have remained very steady during the whole of the week, guilders being still quoted at Fl. 8.96½ and Swiss francs at Frs. 21.59½. Rates have not moved at all no several weeks.

The Money Market

While the Bank return indicates no apparent change in the position, market reports are to the effect that money is much easier. There has been very little calling by the clearing banks, and bond money is available from outside lenders at ½ per cent. The clearing banks are eager buyers of bills, but although last week the market got a slightly better allotment of Treasury bills (23 per cent. against 18 per cent. in each of the three previous weeks), brokers are still reluctant to sell.

	Feb. 25, 1937	Feb. 17, 1938	Feb. 24, 1938
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	5½-3½	1½-5½	1½-5½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	9½	17½-9½	17½-9½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

With the continued influx of revenue, the volume of tender issues of Treasury

bills continues to shrink. For the current week it is only £532 millions, compared with a peak level of £622 millions at the end of December. Floating assets have also fallen by £56 millions since the end of last year.

The Bank Return

This week's Bank return shows practically no change from the previous week. Compared with a year ago, the note circulation has risen by £19.4 millions, but this is mainly offset by an increase of £12.7 millions in the Bank's gold holdings. Thus the Reserve has only fallen by £6.7 millions.

	Feb. 24, 1937	Feb. 9, 1938	Feb. 16, 1938	Feb. 23, 1938
£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	456.1	476.1	474.1	474.5
Banking Dept.				
Reserve	59.3	50.9	53.0	52.6
Public Depts.	13.0	16.1	15.8	16.7
Bankers' Depts.	100.4	102.9	106.4	105.6
Other Depts.	37.9	35.5	35.5	35.5
Govt. Secs.	85.0	93.3	97.9	97.4
Discounts and Advances	4.9	9.6	6.2	6.5
Other Secs.	20.3	19.0	18.8	19.5
Proportion	39.1%	32.9%	33.6%	33.3%

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L. L. B. Angas, Investment Consultant, 301 Park Avenue, New York

PUBLISHED PAMPHLETS

	Date	Subsequent Movements
Reparations, Trade, and Foreign Exchange (Forecasting the collapse in the German mark.)	Feb. 1921	- 99%
The Coming Collapse in Rubber	Jan. 1926	- 80%
The Coming Rise in Gold Shares	Feb. 1931	+150%
The Coming (English) Boom	Sept. 1931	+100%
Stock Market Tactics (Forecasting the Bond Boom, etc., in England)	Jan. 1932	+ 28%
The Coming Rise in Wall Street	Apr. 1933	+190%
The Coming Collapse in Gold	Nov. 1933	- 15%
The Coming American Boom	July 1934	+100%
The (American) Boom Begins	Apr. 1935	+ 65%
Slump Ahead in Bonds (U. S. A.)	Feb. 1937	- 10%

In the banking department, the contraction in the Reserve during the past year has been more than neutralised by an increase of £12.4 millions in Government securities. Thus bankers' deposits have risen by £5.2 millions. This very limited expansion in the credit base is probably required to offset the increased Government short-term borrowings needed to finance the Exchange Equalisation Account's gold acquisition during the year. Thus there has been no effective enlargement of the credit base or change in monetary policy.

*

The Bullion Market

The Continental demand for gold has continued, and has been met out of supplies from official sources at prices

which still contain a fairly large premium. On Wednesday, the London price was suddenly raised by 1d. an ounce, only to be brought back to its previous level the following day. There is no obvious reason for these movements, which are a complete mystery to the market.

The appreciation of the dollar at the end of last week stimulated fresh buying from India, and on Saturday the forward price moved up ½d. nearer to the spot price. Both cash and forward prices strengthened during the early part of this week, owing to Indian bear covering and fresh forward buying, against Continental selling and also resales by speculators. By Thursday, however, the market had become a shade over-strained, and as the Indian market was closed for a holiday on that day,

INSURANCE NOTES

against £170,000. The results of these branches are given below:—

Department	Premium Income	Under-writing Profit	Percentage
Fire	1,119,326	25,229	2.3
Employers' liability	32,360	5,079	15.7
Accident	86,704	21,752	25.1
General	213,111	12,704	6.0
Motor	220,750	16,778	7.6
	1,672,251	31,084	

Total assets increased from £96,522,000 to £102,486,000, and thus, for the first time, the one hundred million mark was attained. Total loans increased from £6,103,000 to £6,272,000. British Government securities, which account for one-third of the assets, amount to £34,111,000, contrasted with £32,167,000 in the previous year. Colonial and foreign government securities, on the other hand, fell by £633,000 to £12,528,000. British municipal securities were also smaller at £5,701,000, against £6,175,000. Debenture stocks, however, increased from £12,965,000 to £13,931,000 and preference stocks from £6,894,000 to £7,033,000. The largest rise occurred in ordinary stocks, which increased by no less than £3,118,000 to £12,557,000. In view of the trend of market prices in 1937, special interest will attach to any comments which the chairman may care to make on this development at the annual meeting. The contingency fund, ordinary and industrial branches investment reserve funds remain unaltered at £300,000, £3,100,000 and £3,150,000, respectively. Out of the 1937 surplus in the industrial branch it is proposed to transfer £100,000 to the contingency fund. The dividend, which was increased in 1936 from 50 per cent. free of tax to 51½ per cent. free of tax, is further raised to 52½ per cent. free of tax; in addition, on this occasion, a bonus of 2½ per cent. free of tax is also being distributed.

*

Scottish Temperance and General.—A quinquennial valuation of this company was made as at December 31, 1937, when the life assurance policies were valued by the A²⁴ Table, assuming interest at 2½ per cent. Five years ago the O¹⁰ Table was used, assuming 3 per cent. interest. As no indication is given of the cost of strengthening the reserves, the trading profits shown below are to that extent understated. For annuity considerations the bases of valuation were the same as on the last occasion, namely a⁽¹⁾ and

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis-count	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	s. d.	d.
Feb. 18 ...	139 10	20 1/2	1,042	19 5/8	19 5/8
" 19 ...	139 10	16 pm	360	19 5/8	19 11/8
" 21 ...	139 10	13 1/2	289	20 1/8	19 3/4
" 22 ...	139 9 1/2	13 pm	337	20 1/8	19 3/4
" 23 ...	139 10 1/2	16 pm	629	20 1/8	19 5/8
" 24 ...	139 9 1/2	13 1/2	437	20 1/8	19 3/4

* Above or below American shipping price.
The New York price of silver remained at 45 cents per ounce .999 fine during the week.

the London price slipped back a little. The undertone remains steady, with attention mainly directed towards the Indian Budget due to be announced at the coming week-end.

a⁽¹⁾ tables with 3 per cent. interest.

	1928-1932	1933-1937
Trading profit	884,099	715,204
Capital profit	256,000	
Brought forward	182,493	123,365
	816,592	838,569
Allocations:—		
Policyholders	693,227	730,801
Carry forward	123,365	107,768
	816,592	838,569

The amount of £107,768 carried forward includes £35,166, the necessary provision for bonus to policyholders under the deferred and accumulating bonus schemes whose policies are not yet entitled to share in profits. The rate of bonus declared is 2 per cent. per annum. The declaration is the same as was made five years ago. In 1937, new sums assured amounted to £1,604,000, against £1,524,000. The net rate of interest fell by 1½d. per cent. to £4 1s. 5d. per cent. and the total assets increased from £8,236,000 to £8,544,000. Mortgages were lower by £54,000 at £1,973,000, but aggregate British, Colonial and Foreign Government securities are practically unchanged. Debenture, preference and ordinary stocks at £1,723,000, £1,658,000 and £687,000 showed increases of £68,000, £123,000 and £145,000 respectively.

Scottish Provident Institution.—New sums assured in 1937 were the largest recorded, their total of £3,313,000 contrasting with £3,166,000 in 1936. Annuity consideration moneys, however, dropped sharply from £249,000 to £99,000. The net rate of interest realised on the total funds, including investment reserve fund, was £3 15s. 7d. per cent., against £3 16s. 9d. per cent. The rate earned on the life assurance and annuity fund alone fell by 1s. 6d. per cent. to £3 17s. 5d. per cent. Death claims amounted to £1,016,000, or about £6,000 less than the preceding year, and surrenders were £11,000 smaller at £125,000. Total assets appear at £25,426,000 against £25,117,000. British Government securities, which at £9,033,000 represent over 35 per cent. of the total assets, fell by £256,000. Foreign and Colonial Government securities increased by £26,000 to £1,497,000, and debenture stocks by £59,000 to £3,467,000. Preference stocks increased by £193,000 to £2,885,000, and ordinary stocks by £340,000 to £3,478,000.

Investment

Political Markets.—From the early days of February, movements of prices on the London Stock Exchange have been governed by factors which have had nothing to do with industry, the trade cycle, hot money or the British Treasury. From the moment when the Army-Nazi "crisis" blew up in Germany, and Dr Schuschnigg was subsequently summoned to take his orders from Berchtesgaden, the markets have been in the grip of political fears. Prices, in fact, have been determined by the action of people inside and outside the markets, who had no clear idea where Europe was going, but thought that it was moving much too fast. When last week-end brought news of Mr Eden's resignation, with the possibility of a Cabinet split, a general election and encouragement for the European dictators, it seemed that there might be no immediate limit to the resultant fall in prices. Actually, on Monday, the markets stood fast and waited for Mr Eden's and Mr Chamberlain's speeches. It then became clear that Mr Chamberlain, right or wrong, would have his way and carry on his Government. Whatever the attitude of individuals towards the ultimate implications of the Government's attitude, it was enough that there would be no international débâcle next week, next month, or even, perhaps, next year. The *Financial News*' index of ordinary shares, which fell between February 4th and 17th from 93.1 to 86.9, rose by a complete 2 points on Tuesday and a further 1.3 points on Wednesday, and closed on Thursday at 91.7.

*

The following table shows how a number of leading market equities have been affected by recent events:—

	1937		Feb. 7 1938	Feb. 17 1938	Feb. 23 1938	Feb. 24 1938	Change on Week
	High	Low					
"Financial News" Ord. Share index	124.8	93.1	91.7	86.9	91.3	91.7	+ 4.8
British Oxygen (£1) ...	138/9	76/3	75/-	68/9	77/6	77/6	+ 8.9
Courtaulds (£1)	58 4/2	42/-	43/-	39 4/2	41 3/4	40 6/4	+ 2.7 1/2
General Electric (£1) ...	94 9	70/-	74/8	68 6	73/-	74 1/2	+ 5.7 1/2
Imp. Chem. Inds. (£1) ...	41/10 1/2	31 4/2	32 6	30 6	31 3	30 9	+ 3
Furter and Newall (£1) ...	112 6	72 6	81/3	76 10 1/2	80 7 1/2	80 10 1/2	+ 4 1/2
Vickers (10/-)	39/3	20 7/2	23/-	21 6	24 6	24 9	+ 3 3

In some instances this week's recovery has carried prices back above the level at which they were standing before political fears gripped the markets. In other cases, the net decline is now comparatively moderate, compared with its dimensions a week ago. The recovery, indeed, has gone far enough to suggest that some amount of new buying has been super-added to the inevitable closing of bear positions. Given even a temporary respite from politics, revival may go further; for there are no signs of a rapid deterioration in British industrial activity. And a brighter view of the possibility of a moderate revival in American trade this year is now being taken, apparently, even in America itself.

*

Further Corporation Borrowing.—With the Birmingham scrip standing at a small premium and the Stirling loan around par, this week has seen two new corporation issues on largely identical terms. The Corporation of London, whose last visit to the London market was in February, 1933, has issued £625,000 3½ per cent. stock, dated 1959-64, at 98, while Plymouth has issued £750,000 3½ per cent. stock, at the same price, but redeemable 1957-62. Calls on the latter are rather more widely spread, but since the two loans carry the right to a full half-year's interest in September and December respectively, this factor is approximately offset. The Corporation of London, perhaps, has a somewhat higher standing, and for this reason the slightly longer life of the loan, compared with recent issues of the same character, may be warranted. The proceeds will finance the proposed airport in Essex, while the Plymouth loan

will be applied in part to capital purposes and in part to replacing temporary loans amounting approximately to £275,000. The firmer tendency in the gilt-edged market this week provided a moderately auspicious background for the two issues. It is expected that South Shields will make a Conversion issue of £1,000,000 shortly, which may provide a further test for the new terms.

*

The Accountant's Function.—Sir Harold Bellman, in a speech delivered to an audience of Incorporated Accountants last week, did a service to his listeners and also to a wider public. For his theme was concerned with the larger social and economic obligations of the accountancy profession. Many practising accountants would have no difficulty in following Sir Harold in his first two points—that accountancy has proved its adaptability to changing forms of economic organisation, and that its professional standards are fully safeguarded. It was in the extension of these facts into a wider realm of responsibility that the speaker sought to cultivate more contentious ground. The textbooks recognise no "fiduciary responsibility" on the part of the accountant towards the public, either as consumers or investors. Yet, as Sir Harold pointed out, some larger obligation of this sort is thrust into the accountant's hand, whether he welcomes it or not. He is, in the first place, a primary safeguard for the small investor—a link between the company and its shareholders, which becomes the more important as the notion of shareholders' democratic control becomes weaker in practice. His services in such matters as reconstructions and marketing schemes, again, have an important bearing both for consumers and producers. Sir Harold, presumably, would not stress unduly either the achievement, or the advantages, of this form of indirect control. On one of his later points, however, there will be general agreement. Since modern business practice does demand the frequent intervention of the accountant, these ends will be served in proportion as the accountant is assisted by "the assurance of a vigorous and unified policy within the profession on major issues."

*

Changing Equity Yields.—For three weeks past, the average yield on the 151 industrial ordinary shares in the Actuaries' Investment Index has exceeded 5 per cent. It is necessary to go back as far as August, 1932, to discover a previous instance of this return on a mixed holding of industrials. For the equity share investor, the movements in industrial share yields during the past year have especial

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The rate of bonus declared in the ordinary branch is again 2 per cent. on the sum assured. In the industrial branch the rates are the same as in 1936 at 16s. for each weekly premium of 1s. in the whole life class and 12s. in the endowment assurance class; the policies participating are those effected prior to January 1, 1931.

*

In the miscellaneous branch fire premiums fell from £1,138,000 to £1,119,000. Small increases took place, however, in the accident and motor branches, while in the general branch premiums amounted to £213,000

significance. We have extracted from the Actuaries' Index the movements in six groups between February 23, 1937, and February 22, 1938. The yield figures are not strictly comparable in certain cases, owing to the revision of the index at the end of the year. The margin of error arising from this discontinuity is, in fact, unavoidable. In the following table we have first shown the prices and yields in each group at the two dates. We have then calculated the percentage change in yields during the year, and compared this with the percentage movement in prices, *calculated on the 1938 price*. Thus we have endeavoured roughly to isolate the effect of price movements from changes in the yields:—

Group	Feb. 23, 1937		Feb. 22, 1938		Change in prices, based on 1938	Change in yields, compared with percentage change in price	Excess of percentage change in yield, compared with percentage change in price
	Prices*	Yields	Prices*	Yields			
Industrials, all classes	87.1	3.95	69.4	5.22	-25	+32	7
Building materials	100.7	4.99	82.3	6.86	-22	+37	15
Coal	127.5	3.14	94.1	5.51	-35	+75	40
Iron and steel	82.8	3.82	59.8	6.82	-38	+78	40
Motors	55.0	4.40	36.8	6.41	-49	+46	-3
Oil	105.2	2.84	77.8	6.42	-35	+126	91
Miscellaneous	78.2	4.17	62.8	4.87	-24	+17	-7

* December 31, 1928 = 100.

The imperfections of the method of comparison are obvious, but certain important conclusions nevertheless emerge. If the yield figures were strictly comparable over the year, and if they had moved just sufficiently to offset changes in prices, then the percentage changes in prices, calculated on the *present* index number, would cancel out the percentage change in yields, calculated on last year's figures. Any excess in the percentage change in yield, compared with the percentage change in prices based on this method, should, in theory, be attributable to increased dividends paid during the past year. In other words, the substantial differences between the two sets of percentages in the coal, iron and steel, and oil groups are an indication that this principle of higher dividends has failed, in these groups, to bring about anything like an equivalent adjustment in share prices. This brings us to yet another point. At any given moment, equity share prices take account not only of past dividends, but probable future earnings. Last year's yields were thus sub-normal, to the extent that they reflected dividends still to be declared. Conversely, if the market is now expecting industrial earnings to fall, the true present yield basis may be overstated.

Company Notes

L.N.E.R. Report.—The market had calculated for itself an increase in the net revenue of the London and North-Eastern Railway amounting to no less than £966,047, on the basis of the surprisingly good dividend declared on the second preference stock. The latter has been increased from one-half per cent. for 1936 to 1½ per cent. for 1937, and net revenue also covered a transfer of £150,000 to contingency fund. The explanation lies partly in the retention of no less than 37.1 per cent. of the increase in gross railway receipts and partly in an appreciable expansion of net miscellaneous receipts. Railway gross

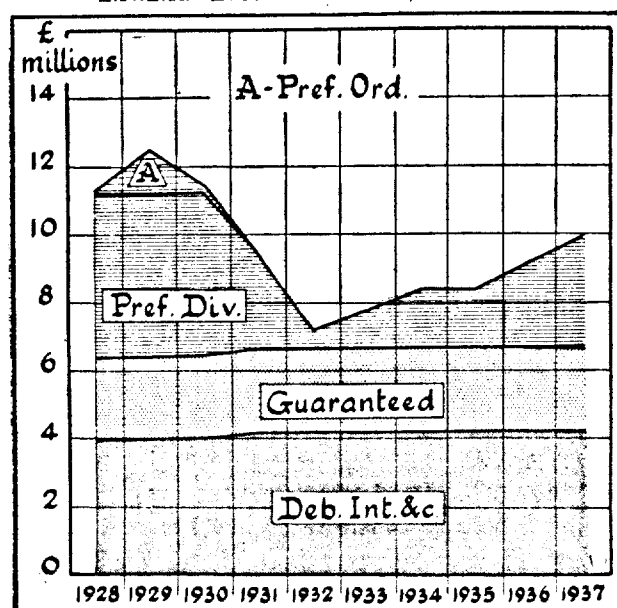
receipts increased by £2,203,196 to £49,086,681, but expenditure was only £1,385,474 higher at £39,540,466. Net ancillary receipts increased by £15,580 to £84,870, and net miscellaneous receipts were as much as £132,745 higher at £476,357. Movements in net receipts and their distribution during the past three years are set out below:—

	1935	1936	1937
Railway gross receipts	45,145,649	46,883,485	49,086,681
Railway expenditure	37,156,391	38,154,992	39,540,466
Net railway receipts	7,989,258	8,728,493	9,546,215
Net ancillary receipts	Dr. 115,591	69,290	84,870
Net miscellaneous receipts	497,706	343,612	476,357
Net revenue	8,371,373	9,141,395	10,107,442
Debt interest	4,263,349	4,274,263	4,222,274
Guaranteed stk. divs.	2,430,552	2,430,552	2,430,552
First pref. div.	1,567,236	1,928,907	1,928,907
Do., rate %	3½	4	4
Red. pref. div.	163,085	200,720	200,720
Do., rate %	4½	5	5
Second pref. div.	Nil	330,711	1,157,488
Do., rate %	Nil	½	1½
Carried forward	40,182*	66,425*	83,926†

* After crediting £50,000 from general reserve.
† After appropriating £150,000 to contingency fund.

The following chart depicts the distributions on the various classes of stocks since 1928:—

L.N.E.R. DISTRIBUTIONS, 1928-37



The total distributions closely follow the trend of net revenue, although the latter is not shown. It may be pointed out that the first preference, redeemable preference and second preference dividends are grouped together. The payments on the first two stocks were reduced to 1 and 1½ per cent. respectively in 1932 and restored in full in 1936.

On further scrutiny, however, the investor may regard the results with some reservations. Locomotive and traffic expenses, which together increased by £1,067,338, fully reflect increases in wages and fuel costs. The explanation of the relatively small rise in total railway expenditure is to be found, in fact, in the renewals charges. Maintenance of way and works cost £273,819 more at £5,371,239, and slightly more work was carried out. The maintenance charge for rolling stock, however, was actually reduced from £8,491,892 to £8,443,596, thanks to a net credit of £2,313,183 from rolling-stock renewal fund, compared with £782,525 in 1936. The latter fund (which was augmented last year by a direct transfer of £3,340,000 from rates recovered up to December, 1935) consequently shows a reduction from £5,143,748 to £2,715,065. A substantial increase in renewals of merchandise and mineral vehicles has thus been offset by transfers from reserves. Further, miscellaneous net receipts have the benefit of an increase of £126,000 in the company's pro-

portion of net revenue from joint lines, and of £59,000 in interests and dividends, mainly from road transport investments. To the extent that some part of these reduced costs and increased revenue cannot strictly be linked to the year's railway operations, investors will be disposed to regard the latest results as somewhat exceptional. The chairman points out, in his review, that the latest wage award will cost over £1,000,000 in a full year, and that the increase in coal prices last year absorbed £203,750. Since the average weekly increase in traffics during the current year amounts to £40,700, and the company's renewals position is less favourable than that of the other companies, the second preference stockholder will find that these are hard facts.

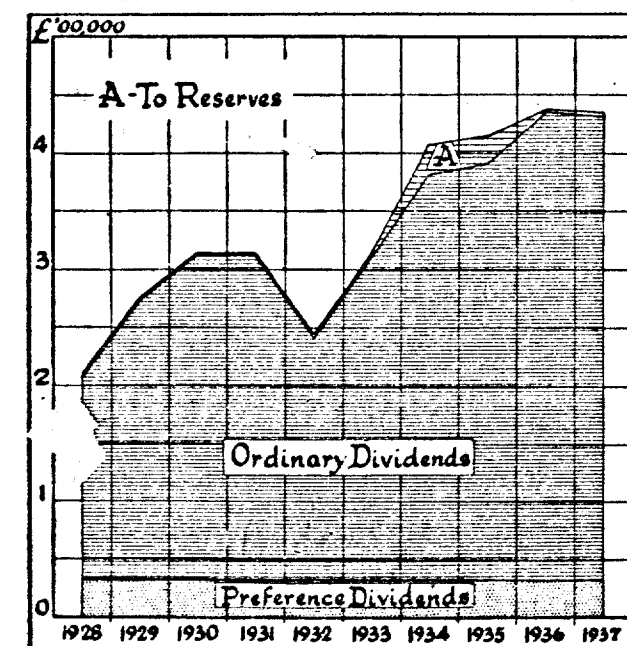
London Brick Profits.—During the past four years, the published profits of London Brick have varied little compared with the considerable expansion recorded over the whole decade. The company has, in fact, consolidated its special position in the brick industry. Profits for 1937 amount to £589,654, compared with £591,569 for 1936, and the 20 per cent. dividend is but slightly lower if adjustment is made for the 1½ per cent. capital bonus of last year. The following table shows that the ordinary dividend has been covered by a small margin of disclosed profits:—

	Years to December 31,		
	1935	1936	1937
Profit	594,041	591,569	589,654
Depreciation	175,000	150,000	150,000
Fees	3,525	3,525	3,165
Preference dividend	32,000	32,000	32,000
Ordinary stock—			
Earned	383,516	406,044	404,489
Paid	360,000	405,000	400,000
Earned %	24.4	22.6	20.3
Paid %	22½	22½†	20

Carry forward 274,467 275,511* 80,000
† And capital bonus of one in nine. * Before capitalising £200,000 for bonus.

Investors may assess the early progress and later stability of the Company from the following chart:—

LONDON BRICK NET PROFITS 1928-37



The earnings record of London Brick shows a less extreme response to the year-to-year fluctuations in building activity than might be expected.

The market's fears of a decline in building activity explain the high yield basis of London Brick ordinary stock. Building plans approved declined from £117 millions in 1936 to £111 millions last year, the reduction being accounted for by dwelling-houses alone. The value of plans approved during the past two months,

however, showed an increase compared with the previous year, but it would be premature to infer that the trend has been reversed; the proposed reduction of the housing subsidy may be stimulating the anticipation of future requirements. The outstanding position of London Brick, and the extended markets which it now covers, should protect the company from any but long-term changes in building activity. The importance of widely-spread markets is emphasised in the directors' report, and it is underlined by geographical changes in building activity suggested by the 1937 plans figures. The regional changes in the building industry are examined in a Note on page 463, which illustrates recovery in such districts as Scotland, Wales and the Northern Counties which had previously lagged behind, and a reduction in activity in the London and South-East Areas. London Brick has shown its adaptability to changing conditions, in the past. The current yield of £7 4s. per cent., on the £1 stock units at 55s. 6d. would appear to discount any immediate fluctuation in earnings.

Further Store Results.—Mixed impressions are presented by the results of two more London stores. A decline in the profits of Selridge and Company from £485,086 to £448,090 is distinctly disappointing. The report points out, however, that non-recurring expenditure was exceptionally heavy, and this has evidently offset the improvement in sales volume and gross profits. The balance of trading profit, in fact, is struck after charging the cost of the Coronation display, in addition to the usual expense items. A smaller amount is payable under the Whiteley guarantee, but substantially higher tax provision and the inauguration of debenture sinking fund provision have combined to reduce equity earnings in much greater measure than total profits. Some £35,949 is available for the ordinary stock, against £128,215 for 1936-37, and despite the sharp reduction in the dividend from 15 per cent. to 8 per cent., it is covered by earnings of only 4.9 per cent., against 17.7 per cent. for the previous year. The balance carried forward is reduced in consequence by some £24,000 to £61,766. The balance sheet reveals no outstanding changes, but cash is reduced from £165,110 to £95,752, though the expenditure on additions to property during the year was less than in 1936-37. The managing directors' account is increased to £118,775 owing to advances of £7,233 during the year, whereas £20,000 was repaid in 1936-37. The preliminary statement of Swan and Edgar shows that total profits are £7,635 higher at £137,044—the latter figure being only £1,000 short of the 1929-30 "high." Although a new provision of £5,000 appears for N.D.C., expenses show a reduction, and earnings for the ordinary dividend, which is raised from 6½ to 7 per cent., are £12,557 higher at £105,613—equivalent to 8.9 per cent. In recent years, surplus earnings have been left to swell the balance carried forward, but on this occasion the bulk is employed for an initial provision of £15,000 to investment reserve. At the present price of 25s., the £1 ordinary shares yield £5 9s. 9d. per cent.

Bradford Dyers' Setback.—The profits record of Bradford Dyers emphasises the long-term difficulties of the textile trades, which economic recovery has done little to alleviate. There is little in the latest report to encourage the hope that the Association's former prosperity will be regained—at least in the immediate future. The last ordinary dividend was paid in 1930; preference arrears now amount to 25 per cent., or £637,309 gross; and although debenture interest has been paid regularly, in only one out of the past eight years has it been fully earned. After adding back

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roughly £150,000 for depreciation, the profit for 1937 amounts to £179,115, against £191,653 in the previous year. The latter amount, however, included a credit of unknown amount from surplus tax provision. Debenture interest, which requires £58,150, is only half earned, and in consequence the balance carried forward is reduced to £11,372. In 1936 a draft of £50,000 was made on the reserve fund (now standing at £150,000), to meet the balance of debenture interest and to raise the carry-forward to £40,504. Despite these adverse results, the undertaking has found opportunities for expansion. Last year it was announced that two Egyptian textile companies were to be affiliated with the Association, and the balance sheet includes a reference to the formation of an Egyptian company. Shares in and loans to subsidiaries have together risen from £2,041,979 to £2,173,400—a change which more than accounts for the drop in cash from £254,779 to £179,472. As for the future, the company's fortunes must continue to depend first on the volume of textile production and upon revival in export trade. Without the remarkable rise in rayon consumption, the position of the finishing sections of the textile trades would have been even worse than these results suggest. The immediate outlook for Bradford Dyers is cheerless, the market's view being reflected in quotations for the ordinary shares of 4s. 3d. and of 7s. for the preference issue. Will the Association be compelled ultimately, to seek its salvation by following Lancashire's example? This week also brings the news that the directors of Calico Printers have deferred consideration of the preference dividend (now in arrears since the end of 1935) until the end of the Association's financial year next June.

Investment Trust Results.—Recent investment trust reports provide comprehensive evidence of the experience of the movement as a whole in 1937. The upward trend of total revenue is generally maintained, although the rates of improvement vary widely in individual cases. The reports of six representative trusts which have recently been published are analysed in the following table, which includes details of the distribution and valuation of portfolios, where the information is available:—

Trust (and Years Ending)	Total Rev.	Ordinary Stk. Earned		Div.	Portfolio Distrib.		Appn. or Depn.	Ord. Stk.	
		Amt.	%		Ord. Shs.	Gt. Br.		Price	Yield
Brit. Assets									
Jan. 15 { 1936 286,287 13,437 3.6 3 — — + ?									
1937 310,099 32,083 8.8 7 72 40 + ?									
1938 344,667 55,444 15.5 10 70 41 + 9								9 4 1/2	5.3
Merchants									
Jan. 31 { 1936 171,963 45,722 7.2 7 41 49 — 13									
1937 176,852 50,468 8.0 7 42 46 — 5									
1938 183,645 52,619 8.5 7 44 51 — 22								142 1/2	5.3
U.S. and Gen.									
Dec. 31 { 1935 146,238 28,552 6.8 6 28 51 — 5									
1936 151,081 32,881 7.9 7 34 51 + 6									
1937 157,167 37,375 9.1 7 34 53 — 13								144 1/2	4.8
Brit. Invest.									
Jan. 1 { 1936 311,267 96,196 12.3 11 32 56 — 5									
1937 324,713 105,968 13.8 12 38 54 + 9									
1938 356,059 125,974 16.7 12 39 59 — 7								245	4.9
Scott. Ind. Inv.									
Dec. 31 { 1935 128,514 19,412 5.2 4 55 48 + 1									
1936 141,737 30,826 8.3 5 62 47 + 7									
1937 153,890 38,364 10.5 6 58 52 — 7								96 1/2	6.2
Glasgow Stockholders									
Jan. 2 { 1936 61,145 Dr. 3,721 Nil Nil 53 62 — 19									
1937 64,714 5,659 2.6 1 57 56 — 3									
1938 75,882 13,770 6.5 3 57 59 — 24								47 1/2	7.4

* Proportion by which valuation exceeds (+) or falls short of (—) book value.
† From chairman's speech. ‡ Or 1-3 per cent. after 1 year's preference dividend.
§ Per 5s. unit.

Increased dividends are common, though some companies which raised their dividends in 1936 have not declared a further increase in 1937. Indeed, somewhat greater conservatism in dividend policy is evident, for in every instance a larger amount of profits has been ploughed back. For such trusts as United States and General, Glasgow Stockholders, and British Investment the amount is appreciably larger. The last company, in fact, has maintained its reserve

and carry-forward during the past three years, employing the full excess of equity earnings to write down investments. The reappearance of investment depreciation emphasises the wisdom of this greater conservatism; the portfolio position in every case is less favourable than in 1935. It is difficult, however, to relate the percentages given above (and similar figures recorded in a Note on page 239 of *The Economist* of January 29th) to the proportion of equities held in individual cases. The decline in capital values, however, serves to emphasise one fact. The tendency among investment trusts to hold an increased proportion of equities has been evident throughout the recovery period, but the degree of real change was often masked, until recently, by the rise in market values. The fact that many companies whose analyses are based on valuations now show a depreciation, with a continued rise in the proportion of equity holdings, suggests that the switch into equities has been carried to further lengths than was apparent even a year ago.

U.S. Debenture Investment Policy.—The results of the United States Debenture Corporation to January last are satisfactory, if not unusual. The company, like other established trusts, has a steady earnings record; revenue has gradually recovered since the depression; and the last two years have each brought a modest increase in the dividend. Total revenue (excluding special credits) rose from £256,706 to £266,861 last year, and earnings for the ordinary stock amount to £122,254, equivalent to 13.0 per cent., against 12.3 per cent. The 10 per cent. dividend is thus covered with a satisfactory margin. A dividend reserve account of £35,319 has also been set up, partly from special income received during the past two years. The Corporation reveals the small deficiency of under 2 per cent. on the book value of the portfolio (against an appreciation of 26 per cent. in 1936-37), but this takes no account of the capital reserve of £939,890. Financially, the Corporation is evidently in a position of unusual strength. The directors, moreover, do not regard investment merit as incompatible with a particularly full disclosure of facts.

The report includes a nine-year analysis of income distribution. In addition, the analysis shows the average yield obtained in each category, and the valuation of investments, whether above or below book cost. The interpretation of these figures is further assisted by the print of the chairman's speech, which is circulated with the report. It appears that the figures for 1937-38 somewhat exaggerate the actual changes, since the portfolio distribution is affected by the sale of certain groups of securities. Moreover, some £363,610 of cash is being kept in hand until the investment outlook is clear—perhaps not an unwise procedure. Subject to this proviso, the changes during the past eight years are sufficiently striking. Holdings in countries outside the British Empire and the U.S.A. have fallen from 32 per cent. of the book cost of all investments to 9 per cent.; in the U.S.A., the proportion has risen from 6 to 35 per cent. Preference shares represent, roughly, the same proportion of all holdings, but the percentage of equities, which now represents 46 per cent. of the total, has trebled. Reviewing the outlook for 1938-39, however, the chairman is cautious. He frankly anticipates a reduction of dividends from America, and revenue is also bound to be affected by the large uninvested cash balance. The ordinary stock at 182½ yields £5 9s. 9d. per cent.

Other Company Results.—Over 55 companies in all are included in our usual analysis of profit and loss accounts appearing on page 483. Investment trusts, gas companies and newspaper companies are well represented, while the reports of three associated jute undertakings are now available. The results are discussed on page 461 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 469. After describing the new records achieved in the ordinary branch of the *Pearl Assurance Company*, Sir George Tilley referred to the first general revision of the ordinary branch life rates since 1916. The public were offered still more satisfactory terms, and a substantial increase in business was anticipated. Addressing the members of the *Scottish Provident Institution*, Mr Alexander Maitland reported that the market value of Stock Exchange securities had not decreased enough to necessitate additions to the reserve fund. Mr J. M. Keynes's speech at the *National Mutual Life Assurance Society* meeting is discussed in a leading article on page 446. At the *Anglo-International Bank* meeting Sir Bertram Hornsby explained that such existing connections as seemed safe and profitable were being maintained, and that assets were collected when favourable opportunity occurred. Addressing the members of *General Mortgage Bank of Palestine* at Tel-Aviv, Mr S. Hoofien pointed out that the bank's record of avoiding a loss on all business done had been maintained. Sir Frederick J. West, at the *Manchester Ship Canal* meeting, explained that the total of 7,053,216 tons of imports and exports was the highest quantity ever carried, and compared favourably with the general improvement for the country as a whole. *English Electric Company* shareholders were informed

by Mr G. H. Nelson that export business had increased substantially, though overseas trading had to meet German and Swiss competition. The satisfactory ore reserve position of *San Francisco Mines of Mexico* was discussed by the Earl of Denbigh at the annual meeting. Fully- and partly-blocked reserves total 2,853,000 tons, and amount to some five years' milling at their present rate. At the *Provident Mutual Life Assurance* meeting Mr Owen Hugh Smith expressed satisfaction that the net rate of interest earned had fallen only by 4d. to £4 9s. 2d. Presiding at the *Scottish Life Assurance* meeting, the Duke of Atholl drew attention to the fact that for the third time in succession the company had written well over £2,000,000 of new business. In his survey of the *Great Western Railway* position, Viscount Horne expressed some anxiety regarding the upward trend of coal prices. Every shilling increase in prices meant an additional cost of over £100,000 annually. There were, nevertheless, good reasons for expecting a further improvement in business. Points from his speech, and from that of Mr Holland-Martin at the *Southern Railway* meeting, are discussed in a leading article on page 447. Mr Holland-Martin disclosed that in 1937 passenger journeys totalled 378,714,000, an increase of 18,452,000. Of this increase, about 15½ millions (including 6 million season-ticket holders' journeys) originated in the electrified area.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
MARCH 8 MARCH 10

THE Stock Exchange has produced a tentative rally on the debates regarding Mr Eden's resignation. How far this was due to the underlying technical position—for the market had an over-sold appearance at the end of last account—and how far it represents a valuation of short- or long-term political factors can hardly be assessed. The smart rises recorded in the earlier part of the week, in fact, appear to give more weight to the immediate fact that the Government had secured its vote of confidence than to any prospective changes in the international position. The market is at present concerned only with the shortest views, and cannot discern any major increase in the volume of business.

The week-end news produced a dull tone in the markets on Monday, but *gilt-edged* staged a partial recovery and bear covering hastened the improvement on Tuesday. The best prices, however, were not held in mid-week, and prices were again rather easier on Thursday. Corporation scrips became subdued.

European bond prices improved after a shaky start. Austrian 7 per cents. fell 7 points on Monday, recovered somewhat, and relapsed again later. Good support for German issues was maintained, except for a brief spell in mid-week. Brazilian issues were bid for at first, but soon lost favour.

Home rail stocks were at first marked down in sympathy with the rest of the market, but the resumed bidding on Tuesday produced several smart improvements, led by L.M.S. and Great Western ordinary. The traffics, however, disappointed the market, and sharp falls were recorded in mid-week. Argentine rails showed a fairly consistent recovery.

The industrial market was at first overshadowed by politics, and while in-

dustrial shares were relatively steady, the hesitation of buyers caused a slight fall in most sections. The first day's debate on Mr Eden's resignation, however, was sufficient to persuade the bears to cover, and their operations, helped out by a small volume of public interest, brought a smart rise in most sections. Its best effects, however, were not maintained after mid-week, though Wall Street continued to assist the internationals.

Steel shares responded vigorously to the improved atmosphere, Dorman Long, Vickers, Thos. W. Ward providing good features. Electrical equipment issues improved, under the lead of General Electric and Enfield Cable, while improvements of a shilling or more were reported in the motor share group on Tuesday and Wednesday. Support for brewery and tobacco issues was in refreshing contrast to the subdued investment interest in recent weeks, and Courtaulds and John Barker recovered considerably from their depressed levels. Shipping shares made consistent progress, and the miscellaneous industrial leaders recorded smart improvements. Imperial Chemical, however, were an exception in mid-week.

A quiet start in the oil market was soon followed by a marked improvement in common with other sections. The better tendency was encouraged after the outset by Continental support. It was not until mid-week, however, that the rise in prices was accompanied by some expansion in business. *Rubber shares* were also lethargic at the opening, but responded by degrees to the improvement in other markets. Professional interest was aroused, and there was even a reappearance of public support on a modest scale. Rises in quotations, if not very large, were widespread. *Tea shares* were quiet, and at first remained indifferent to the general recovery, but conditions became distinctly firmer in mid-week.

On Monday the mining markets, unable to measure the political situation,

were as dull as ever, but they responded to later events with general price increases and an expansion of business.

The *Kuffir* market began subdued, and then, helped by Cape and Paris support, showed a favourable response to political developments at home. Rising interest was not maintained throughout the week, but there was no denying the improved tendency. Helped by Wall Street and improved metal prices, Rhodesian coppers went ahead, but interest slackened a little towards mid-week. Tin shares were entirely indifferent to the quota reduction, though small gains followed the general market improvement.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Feb. 18	7,835	11,775	88.4	130.5
Feb. 21	6,560	14,910	88.0	130.3
Feb. 22	6,550	12,835	90.0	130.4
Feb. 23	7,885	11,780	91.3	130.5
Feb. 24	7,650	11,715	91.7	130.4
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12 86.9	Feb. 4 129.2
			Feb. 17	Jan. 3

* Approx. total recorded in S.E. List. † July 1, 1935 = 100. ‡ 1928 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Investment Index of 151 industrial ordinary share prices has now fallen below 70, standing on Tuesday last (February 22) at 69.4, a fall of over 4 points compared with a month ago, when the index was 73.5. A year ago it stood at 87.1. The respective average yields are 5.22, 4.85 and 3.95 per cent. *Gilt-edged* stocks, in contrast, have risen, the Consols index being 2 points higher than at the end of January. We give on page 460 the usual monthly particulars of fixed interest securities, and also a selection of the separate ordinary share indices.

(Continued on page 460)

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Jan. 1 to Feb. 23, 1938				Prices, Jan. 1 to Feb. 23, 1938				Prices, Jan. 1 to Feb. 23, 1938				Prices, Jan. 1 to Feb. 23, 1938			
Year 1937		Year 1938		Last Two Dividends		Name of Security		Price, Feb. 23, 1938		Yield, Feb. 23, 1938		Price, Feb. 23, 1938		Yield, Feb. 23, 1938	
High-est	Low-est	High-est	Low-est	(a)	(b)	(c)	Name of Security	Price, Feb. 23, 1938	Change since Feb. 16, 1938	Yield, Feb. 23, 1938	Price, Feb. 23, 1938	Change since Feb. 16, 1938	Yield, Feb. 23, 1938		
est	est	est	est	%	%	%									
British Funds															
841.16	73.8	79.4	74.4	Consols 2½%	78.4	...	£ s. d.	13.42	12.6	0.31	0.31	Com. Bk. of Aus. 10/1	12.6	...	4.8
111	105.4	111.5	109.4	Do. 4½% (alt. 1957)	111	...	3 4 3/8	53.9	51.3	5	5	District Bk. 11/16	53.9	...	4.6
101.16	91.4	98.1	98.1	Do. 3½% 1945-53	99	...	2 12 0	9.0	8.4	3.2	3.2	En. S. & Aust. 12/23	87.6	+1.3	3.15
101.16	97.2	102.4	100.4	Do. 3½% 1945-53	101.2	...	2 17 0	10.5	10	8	8	Hambros 10/10, 12/23	10.4	...	4.16
106.22	99	104.3	102.4	Do. 3½% after 1961	104.4	...	3 5 0	10.4	10.4	10.4	10.4	Hong, and S. 12/25	10.4	...	4.16
108	105	108.1	106.4	Do. 4½% 1940-44	106.2	...	2 7 0	6.14	59.6	6	6	Lloyds 12/23	60.6	...	3.19
117.2	111.4	115.8	114.1	Do. 5½% 1944-54	115.2	...	2 12 0	9.0	8.4	3.2	3.2	Martins 12/23	10.4	...	3.18
92.2	89	91.3	89.7	Fund. 2½% 1956-61	91.4	...	3 0 0	89.3	83.9	8	8	Midland 12/23	85	-1/4	4.3
96.8	89.8	97.9	95	Fund. 2½% 1952-57	97	...	3 0 0	6.8	5.8	5	5	Nat. Dis. 12/23	6	...	4.3
101.8	92.2	99.9	97.4	Fund. 3½% 1959-69	99	...	3 1 0	4.1	37.8	11	4	Nat. of Egypt 10/10	38.12	+1/2	3.18
116.8	109	112.1	112.1	Fund. 4½% 1960-69	112.1	...	3 1 0	4.1	38.8	9	9	Nat. of Ind. 12/23	40.6	-1/2	5.10
99.8	96	100.3	99.1	Nat. D. 3½% 1944-48	100	...	2 10 0	15.6	14.3	14.3	14.3	N. Prov. 12/23	15.18	...	3.18
114.4	107.8	112.1	110.2	Victory Bonds 4½%	111.2	...	3 12 0	48.8	47.3	81.2	81.2	Roy. Bk. of Scotland	48.3	-1/4	3.10
105.16	99.8	105.8	101.1	War L. 3½% at 1952	101.1	...	3 6 0	15.9	14.2	9.6	9.6	St. of S.A. 12/23	15	-1/8	4.13
96.8	83.8	87.1	87.1	Local Loans 8½%	89.2	...	3 7 0	51.3	47.6	34.4	34.4	Union Dist. 12/23	47.6	...	4.4
102	101.8	101.8	100.1	Austria 3½% 1933-53	101	...	3 7 0	51.3	47.6	34.4	34.4	West. 12/23	96.6	+6d	4.2
72	62	67.8	66.8	India 2½% 1957	67	...	3 14 8								
85.4	74.4	81	79.4	Do. 3½% 1958-68	79.2	...	3 15 6								
96.8	87	91	92	Do. 4½% 1958-68	93	...	3 15 6								
119.2	112.4	116.4	114.4	Dom. & Col. Govts.	116.2	...	3 8 0								
Insurance															
109.8	105	108.1	107	Austr. 5½% 1945-75	108	...	3 13 7								
105.8	101	104.1	103.8	Canada 4½% 1940-60	104.2	...	3 14 9								
118	114.8	118.8	118.8	Nigeria 5½% 1950-60	114	...	3 10 10								
110	104.4	108	106	N. Zealand 5½% 1946	108	...	3 16 6								
107.8	103.4	107.3	106	Queens. 5½% 1940-60	107	...	4 6 10								
114.8	110.2	111.2	111	S. Africa 5½% 1945-75	112	...	3 1 4								
Foreign Governments															
103	93	96.8	90	Arg. 4½% 1950-60	91	...	4 18 11/2								
105.2	97.4	102	75	Austria 7½% 1957	80.2	-13.3	9	8.2	8.2	8.2	8.2	Com. Bk. of Aus. 11/16	14.2	...	2.15
91.4	84	89	70	Do. 4½% 1934-59	77.2	-2.12	6 10 0	16.4	16.3	6.6	6.6	Com. Bk. of Aus. 11/16	10	-1/8	3.6
102.8	95.4	97.8	95	Belg. 4½% red. by 1970	97	...	4 3 0	87	78.1	13.1	13.1	Com. Acc. 11/16	53.8	...	3.6
33.4	24.2	31.2	24.2	Bulgaria 7½% 1957	33.2	...	7 9	3m	85.6	75.2	75.2	Com. Bk. of Aus. 11/16	29.12	+1/8	3.7
89.8	37.2	37.2	24	Brasil 4½% Feb. 1914	28	+3	Nil					Com. Bk. of Aus. 11/16	29.12	+1/8	3.7
28	15	19.8	17.2	Chile 6½% (1929)	18.2	...	4 6 0	267	250.2	81.2	81.2	Com. Bk. of Aus. 11/16	34.4	-1/4	3.7
95.4	54.2	60.2	40	China 5½% (1912)	47.2	...	10 10 6	65.2	60	21.2	21.2	Com. Bk. of Aus. 11/16	102.08	-6d	1.18
101.8	101.2	105.4	90.2	Do. 5½% (1913)	95.2	...	3 1	0	23.2	22.2	22.2	Com. Bk. of Aus. 11/16	9.8	...	3.4
108.8	101.2	105.4	90.2	Czechoslovakia 8½%	90	...	8 12 0	23.2	22.0	4	4	Com. Bk. of Aus. 11/16	220.28	-2	1.18
100	92.2	97	94	Denmark 3½%	97	...	3 1 0	75	67	21.2	11.2	Com. Bk. of Aus. 11/16	61.2	...	5.15
106.2	100.2	101.8	101.8	Egypt United 4½%	102.2	...	3 17 0	137.2	131.2	21.2	41.2	Com. Bk. of Aus. 11/16	139.12	...	5.6
19.2	11	13	11	French 4½% (1918)	11	...	5 5 0	25.2	20.2	71.2	4	Com. Bk. of Aus. 11/16	225	-15	5.2
66	52.4	53.2	43	Ger. 7½% Dawes Plan	43	...	4 25 0	25.2	20.2	71.2	4	Com. Bk. of Aus. 11/16	225	-15	5.2
49.4	35	45.8	39.2	Do. 5½% Young Plan	45	...	5 12 4	17	15.6	6	21.2	Com. Bk. of Aus. 11/16	15.9	...	1.8
40.4	30	34	31	Greek 6½% Stab. Lm.	32.2	...	1 7 2	60.2	55.2	31.2	41.2	Com. Bk. of Aus. 11/16	237	-2	5.1
62	47.8	58.2	54	Hungary 7½% 1922	54	-2.2	6 19 0	154	140.2	3	4	Com. Bk. of Aus. 11/16	142.2	-4	5.3
96.8	53	58.2	54	Japan 5½% 1916-55	55	...	4 2 0	25.2	20.2	34.2	34.2	Com. Bk. of Aus. 11/16	247	-4	5.3
94.4	57.2	64.2	43	Do. 6½% (24) red. 1959	60	...	4 10 0	25.2	20.2	34.2	34.2	Com. Bk. of Aus. 11/16	247	-4	5.3
121.8	110.2	121	115	Norwegian 4½% 1911	119	...	3 7 6	218	190	7	31.2	Com. Bk. of Aus. 11/16	238	-6d	5.7
61.2	40.4	47.2	36.2	Peru 7½% 1922	42.2	...	8 16 0	193	182.2	7	6	Com. Bk. of Aus. 11/16	202.2	-12	4.18
83	50	72	61.2	Poland 7½% 1922	62.2	...	6 8 0	193	182.2	7	6	Com. Bk. of Aus. 11/16	182.2	-12	4.18
20.2	13	15	13	Roum. 4½% Com. 1921	14.2	...	3 12 3	11.9	8	21.2	4	Com. Bk. of Aus. 11/16	18.9	+1/3	5
96.8	88.4	92	81.2	U.K. & Arg. C. 3½%	83	-2.12	3 12 3	35	28	10	13.12	Com. Bk. of Aus. 11/16	29.3	+3d	5.9
Financial Institutions															
118	111.2	115.4	113	Corporation Stocks	115	...	3 0 0	23.9	19	19	19	Com. Bk. of Aus. 11/16	29.3	+3d	5.9
118.4	112.4	117	114.4	Birham 5½% 1946-56	115	...	3 4 5	16.10	15 10.12	10	10	Com. Bk. of Aus. 11/16	30	...	10.0
95.4	82.2	87.2	85.4	Bradford 5½% 1948-58	87	...	3 0 0	33.9	28.6	12.2	12.2	Com. Bk. of Aus. 11/16	31	...	10.0
101	93	97.2	95.4	L.C.C. 3½% 1954-64	96	...	3 5 0	7	6.8	34.2	41.2	Com. Bk. of Aus. 11/16	31	...	10.0
104.8	100.8	105.8	103.8	Liverpool 3½% 1954-64	104	...	3 4 3	23.9	19	5	5	Com. Bk. of Aus. 11/16	31	...	10.0
Public Boards															
114.2	112	21.2	21.2	C. Elec. 5½% 1950-70	113	...	3 12 9	77.6	74.6	5	121.2	Com. Bk. of Aus. 11/16	74.6	...	4.14
110.2	112	21.2	21.2	Lon. Pass. Transport	118.2	...	3 13 6	82.6	79.6	14.6	14.6	Com. Bk. of Aus. 11/16	74.6	...	4.14
129.2	127.2	21.2	21.2	5½% "A" 1955-2023	128.2	...	3 14 0	107.9	97	15.6	15.6	Com. Bk. of Aus. 11/16	127	...	4.14
122.8	120	21.2	21.2	5½% "B" 1955-2023	121.2	...	3 14 0	107.9	97	15.6	15.6	Com. Bk. of Aus. 11/16	127	...	4.14
84	79	23.8	21.2	"C" 1956 or after	82.2	...	3 8 43	39.9	31.2	20.8	20.8	Com. Bk. of Aus. 11/16	62.6	...	4.14
91.8	89.8	11.2	11.2	Met. W.B. "B" 3½%	90	...	3 8 43	39.9	31.2	20.8	20.8	Com. Bk. of Aus. 11/16	62.6	...	4.14
118	116	21.2	21.2	P. of Lon. 5½% 50-70	118	...	3 3 4	72.3	66	15	15	Com. Bk. of Aus. 11/16	101.2	...	4.14
British Railways															
65	57.4	1.0	31.8	G.W. Ord.	58.4	+13.4	6 17 4	104.6	101.6	117.6	15.2	Com. Bk. of Aus. 11/16	88.8	...	5.10
48.8	2.8	Nil	Nil	L. & N.E.R. Def.	3.8	...	1.8	Nil	42	39.3	4	Com. Bk. of Aus. 11/16	65.6	...	5.10
8.8	6	Nil	Nil	Do. 5½% Pref. Ord.	94.8	+15.4	5 12 0	77.9	73.4	13.6	13.6	Com. Bk. of Aus. 11/16	65.6	...	5.10
97	94	11.0	11.0	Do. 5½% Pref. 1955	94.8	+15.4	5 12 0	77.9	73.4	13.6	13.6	Com. Bk. of Aus. 11/16	65.6	...	5.10
27.8	21.4	1.2	1.2	Do. 4½% 2nd Pref.	21.2	+2.4	7 12 2	4	3	10.6	10.6	Com. Bk. of Aus. 11/16	103.6	...	4.15
68.4	61	1.4	1.4	Do. 4½% 1st Pref.	62.2	+2.2	6 14 0	24.3	22.6	71.2	4	Com. Bk. of Aus. 11/16	103.6	...	4.15
70.4	21.2	1.4	1.4	L.M.S. Ord.	22.4	...	6 14 0	24.3	22.6	71.2	4	Com. Bk. of Aus. 11/16	103.6	...	4.15
82.4	77.4	2.2	2.2	Do. 4½% Pref.	78.8	+1.2	5 11 4	40.3	41.3	4	4	Com. Bk. of Aus. 11/16	103.6	...	4.15
21.8	18.4	1.2	1.2	Southern Def.	20.2	+1.2	7 8 2	31	25	110.6	15.6	Com. Bk. of Aus. 11/16	23.2	...	5.0
87	78.4	2.2	2.2	Do. 5½% Pref. Ord.	78.8	+1.2	7 8 2	31	25	110.6	15.6	Com. Bk. of Aus. 11/16	23.2	...	5.0
115.2	113	21.2	21.2	Do. 5½% Pref. Ord.	113.2	+1.2	4 8 0	11 33.4	8.42	7	7	Com. Bk. of Aus. 11/16	23.2	...	5.0
Dom. & Foreign Ryas															
14	10.2	Nil	Nil	Antiochia Ord.	12	-1.2	Nil	11.0	9.3	Nil	71.2	Com. Bk. of Aus. 11/16	22.6	+6d	6.4
6.2	4.4	Nil	Nil	B.A. & Pac. Ord.	5	-1.2	Nil	87.6	81.9	15.6	15.6	Com. Bk. of Aus. 11/16	22.6	+6d	6.4
17	12.2	Nil	Nil	B.A. & Pac. Ord.	13	-1.2	Nil	34.3	27.3	10.6	10.6	Com. Bk. of Aus. 11/16	22.6	+6d	6.4
12.2	7.4	Nil	Nil	B.A. & Pac. Ord.	13	-1.2	Nil	34.3	27.3	10.6	10.6	Com. Bk. of Aus. 11/16	22.6	+6d	6.4
13.4	8	Nil	Nil	C. Arg. Ord.	9	-1.2	Nil	55.3	46.36						

(Continued from page 457)

Group (and No. of Securities)	Prices (Dec. 31, 1937 = 100)		
	Feb. 23, 1937	Jan. 25, 1938	Feb. 22, 1938
	1937	1938	1938
Fixed Interest:—			
2½% Consols. (1).....	133.4	136.2	138.2
Misc. ind. deb. (13).....	122.4	121.6	121.8
Misc. ind. pref. (26).....	115.6	116.5	115.6
Ordinary:—			
Inv. trusts (10).....	63.5	52.7	50.7
Coal (9).....	127.5	102.7	94.1
Cotton (6).....	53.7	34.9	31.6
Electrical mfg. (12).....	151.8	128.7	119.7
Iron and steel (17).....	82.8	64.3	59.8
Home rails (4).....	75.1	67.7	61.9
Stores, etc. (18).....	83.0	66.4	61.0
Yields (%)			
Feb. 23, 1937	Jan. 25, 1938	Feb. 22, 1938	
Fixed Interest:—			
2½% Consols.....	3.34	3.27	3.23
Misc. industrial deb.....	4.05	3.92	3.91
Misc. industrial pref.....	4.50	4.22	4.25
Ordinary:—			
Investment trusts.....	3.77	5.21	5.44
Coal.....	3.14	4.97	5.51
Cotton.....	2.21	2.64	2.85
Electrical mfg.....	3.98	4.44	5.32
Iron and steel.....	3.82	6.29	6.82
Home rails.....	2.99	3.16	5.25
Stores and catering.....	3.70	4.52	4.83

New York

The recovery in stocks late last week has been carried an important stage further, despite the interruption of Washington's birthday celebrations on Tuesday. Stocks advanced up to \$3 on Monday, and again on Wednesday, and some brokerage houses appeared to be operating in London on Tuesday. In mid-week, trading exceeded the million mark for the second time this month, and the concurrence of rising volume with rising quotations was not overlooked by short speculators. It is difficult, however, to account for the improvement in terms of the domestic economic trend. Steel activity, according to the estimate of *Iron Age*, is slightly down to 30 per cent., compared with 31 per cent. a week ago, and the estimates of 1,300,000 increase in unemployment between mid-December and mid-January did not provide the most helpful atmosphere. European news was regarded bullish, but on the rather cynical assumption that it would lead to a further inflow of hot money and increased re-armament activity in the United States. Commodity and metal stocks thus made the best recovery. Rail stocks improved and among utility preferred issues, smart rises were recorded by Electric Power and Light, and Electric Bond and Share.

New York Prices

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):—

	WEEKLY AVERAGES			
	1938			
	Low Feb. 2	High Jan. 12	Feb. 9, 1938	Feb. 23, 1938
347 Ind'ls.....	91.0	101.5	94.6	100.7
32 Rails.....	27.5	31.4	27.6	30.2
40 Utilities.....	69.8	78.8	69.8	73.4
419 Stocks.....	78.9	86.4	79.6	84.7
Av. yield %.....	8.35	5.79	8.09	5.79
	High	Low		

* 50 Common Stocks. † February 9.

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

	Feb. 17	Feb. 18	Feb. 19	Feb. 21	Feb. 22	Feb. 23
	109.7	108.4	110.3	112.2	Closed (a)	111.5

High: 116.9 January 11th. Low: 101.3 February 3, 1938. (a) George Washington's Birthday.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Feb. 17	860	6,770	148
Feb. 18	770	6,370	147
Feb. 19*	3,00*	2,570*	68*
Feb. 21	760	4,610	131
Feb. 22	Closed (a)	Closed (a)	Closed (a)
Feb. 23	1,300	8,270	237

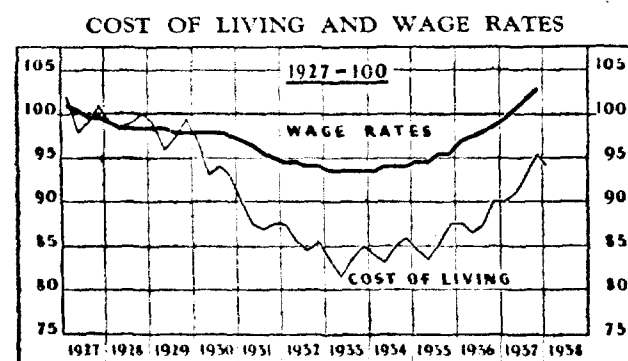
* Two-hour session. (a) George Washington's Birthday.

	Close Latest Feb. 17, 1938	Close Latest Feb. 24, 1938
1. Rails & Transportation	36 1/8	38 1/8
2. Utilities and Communications	8 1/2	10 1/8
3. Chemicals and Allied Industries	11 1/2	11 1/2
4. Manufacturing (Excluding Conversions)	23 1/2	23 1/2

1. Rails & Transportation	36 1/8	38 1/8
Atchafalpa.....	9 1/2	10 1/8
Bait. & Ohio.....	11 1/2	11 1/2
B.M.T.	11 1/2	11 1/2
Can. Pac.	6 3/4	7 1/4
Ches. & Ohio.....	33 1/2	36 1/2
G.N. Ry. Pl.	23	24
Illinois Cent.	11 1/2	11 1/2
N.Y. Central.....	18 1/2	18 1/2
Norfolk Pac.	12 1/2	12 1/2
Pennsylv. R.	22 1/2	22 1/2
Southern Ry.	11 1/2	11 1/2
Union Pac.	80	79 1/2
Greyhound.....	9 1/2	10 1/8
2. Utilities and Communications	8 1/2	10 1/8
Am. W. Works.....	8 1/2	10 1/8
C.W. & S.	11 1/2	11 1/2
Con. Edison.....	21 1/2	22 1/2
Col. Gas & Elc.	7 1/2	8
El. Bond & Sh.	7 1/2	7 1/2
Nat. Pwr. & Lt.	6 1/2	7 1/2
N. American.....	18 1/2	19 1/2
Pac. Gas & Elc.	26	26
Pac. Lighting.....	38	38
Pub. Serv. N.Y.	31 1/2	31 1/2
Stan. Gas & El.	34	34
United Corp.	2 1/2	3 1/2
Un. Gas Imp.	10 1/2	10 1/2
Amer. Tel.	138 1/2	139 1/2
Internat. Tel.	6 1/4	7 1/4
Westn. Union.....	25	26 1/2
Radio.....	6 1/4	6 1/4
" B. Pref.	50 1/4	51 1/2
3. Extractive and Metal	19 1/2	20 1/2
Am. Mol. Mill.....	9 1/2	9 1/2
Beth. Steel Pl.	9 1/2	9 1/2
Rep. Steel.....	17 1/2	17 1/2
U.S. Steel.....	54 1/2	56 1/2
U.S. Steel Pl.	107 1/2	107 1/2
Alaska Indus.	12 1/2	11 1/2
Am. Metal.....	32 1/2	34 1/2
Am. Smelting.....	50	53 1/2
Anaconda.....	32 1/2	34 1/2
Bohn Alum.	26 1/2	27 1/2
Cerro de Pas.	40 1/2	42 1/2
Int. Nickel.....	50	51 1/2
Kennecott.....	38 1/2	39 1/2
Patino Mines.....	11 1/2	11 1/2
Tex. Ctr. Sul.	31 1/2	32 1/2
U.S. Smelt.	68	70 1/2
Vanadium.....	18 1/2	18 1/2
Atlantic Reg.	22 1/2	23 1/2
Phillips Petr.	36 1/2	39 1/2
Shell Union.....	15	16 1/2
Shell Un. Pl.	98 1/2	98 1/2
Socony Vac.	15 1/2	15 1/2
Stan. Oil Cal.	32 1/2	34 1/2
Stan. Oil N.J.	50 1/2	51 1/2
Texas Corp.	41 1/2	43 1/2
4. Manufacturing (Excluding Conversions)	23 1/2	23 1/2
Un. Carbide.....	74 1/2	78 1/2
Un. Ind. Alc.	20 1/2	19 1/2
Allis Chalmers.....	44 1/2	46
Gen. Electric.....	39 1/2	41 1/2
West. Elec.	95 1/2	98
American Can.	86 1/2	90
Gen. Motors.....	35 1/2	36 1/2
Hudson Mtr.	8 1/2	8 1/2
Nash Kelvnt.	9 1/2	10
Packard Mtr.	4 1/2	4 1/2
Chrysler.....	56 1/2	57 1/2
Elec. Autolite.....	18 1/2	19
Gen. Motors.....	35 1/2	36 1/2
Boeing Airplan.....	28 1/2	30
Douglas Air.	39 1/2	41 1/2
United Aircraft.....	23 1/2	25
Air Reduction.....	50 1/2	54 1/2
Allied Chem.	162	169
Col. Carbon.....	68	71
Upson.....	118 1/2	121
Un. Carbide.....	74 1/2	78 1/2
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Upson.....	118 1/2	121
Un. Carbide.....	74 1/2	78 1/2
U.S. Ind. Alc.	20 1/2	19 1/2
Allis Chalmers.....	44 1/2	46
Gen. Electric.....	39 1/2	41 1/2
West. Elec.	95 1/2	98
American Can.	86 1/2	90
Gen. Motors.....	35 1/2	36 1/2
Hudson Mtr.	8 1/2	8 1/2
Nash Kelvnt.	9 1/2	

proposals made by a mutually representative Council is a workmanlike and desirable application of Trade Board methods to an entire industry employing nearly 2 million people.

Wages and Living Costs.—Despite the gradual downward trend of business activity since last autumn, wage rates remain on the upgrade. The accompanying diagram shows the trend of weekly wage rates and the cost of living on the basis of the Ministry of Labour's indices. The index of weekly wage rates for the last quarter of 1937 showed a further slight rise, and since the beginning of the year further wage advances have been granted in a number of industries, including building. The tendency of wages to increase for some time after a downturn in business activity is not unusual and has its counterpart at the beginning of recovery, when there is normally some delay before wage rates are revised upwards. Thus, the revival of business in the autumn of 1932 was not immediately followed by an increase in wages. As the diagram shows, the upward trend of wage rates was delayed until the spring of 1934. After a sharp rise in 1937, the official index of the



cost of living has now taken a downward turn. Though the decline is partly due to seasonal movements, it reflects the recent fall in the world prices of numerous commodities. While employment is diminishing, real wages, after a slight decline in 1937, are once more tending to increase.

Shipyard Workers.—On February 17th agreements for higher wages and paid holidays, previously negotiated between the workers' representatives and the employers, were approved by the shipyard unions' executives. More than 100,000 men are affected; some 65 per cent. who are employed at time rates will receive weekly increases of 2s.; the piece-workers will be given rises of 4 per cent. Each week, to cover their holidays, employees will be credited with one-fiftieth of their actual earnings. These agreements are the latest stage in the steady improvement of conditions in the shipbuilding trades which has proceeded since 1935 *pari passu* with trade recovery. In 1936 nearly 87,000 workers received net weekly increases in wage rates amounting to £9,850; and last year 101,000 received increases totalling £23,300 weekly, representing a 4s. a week rise for men on time work and an 8 per cent. advance in piece rates.

As in engineering, there are few cases in the shipbuilding industry in which minimum rates of wages for the various grades have been fixed by collective agreement; and the extent of the general changes to be made in existing rates is decided from time to time after negotiation between the employers' organisations and the unions, without any

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sliding-scale machinery to relate wage payments to the progress of the industry. On the whole, this *ad hoc* procedure has worked satisfactorily during the rapid recovery of the past two years; and the new agreements, significantly after last year's disputes, cover apprentices, boys and youths, as well as adult workers. The position is not yet, however, wholly reassuring. The average unemployment among insured workers in the industry was 24 per cent. in 1937, against 31 per cent. in 1936, and on December 13th it was still 22.9 per cent. In the fourth quarter of 1937 the tonnage of merchant vessels commenced, under construction and launched showed appreciable decreases compared with the September quarter; and, with activity perceptibly slackening, the unions have not received under the new agreement the full concessions they originally claimed. Any marked recession in trade might involve some slight friction in the shipyards.

Rubber Restriction to be Modified.—As fore-shadowed a week ago, the Rubber Regulation Committee have now decided to recommend to the Government modifications, for a further minimum period of five years. The Committee's provisional recommendations, the text of which was issued this week, are generally an improvement on the existing arrangements. They include a substantial modification of the basic quotas and the removal of the ban on new planting. The new basic quotas, compared with those for the present year, are as follows:—

	1938	1939	1940	1941	1942	1943
	(In thousands of tons)					
Malaya	602	632	643	648	651	651
Dutch E. Indies	540	632	640	646	650	651
Ceylon	83	98	100	101	102	102
India	13	17	18	18	18	18
Burma	9	12	12	12	12	12
N. Borneo	16	19	19	19	19	20
Sarawak	32	39	39	40	40	40
Siam	40	...	...	...	...	...
Total	1,335	1,449	1,471	1,484	1,492	1,494

Thus the quotas have all been scaled up, while Malaya's supremacy over the Dutch East Indies has been reduced to negligible dimensions. These new quotas are believed to conform fairly closely to relative productive capacities over the next five years. The Committee is to be congratulated on its decision to recommend that new planting shall be permitted up to 5 per cent. of the total planted areas—although this concession is to be reconsidered after two years. Replanting is to be allowed unconditionally until the end of 1940, when the position will be reviewed. The Committee's final recommendations—which seem unlikely to differ significantly from the provisional text—must be made to the contracting Governments before the end of March, and the Governments must accept or reject them before the end of June.

Pig Iron Duties.—An application is before the Import Duties Advisory Committee for the reintroduction of the duty on pig iron which was suspended until the end of March, 1938. An announcement is expected shortly. Since the suspension of the 3½ per cent. import duty at the beginning of March, 1937, both domestic output and imports have considerably increased as a result of the rapid expansion of demand.

PIG IRON OUTPUT AND IMPORTS (In thousands of tons)		
	Output	Imports
1936—4th quarter	1,984.8	75.3
1937—1st "	1,934.7	56.7
" —2nd "	2,076.3	121.4
" —3rd "	2,169.9	260.7
" —4th "	2,315.7	205.9
" November	762.3	74.2
" December	783.8	72.2
1938, January	761.1	85.3

Owing to the higher rate of domestic pig iron output, imports have tended to decline since last August, when

they amounted to 94,000 tons. The December production of 783,800 tons, which was a record, compares with only 671,400 tons in the corresponding month a year earlier. The bulk of this increase was in basic pig iron. Recently, stocks of pig iron have again been accumulating at producers' and consumers' works, and additional purchases of foreign material have been discontinued. While the re-introduction of the duty would not, therefore, cause an immediate shortage of supplies, their adequacy in the future will depend on the course of demand for steel.

British Industrial Production.—The official index of industrial production, published in last week's *Board of Trade Journal* showed an increase of 6.8 per cent. between 1936 and 1937, compared with a rise of 4.7 per cent. in *The Economist's* more comprehensive index of general business activity. The official index showed a further rise between the third and fourth quarters of 1937, when *The Economist's* registered a decline. The apparent divergence is due to the fact that *The Economist's* index of business activity, unlike the official index of production, is adjusted for seasonal variations.

BOARD OF TRADE INDEX OF PRODUCTION
(1930=100)

Group	Year 1936	Year 1937	1937		
			Dec. Quarter	Sept. Quarter	Dec. Quarter
1. Mines and quarries	94.4	99.8	99.0	95.6	103.9
2. Iron and steel	150.1	166.7	155.6	165.5	177.6
3. Non-ferrous metals	143.8	165.3	154.0	173.7	166.2
4. Engineering and shipbuilding	123.3	136.2	132.4	134.9	135.2
5. Building materials and building	157.1	153.3	157.3	160.3	148.4
6. Textiles	126.4	129.8	130.2	127.5	126.3
7. Chemicals, oils, etc.	115.4	124.0	120.6	123.3	125.1
8. Leather and boots and shoes	120.7	118.8	119.6	117.7	115.6
9. Food, drink and tobacco	114.5	120.3	121.2	120.3	124.5
10. Gas and electricity	147.4	161.2	174.1	137.1	189.3
Total of manufacturing industries (2-10)*	129.4	138.3	136.9†	135.8	142.1
Total of all groups (1-10)*	124.6	133.1	131.7†	130.4	136.8

* Includes also various industries not specified above. † Revised figures.

Comparison of the group indices of the Board of Trade for the last quarter of 1937 with those of the corresponding period a year earlier shows increases in all series with the exception of those relating to building materials and building, textiles, and leather, boots and shoes. The trend of production in important branches of activity since 1934 is shown graphically on page 477.

Disappointing Diamond Sales.—The diamond trade in London and on the Continent was disappointed this week by the statement of Sir Ernest Oppenheimer at the Rand Selection Corporation's annual meeting. He pointed out that the world's diamond turnover (sales of the Diamond Trading Company) reached only £9,300,000 in 1937. This shows an increase of about £1,050,000 over 1936, but a decrease of £700,000 on the forecast for 1937. Sir Ernest Oppenheimer's remarks on the outlook for 1938 were not encouraging. He indicated that the diamond trade is in a sound position and that prices are firmly maintained, but he agreed that, in the absence of recovery in the United States, a reduction in sales this year must be expected. Until a few weeks ago the diamond trade had hoped that world sales would rise to the former boom level of £12,000,000 per annum by 1938 or 1939. Prices for luxury stones have been raised slightly at the opening sights of this year, though demand has remained small. But the organisation of the international diamond trade has been strengthened so greatly in the past few years that a temporary fall in demand no longer threatens a serious collapse in prices.

Building Plans.—An interesting analysis of building plans approved last year by local authorities in 146 of the principal towns in Great Britain is contained in the current issue of the *Ministry of Labour Gazette*. The figures, which exclude the London County Council, relate to areas with an aggregate population of some 18 millions and constitute a rough-and-ready guide to the future trend of activity in the building industry. The total value of plans passed last year was about 5 per cent. lower than in 1936; but, as the following table shows, changes in different parts of the country were far from uniform:—

BUILDING PLANS APPROVED, 1937

District	Dwelling Houses	Factories and Workshops	Shops, Offices, Warehouses and Other Business Premises	Churches, Schools and Public Buildings	Total*	Per cent. change since 1936
England and Wales:—						
Northern Counties	3,948,700	630,900	632,900	547,500	6,214,500	+13.7
Yorkshire	8,502,200	916,200	986,300	1,571,400	13,434,100	-7.3
Lancs & Cheshire	7,293,200	1,240,300	1,752,700	1,080,200	13,778,900	-0.5
North and West-Midland Counties	13,277,700	2,847,400	3,039,900	1,601,000	23,395,100	-7.6
South-Midland & Eastern Counties	3,457,600	556,400	352,800	1,220,000	6,192,200	-1.6
Outer London	15,037,100	1,932,800	1,808,800	1,100,800	21,887,600	-16.7
South-Eastern Counties	5,779,300	158,400	834,000	482,000	8,454,000	-16.2
South-Western Counties	1,678,300	62,300	288,100	375,400	2,689,000	+7.1
Wales and Mon.	1,748,700	197,200	131,500	119,000	2,533,600	+9.9
Scotland	6,915,300	734,000	496,700	2,202,900	12,342,000	+18.2
Total	67,638,100	9,275,900	10,323,700	10,900,200	110,921,000	-5.2

* Including other buildings and additions and alterations.

Substantial increases occurred in such areas as Scotland, the Northern Counties and Wales, which have been laggards in the recovery movement. On the other hand, in London and the South-east, where recovery came early, the demand for new buildings is much nearer saturation point. Taking the country as a whole, the decline, compared with 1936, was most marked (—10 per cent.) in dwelling houses, which accounted for 61 per cent. of the aggregate value; the total for residential building was, nevertheless, still over 50 per cent. greater than in 1929. A slight decline in factories and workshops was almost wholly confined to the North and West Midland counties. For each of the remaining classes of building the combined totals for 1937 were higher than those for 1936.

The New Tin Quota.—At its meeting on February 18th the International Tin Committee decided to reduce the quota for the second quarter of the year from

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70 to 55 per cent. of standard; with the same conditions for transfer to Malaya, Nigeria and the Dutch East Indies of proportions of the quotas of Bolivia, Indo-China and the Belgian Congo as were valid in the first quarter. The new quota is the lowest since the June quarter of 1935 and is exactly half that in force from April to December, 1937. Proposals for a buffer pool have been made to the Governments concerned and will be discussed at the next meeting of the Committee on April 5th. The announcement of these decisions convinced the market that the I.T.C. is anxious to regain control, in order to restore prices to the neighbourhood of £200 per ton. Permissible exports from restricting countries will be 28,648 tons in the second quarter, against 36,102 tons in the first quarter of this year:—

PERMISSIBLE TIN EXPORTS PER QUARTER
(In long tons)

	Annual Standard Tonnes	110% Quota (a)	Modified 70% Quota (b)	Modified 55% Quota (c)
Belgian-Congo...	13,200	3,247	2,066	1,624
Bolivia	46,490	12,637	6,570	5,162
French Indo- China	3,000	825	467	450
Malaya	71,940	19,784	14,321	11,252
D.E.I.	36,330	9,991	7,232	5,682
Nigeria	10,890	2,995	2,168	1,703
Siam	18,000	5,151	3,278	2,775

(a) In force April–December, 1937. (b) January–March, 1938.
(c) April–June, 1938.

Allowing for exports from "outside" countries, supplies in April–June should amount to some 34,750 tons, against an anticipated consumption of 37,500 tons. But if "outside" production exceeds 15 per cent. of world output any restricting producer may, under clause 22 of the tin agreement, give six months' notice and withdraw from the scheme. It seems unlikely that this clause will be invoked in the immediate future. But, in view of the difficult negotiations on the question of the buffer pool, the possibility of withdrawal from the scheme may become a practical issue during the next few months.

Cheaper Cream Needed.—A suggestion that the trade should seriously consider reducing the price of cream, in the interests of the milk industry and of the public, is made in a recently-published report of the Food Council. This body hopes that legislation will be introduced in the near future to prescribe legal standards of butter fat content for both full and single cream. The sizes of the containers in which cream is retailed should, it thinks, be standardised and marked as containing a specific quantity; for the present absence of control in this respect tends to mislead the consumer. Although the greater part of the cream sold in this country is produced from milk bought at "manufacturing prices," the Food Council is of opinion that the majority of English creameries are making only moderate

profits. Most of the Scottish creameries seem to be securing good returns, while the profits of retailers are generally substantial. The report, made to the President of the Board of Trade, concludes by expressing the hope that it will be possible to devise means of making skim milk more readily available for human consumption in circumstances which will not involve the displacement of whole milk in the diet.

Britain's Overseas Markets.—In an article on page 380 in *The Economist* of February 19th we examined changes in the distribution of our overseas trade since 1929. The table below shows which are our best customers on the basis of their imports from us per head of their populations:—

BRITISH EXPORTS PER HEAD OF POPULATION OF IMPORTING COUNTRIES

Countries to which consigned	1929	1936	1937
U.K. Exports per head	£ s. d.	£ s. d.	£ s. d.
British Countries:—			
Ireland	12 5 8	7 2 3	7 5 9
Canada	3 9 10	2 2 2	2 10 0
Australia	8 9 7	4 15 2	5 10 1
New Zealand	14 10 6	10 19 8	12 15 5
Union of South Africa	4 2 5	3 18 0	4 4 7
India	0 4 5	0 11 1	0 2 3
West Africa	0 10 0	0 8 10	0 11 1
East Africa	0 7 5	0 4 3	0 5 7
British Malaya	3 13 2	1 15 8	2 9 4
Ceylon	1 2 11	0 11 4	0 13 10
Foreign Countries:—			
Soviet Union	0 0 6	0 0 5	0 0 4
Finland	0 18 6	1 2 3	1 11 3
Baltic States	0 8 9	0 12 11	0 17 3
Sweden	1 14 6	1 13 2	2 1 6
Norway	3 10 6	2 9 6	3 1 9
Denmark	3 0 3	3 19 9	4 9 5
Poland	0 2 11	0 2 10	0 3 4
Germany	0 11 5	0 5 8	0 6 4
Netherlands	2 16 1	1 9 0	1 15 0
Belgium	2 8 4	1 2 9	1 6 9
France	0 15 4	0 8 6	0 10 3
Switzerland	1 11 11	0 18 9	1 2 4
Portugal	0 11 5	0 8 2	0 8 11
Spain	0 10 8	0 2 5	0 1 11
Italy	0 7 10	0 0 3	0 2 4
Roumania	0 2 7	0 1 2	0 1 10
Egypt	0 17 3	0 10 0	0 9 11
Dutch East Indies	0 3 2	0 0 10	0 1 4
China	0 0 8	0 0 3	0 0 3
Japan	0 3 9	0 1 0	0 1 2
United States	0 7 6	0 4 4	0 4 10
Brazil	0 7 3	0 2 3	0 3 3
Argentina	2 12 7	1 4 6	1 11 8

The Dominions, it will be seen, purchase considerably more from us per head of the population than most other countries, though Denmark, Norway and Sweden are also fairly high up on the list. Among British countries, South and West Africa alone imported more from us in 1937 per head of the population than in 1929. A number of foreign countries, including Denmark, Finland, the Baltic States, Sweden and Poland also increased their purchases of British goods between 1929 and 1937. Exports to many countries, however, including the United States, India, the U.S.S.R., China and Japan, remain very small per head of the population.

INDUSTRIAL REPORTS

The British Industries Fair opened this week under less favourable circumstances than a year ago. Reports from industrial centres reveal a good deal of anxiety concerning the decline in new business and the accumulation of stocks. Although consumption of iron and steel remains heavy, supplies are tending to exceed requirements in certain sections of the industry, and consumers are now in no hurry to place new contracts. Our Workington correspondent reports a deterioration in the North-West Coast hematite pig iron market, and our Cardiff correspondent

draws attention to a fall in the export demand for tinplates. Incidentally, after two years of negotiations, a European zinc sheet cartel has now been formed, comprising Britain, Belgium, Holland, Germany, Poland, Austria and Czechoslovakia. France has been invited to join the cartel. According to a message from Reuter's, the general level of f.o.b. charges has been fixed at between £5 10s. and £6 above the price of zinc, exclusive of duties and delivery costs. In the home market a slightly higher price may be fixed. The latest developments in the principal branches of

activity, as well as the general business outlook, are discussed in the *Trade Supplement* accompanying this issue.

Coal

Sheffield.—The inland market continues active, demand for industrial steam coal being at a high level. Household supplies are rather below demand, output being somewhat smaller, due to some extent to a shortage of labour. The call for small coal is heavy, output being fully absorbed under contract with

electricity and coke works. Gas coal is sold freely. The coke position is less strong, production having expanded with the bringing into operation of new batteries of coke ovens.

Export trade is very poor, shippers finding it very difficult to meet Continental competition. There is, however, a trickle of prompt business. Collieries are not much concerned at the paucity of orders, most of them being fully occupied in catering for the inland market. Prices are unchanged.

Workington.—The coal trade is active, largely because of the heavy requirements of small coal for coking. Welsh supplies have to be imported and round coal has to be crushed at the local collieries. Coke itself is in keen request by the local hematite pig-iron smelters. Land-sale is brisk. Shipments to Ulster and Eire from Workington, Whitehaven and Maryport have risen to over 6,000 tons weekly. Prices are steady.

Glasgow.—Little change has taken place in the Scottish coal trade. Domestic trade remains satisfactory, but export business is slack, and collieries catering chiefly for this class of trade are now largely dependent on contract orders secured some time ago. The Swedish State Railways have invited tenders for 192,000 tons of locomotive coal for April–June or for the full supply of 325,000 tons for April to December delivery, but local exporters are not confident of securing any sub-

stantial part of the contract owing to the keen competition from Poland and Germany. Supplies generally remain plentiful, and prices are barely steady.

Newcastle-on-Tyne.—The coal market in this area is quietly steady. Northumberland prices show little change, collieries being satisfactorily placed for prompt trade, but forward business is below expectations. Durham collieries continue to work regularly, the coking and gas section being firm whilst unscreened steam coal is cleared without difficulty. The export market for patent oven coke shows no improvement, and prices are declining. The Swedish State Railways are in the market for the supply of 325,000 tons of screened steam coal, delivery April/December, most of which will come to this country under the Trade Agreement.

Cardiff.—There was a slight increase in the volume of coal traffic at the South Wales ports last week, when the shipments in the foreign and coastwise trades totalled 412,100 tons, compared with 378,400 tons in the previous week, and 360,559 tons in the corresponding period last year. Current production, however, is in excess of effective demand, and since the beginning of February the number of shifts lost through lack of trade and shortage of wagons has been increasing. Prompt supplies of practically all classes are thus available, but prices are unaltered,

although those of foreign coals in Mediterranean and other competitive markets are lower.

Under the Anglo-French Trade Agreement arrangements have been concluded for the quarterly exchange of 80,000 tons of French pitwood for 120,000 tons of South Wales coal at a c.i.f. pitwood price of 25s. per ton, compared with 26s. 3d. under the arrangement covering the quarter ended February. There are indications of disruptive tendencies in the administration of the French control over coal imports and pitwood exports, and some of the French merchants have been offering mining timber at 24s. per ton, c.i.f. South Wales coke and patent fuel prices are nominally unaltered.

COAL OUTPUT AND EMPLOYMENT

District	Week ended February 5, 1938		Week ended February 12, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	000 tons	000's	000 tons	000's
Durham	296.4	45.5	294.2	45.5
Yorkshire	724.8	117.7	716.7	117.7
Lancs, Cheshire and N. Wales	955.6	143.0	971.0	143.0
Derby, Nottingham & Leicester	371.3	69.0	368.6	69.0
Staffs, Worcs, Salop & Warwick	758.8	98.6	749.9	98.8
South Wales and Monmouths	423.3	67.7	421.0	67.8
Other English districts*	825.1	136.8	809.8	136.9
Scotland	127.4	22.4	124.6	22.5
Total	639.4	91.2	660.0	91.1

* Including Cumberland, Gloucester, Somerset and Kent.

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Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that business remains quiet. But lately inquiry has shown signs of expanding. It is not expected, however, that new business will increase for a few weeks, for a considerable amount of material of home and foreign origin which has been delivered against existing contracts must first be absorbed. The consumption of most descriptions of iron and steel is at a high rate; but for the time being contracts are being worked off more quickly than they are being replaced. Pig iron demand is quiet but steady; but as most of the large consumers have covered their requirements for the first half of the year, new business is not important. Specifications against contracts, however, are reaching the producing works with regularity, and there is now no difficulty in meeting users' needs in full. Imports and home production are both on a substantial scale, and large supplies of semi-finished steel are available for the consuming works. Stocks have been replenished to a great extent, and it is not expected that there will be any considerable demand for this class of steel until the second quarter of the year.

The situation in the finished department is somewhat irregular, and while the heavy branches of the industry are operating at capacity, and still have arrears of contracts to overtake, some of the lighter sections are not so well provided with orders. The export trade remains quiet, but lately inquiry has been slightly more active.

★

Sheffield.—The quieter state of the iron market continues, and little change is expected until nearer the end of the quarter, when contract buying is likely to develop. The steel market remains strong. Prices on all markets are unchanged.

★

Workington.—A change, as disagreeable as it is surprising, has come over the North-West Coast hematite pig-iron market. Consumers have no business to offer, and they are not even asking for delivery. Although output is smaller because one furnace at Workington has been blown out to be refired, stocks are accumulating rapidly. The cessation of activity is disconcerting, and unless there is a speedy improvement, makers fear that users may be disinclined to take up delivery under the long-term contracts, in some cases to September and December, negotiated last November. Special qualities of iron, however, remain in keen demand. Midland needs of low-phosphorus iron are undiminished, as are those of the refined iron smelted at Backbarrow. There has been no change in prices.

The steel trade is fairly active. New orders are not, however, coming in as fast as in the last months of 1937. Orders on books, however, will keep the mills at Workington and Barrow fully occupied for another eight to nine months. There is a scarcity of native ore, at 24s. 6d. per ton.

★

Cardiff.—Conditions are easier in the South Wales iron and steel industry, particularly in the sheet and tinplate

branches. Tinplate production under the pooling scheme has become stabilised at about 57½ per cent. of capacity, but there are few inquiries, and shipments last week totalled only 5,133 tons, compared with 6,958 tons in the corresponding period last year. The lull in the demand for sheets for the home market has been slightly accentuated, and export business is quiet. But prices for tinplates and sheets are unaltered.

★

Glasgow.—Steelworks are still working to capacity, and there is every prospect of this high rate of output being maintained for many months to come. While some sections of the re-rolling industry are fully employed, there has been some slackening in other branches. A fairly heavy tonnage of structural work has been placed with local firms within the past week, and all engaged in this trade are very busy. In the Motherwell district several important contracts for railway wagons have been booked.

Textiles

Cotton (Manchester).—Raw cotton prices have continued to rise, and in certain directions demand for yarn and piece-goods has increased. Raw cotton prices have been affected by the passage of the Farm Bill in the United States and the announcement by President Roosevelt that he is in favour of a moderate rise in commodity prices. In connection with crop control for next season, the Secretary of the Department of Agriculture has stated that the area under cultivation will be 26,384,000 acres, compared with 34,192,000 acres last spring. On the assumption of an average yield, the crop may be about 11,370,000 bales, compared with 18,750,000 bales last year.

Business in yarn has again been limited. In the American section fair buying has been experienced in counts and qualities that are not covered by legalised price agreements. Home demand in Egyptian descriptions has been poor, but a little more trade has been done for the Continent. It has not been easy for manufacturers of piece-goods to make progress with the inquiry before them. Unsatisfactory advices have been received from India, most of the offers being unworkable. Some necessary buying has occurred in whites and prints, chiefly for Karachi and up-country. Irregular buying has taken place for the Straits Settlements, Egypt, South America and the Dominions. Home trade reports have been better, there being more new business, and stocks are now moving more freely.

RAW COTTON delivered to Spinners
(Million bales)

Variety	Week ended		Total Deliveries	
	Feb. 11, 1938	Feb. 18, 1938	Aug. 1, 1936-1937	Aug. 1, 1937-1938
American	23.5	20.8	683	716.8
Brazilian	5.0	4.6	208	190.4
Peruvian, etc.	3.3	2.0	90	76.2
Egyptian	3.8	11.8	222	199.7
Sudan Nakel	1.7	1.8	85	93.3
East Indian	13.3	15.0	236	187.4
Other countries	2.7	2.0	118	109.7
Total	55.3	58.0	1,642	1,593.5

Jute (Dundee).—There are no signs of revival. Spinners and manufacturers are compelled to curtail output and some mills are working only in alternate weeks, while others are idle one, two or three days per week. There is no demand for yarn and cloth, and in the case of the latter Calcutta goods are probably being purchased. It is interesting to note that during January 18,000,000 square yards of jute cloth were imported from India, compared with 12,000,000 square yards in January last year and only 28,000,000 square yards during the whole of 1928.

There are hopes that the Government will do its utmost to secure a tariff or quota on Indian manufactured goods in the negotiations with India for a new trade agreement. If the Government is not successful, Dundee may become a derelict area. With the curtailment of production, spinners and manufacturers cannot afford to make reductions on their quoted terms, as their on-costs are much higher.

No agreement has yet been reached between the Associated and "outside" jute mills in India, and at the present rate of output stocks of goods in Calcutta are increasing rapidly. The Associated mills may yet be forced to reduce their working hours voluntarily, without an agreement with the "outside" mills.

THE COMMODITY MARKETS

THE commodity markets responded this week to President Roosevelt's statement that he would like prices to rise, and to the subsiding of the political crisis, by marking up quotations.

Commodities sensitive to changes in market psychology, such as non-ferrous metals and rubber, all registered a rise in price. Wheat prices are scarcely changed on the week. Sugar and tea were slightly cheaper, but the market in cocoa was firmer. Raw cotton rose in price following the passing of the Farm Bill in the United States, which provides for a substantial curtailment of acreage this year. There was no important change in the prices of provisions, but eggs showed a seasonal decline.

The improvement in the United States is reflected in Moody's daily index of staple commodity prices (December 31, 1931 = 100) which rose from 147.8 to 151.2 during the week ended last Wednesday. A month ago the index stood at 151.1 and at 206.9 a year earlier.

Metals

Copper.—Second thoughts on President Roosevelt's statement regarding commodity prices, the improvement on Wall Street and a revival of buying interest led to a substantial rally; the cash price shows an advance of £3 on the week. The requirements of consumers are clearly considerable, and whenever there is an outside stimulus buyers enter the market. Despite the strength of the statistical position, however, there is some danger that the rise may be overdone, especially in view of

the fact that Mr Roosevelt has no practical means of bringing about a rise in consumption. Some reaction is therefore conceivable, unless an improvement in the European political situation should stimulate consumers and speculators to increase their commitments. A feature of the past week has been an increase in Russian purchases, and further support from this quarter is likely in the near future.

★

Tin.—This week's advance was due to the general factors mentioned above and to the quota decision of the International Tin Committee, discussed in a Note in the Industry and Trade Section. The market is stimulated by the fact that American consumers have begun to cover their requirements and by the belief that the Tin Committee has now regained control. A price of £200 per ton is expected in the fairly near future. This belief will probably induce consumers to replenish their stocks before long. The tone of the market may therefore be expected to improve unless American business prospects remain disappointing.

★

Lead and Spelter.—The improvement in general sentiment and increased caution on the part of sellers caused both lead and spelter to advance this week. As the approaching spring season should lead to much larger purchases by consumers than of late, the improvement seems likely to be maintained; though the high rate of production should prevent a marked rise in prices.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
February 11	850	280	1,100	1,550
" 14	410	180	750	1,050
" 15	2,250	325	1,250	900
" 16	2,150	385	750	600
" 17	2,050	450	1,350	1,000
" 18	3,100	400	1,850	1,700
" 21	1,500	575	1,000	800
" 22	2,900	675	2,650	1,300
" 23	2,100	700	1,800	2,150

U.K. STOCKS

	Feb. 12, 1938	Feb. 19, 1938
Copper (Br. official warehouses) ..	8,115	8,487
Refined	21,025	22,225
Rough	2,716	3,330
Tin (London and Liverpool) ..		

Grains

On account of reports of good rainfall in the United States winter wheat belt, buyers are holding off and

trading has been dull. Prices, however, are practically unchanged. The Farm Bill, which has now received the President's signature, represents an attempt to protect the American grower against the impact of depression; but the market is doubtful about its feasibility. Meanwhile, the price of flour has been reduced in response to a quiet demand. Maize has also been in slow demand and has eased in price, while barley prices have been quietly steady this week.

WORLD SHIPMENTS OF WHEAT AND FLOUR
('000 Quarters)

From—	Week ended		Season to	
	Feb. 12, 1938	Feb. 19, 1938	Feb. 18, 1937	Feb. 19, 1938
N. America	483	544	17,860	14,024
Argentina and Uruguay	277	435	9,601	4,106
Australia	433	431	6,358	6,486
Russia	37	...	11	4,239
Danube and dist.	98	96	6,670	4,747
India	12	...	948	982
Other Countries	23	29	905	392
Total	1,363	1,535	42,443	34,976
To—				
U.K.	365	317	11,118	9,356
" Orders "	229	383	9,774	7,132
France	13	13	802	444
Belgium	138	123	2,792	3,364
Holland	77	41	1,088	2,052
Italy	2	34	3,560	640
Greece	82	101	1,133	1,147
Scandinavia	24	45	1,141	899
Austria, etc.	44	31	1,211	1,226
Other European Countries	104	625	569	2,113
Ex-European Countries	298	222	9,255	6,503
Total	1,363	1,535	42,443	34,976

SALES OF BRITISH CEREALS

	Week ended	
	Feb. 12, 1938	Feb. 19, 1938
Wheat	248,825	312,479
Barley	109,141	93,466
Oats	44,125	51,239

Other Foods

Provisions and Meat.—The official quotations for bacon on the London Provision Exchange were unaltered this week, but hams were rather dearer. Colonial grades of butter were marked up in a firm market, while Danish was unaltered in price. Colonial cheeses were also in firm demand, though prices were generally unchanged. With the seasonal increase in home production, the market in eggs was quiet and prices declined. At Smithfield Market price changes were few, though imported beef was rather dearer than in the previous week.

Colonial Produce.—The improvement in raw sugar was not maintained, and prices were reduced. Accra cocoas showed a firmer tendency, but the spot market in coffee remained quietly steady. Demand for Indian teas at this week's auctions were less active. The tone was easier for all grades. Plainest Ceylon teas showed little change, but medium broken Orange Pekoes met an irregular market and were often easier.

★

Fruit.—Business at Covent Garden was slow, says *The Fruitgrower*, demand apparently being affected by the cold weather. The apple trade, however, was fairly consistent and quotations were generally firm. Pears were again in slow request and, with larger arrivals from South Africa, prices were lower. Hothouse grapes were firm on limited supplies, but South African were cheaper.

(Continued on page 476)

OTHER FOODS: STATISTICS

	Week ended	
	Feb. 12, 1938	Feb. 19, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,568	13,728
Canadian	7,301	7,048
Dutch	1,816	1,921
Lithuanian	1,080	1,129
Polish	2,612	2,907
COCOA:		
Movements in Lond. (bags):		
Landed	4,102	3,025
D/d for home consumption	5,890	4,980
Exports	508	75
Stocks, end of week	109,463	107,433
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	77	238
D/d for home consn.	2	97
Exports	2	...
Stocks, end of week	2,182	2,323
Central and S. American:		
Landed	4,323	8,703
D/d for home consumption	1,782	1,481
Exports	835	1,008
Stocks, end of week	64,061	70,185
D/d for home consn.	4,142	3,739
Exports	507	1,335
Stocks end of week	74,796	78,915
MEAT:		
Supplies at Smithfield (tons):		
Total	9,144	9,284
Beef and veal	4,985	4,967
Mutton and lamb	2,701	2,713
Pork and bacon	939	942
Poultry, etc.	719	662
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	4	4
" Delivered	1	2
Stocks, end of week	1,953	1,955
White—Landed	8	13
" Delivered	20	30
Stocks, end of week	10,910	10,893
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	10,217	26,005
Deliveries	14,354	14,276
Stocks, end of week	277,982	289,711
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	45,173	45,496
S. India	5,466	4,397
Ceylon	17,978	19,389
Java	3,072	3,719
Sumatra	91	646
Africa	2,652	1,467
Total	74,432	75,114

* Weeks ended Feb. 10 and Feb. 17 respectively.

AMERICAN WHOLESALE PRICES

	Feb. 16, 1938		Feb. 23, 1938			Feb. 16, 1938		Feb. 23, 1938	
	Cents	Cents	Cents	Cents		Cents	Cents	Cents	Cents
GRAINS (per bushel)—									
Wheat, Chicago, May	42.50	42.62½	41.50	41.50	MISCELLANEOUS (per lb.)—cont.				
Winnipeg, May	126½	128½	4.50	4.50	Cotton, Am. Mid., Mar.	8.79	9.27		
Ataize, Chicago, May	59¼	60	4.75	4.75	Lard, Chicago	8.70	9.10		
Oats, Chicago, May	30½	31½			Petroleum, Mid-cont. crude				
Rye, Chicago, May	74½	76			33 deg. to 35 deg. at well,				
Barley, Winnipeg, May	64¾	65½			per barrel				
METALS (per lb.)—					Rubber, N.Y., smkd. sheet spot	14½	14½		
Copper, N.Y., Domestic spot ..	9.42½	10.02½			Do. Do. Mar.	14½	14½		
Producers' export	9.75	10.30			Sugar, N.Y., Cuban Cent., 96	3.13	3.15		
					deg., spot				

BRITISH WHOLESALE PRICES

	Feb. 16, 1938	Feb. 23, 1938		Feb. 16, 1938	Feb. 23, 1938		Feb. 16, 1938	Feb. 23, 1938
CEREALS AND MEAT								
GRAIN, Etc.—			SUGAR (per cwt.)—cont.			GOLD, per fine ounce		
Wheat—			Crushed	s. d.	s. d.		s. d.	s. d.
No. 2, N. Man. 496 lb.	56 9	57 6	Granulated	19 1½	19 10½		139 9	139 10½
Eng. Gaz. av. per cwt.	8 2	8 2		20 0	20 0	SILVER (per ounce)—		
Liv. March, per cental	7 5	7 5	Home Grown	19 0	19 0	Cash	1 8	1 8½
Flour, per 280 lbs.—				19 3	19 3	MISCELLANEOUS		
Straits, d/d London	36 0	35 6	TEA (Auction Average) (per lb.)—			CEMENT, best Eng. Portland, d/d site, London area,		
Manitoba, ex store	39 0	39 0	N. India	d.	d.	each, or paper bags 20 to ton (free, non-returnable)—		
Barley, Eng. Gaz. av.	12 8	12 9	S. India	14 24	14 09	4-ton loads and upwards		
Oats,	8 7	8 6	Ceylon	16 62	16 78	1 and up to 4-ton loads		
Maize, La Plata, landed, 480 lb.	33 9	33 0	Java	12 51	12 57	44s. per ton		
Rice, No. 2 Burma, per cwt.	8 3	8 1½	Sumatra	11 25	11 71	44s. per ton		
MEAT—			Africa	12 85	12 81	CHEMICALS—		
Beef, per 8 lbs.—			Total	14 70	14 68	Acid, citric, per lb., less 5% ..	s. d.	s. d.
English long sides	4 10	4 10	TOBACCO (per lb.)—	s. d.	s. d.	" Nitric	1 0½	1 0½
Argentine chilled hinds	4 5	4 8	Virginia stemmed and un-	0 8	0 8	" Oxalic, net	0 3	0 3
Mutton, per 8 lbs.—			stemmed, common to fine ..	2 6	2 6	" Tartaric, English, less 5% ..	1 1½	1 1½
English wethers	5 8	5 8	Rhodesian stemmed and un-	1 10	1 10	Alcohol, Plain Ethyl	12 0	12 0
N.Z. frozen wethers	2 10	2 10	Nyasaland stemmed and un-	0 7	0 7	Ammonia, carb. ton	20 0 0	20 0 0
Lamb, per 8 lbs.—			stemmed	1 4	1 4	" Sulphate	7 12 6	7 12 6
N.Z. frozen	5 6	5 6	East Indian stemmed and un-	0 7	0 7	Arsenic, lump	35 0 0	35 0 0
Pork, English, per 8 lbs.	6 8	6 8	stemmed	1 10	1 10	Borax, gran. per cwt.	13 6	13 6
BACON (per cwt.)—			TEXTILES					
English	98 0	98 0	COTTON (per lb.)—	d.	d.	" powder	15 0	15 0
Danish	98 0	98 0	Raw, Mid-American	5 02	5 25	Nitrate of soda	8 0	8 0
Dutch	95 0	95 0	" Sakellaridis, F.G.F.	8 34	8 64	Potash, Chlorate, net	0 4½	0 4½
Irish	92 0	92 0	" Giza, F.G.F.	7 53	7 84	Sulphate	10 0	10 0
United States	87 0	88 0	Yarns, 32's Twist	10 10½	10 10½	Soda Bicarb. per cwt.	11 0	11 0
OTHER FOODS			" 40's Twist	10 10½	10 10½	Crystals	5 0	5 0
BUTTER (per cwt.)—			" 60's Twist (Egyptian)	17 14	18	Sulphate of Copper ... per ton	19 0 0	19 0 0
Australian	113 0	114 0	Cloth, 32 in. Printers, 116 yds.	18 2	18 5	COPRA (per ton)—		
New Zealand	113 0	115 0	" 36 in. Shirtings, 75 yds.	24 8	25 0	S.D. Straits, c.c.f.	12 3 9	12 8 9
Danish	127 0	127 0	" 38 in. ditto, 38 yds.	10 6½	10 7	HIDES (per lb.)—		
CHEESE (per cwt.)—			" 39 in. ditto, 37½ yds.	9 6½	9 7	Wet salted, Australian	0 5½	0 5½
Canadian	75 0	75 0	FLAX (per ton)—			West Indian	0 4	0 4
New Zealand	67 6	67 6	Livonian ZK	69 10	69 10	Cape	0 5½	0 5½
English Cheddars	96 0	96 0	Pernau HD	70 0	70 0	Dry and Drysalted Cape	0 6½	0 6½
Dutch	61 0	61 0	Slanetz Medium, 1st sort	85 0	85 0	Market Hides, Manchester—	0 4½	0 4½
COCOA (per cwt.)—			HEMP (per ton)—			Best heavy ox and heifer	0 5½	0 5½
Australia, li.	38 0	31 6	Italian PC	71 0	71 0	Best cow	0 4½	0 4½
Trinidad	43 0	43 0	JUTE (per ton)—			Best calf	0 4½	0 4½
Grenada	45 0	45 0	Native 1st mks., c.c.f. H.A.R.B.	18 15 0	18 12 6	INDIGO (per lb.)—	5 6	5 6
COFFEE (per cwt.)—			Feb.-Mar.	17 17 6	17 12 6	Bengal, gd. red-vio. to fine ..	6 0	6 0
Santos sup. v. & f.	51 0	51 0	Mar.	17 17 6	17 12 6	LEATHER (per lb.)—	1 2	1 1
Costa Rica, medium to good	70 0	75 0	SISAL, African, Feb.-Apr.	18 15	19 0	Sole Bends, 8/14 lb.	2 2	2 1
Kenya, medium	45 0	45 0	SILK (per lb.)—			Bark Tanned Sole	2 2	2 2
EGGS (per 120)—			Canton	7 9	7 9	Shoulders from DS Hides	0 7½	0 7½
English (15-15½ lb.)	14 6	12 6	Japan	6 6	6 9	" Eng. or WS do.	0 9	0 9
Danish (15½ lb.)	12 0	11 6	Italian, raw, fr. Milan	6 9	6 9	Bellies from DS do.	0 6	0 6
FRUIT—			WOOL (per lb.)—			" Eng. or WS do.	0 8	0 8
Oranges, Jaffa	9 6	8 6	English, Southdown, greasy ..	16½	16	Dressing Hides	1 10	1 10
" Brazilian	15 0	15 0	" Lincoln hog, washed ..	14½	14	Ro. Eng. Calif, 20 35 lb. per doz.	3 6	3 6
Lemons, Malaga	10 6	10 0	Queensland, scd. super combg.	25	24	PETROLEUM PRODUCTS (per gall.)—		
" Sicilian	12 6	10 0	N.S.W. greasy, super combg.	14	13	Petrol Spirit, No. 1, London ..	1 6	1 5½
Apples, Amer. (var.) .. barrels	26 0	28 0	N.Z. greasy, half-bred 50-56.	13	12	Petroleum, Amer. rtd. bri. Lond.	0 10½	0 10½
" (var.) .. boxes	7 0	8 0	" Crossbred 40-44	12	11	Fuel oil, in bulk, for contracts	0 3½	0 3½
Grapes, Almeria	11 0	11 0	Merinos 70's average	29	28	ex instal. Thames	0 3½	0 3½
Grapefruit, Jaffa	14 6	14 9	" 64's	26½	25	Furace	0 4½	0 4½
LARD (per cwt.)—			Crossbred 48's	16	15½	ROSIN (per ton)—	14 7 6	14 7 6
Irish, finest bladders	64 0	64 0	" 46's	15½	15	American	18 5 0	18 5 0
U.S.	50 0	50 0	COAL (per ton)—			RUBBER (per lb.)—		
PEPPER, per lb.—			Welsh, best Admiralty	19 6	19 6	St. rubbed smoked sheet	0 7	0 7½
Black Lampong (in Bond)	0 2½	0 2½	Durham, best gas, f.o.b. Tyne	21 6	21 6	Fine hard Para	0 6½	0 6½
White Muntok	0 3½	0 3½	Sheffield, best house, at pits	22 0	22 0	SHELLAC (per cwt.)—	42 6	42 6
POTATOES (per cwt.)—			IRON AND STEEL (per ton)—			1N Orange	45 0	45 0
King Edward	6 1	6 0	Pur. Cleveland No. 3, d.d.	100 0	100 0	TALLOW (per cwt.)—		
SUGAR (per cwt.)—			Bars, Middlesbrough	265 0	265 0	London town	19 0	19 0
Centrifugals, 96% prpt. shipm.	5 6	5 4½	Steel rails, heavy	202 6	202 6	Swedish u/s 3x8 .. per std.	22 15 0	22 10 0
c.c.f. U.K. Cont.	5 6	5 4½	Tinplates	22 6	22 6	" 2½x7 .. " "	19 15 0	19 10 0
Refined—London			NON-FERROUS METALS (per ton)—			" 2x4 .. " "	23 10 0	23 10 0
Yellow Crystals	18 9	18 9	Copper—			Canadian Spruce, Dis. .. per load	11 0 0	11 0 0
Cubes	23 6	23 6	Standard cash	39 3 9	42 3 9	Pitchpine	35 0 0	35 0 0
			Three months	39 8 9	42 6 3	Rape, refined	27 0 0	27 0 0
				39 19 0	42 7 6	Teak	0 12 0	0 12 0
			Tin—			Honduras Mahogany log, liv.	0 6 0	0 6 0
			Standard cash	184 5 0	190 0 0	English Oak Planks	0 7 0	0 7 0
			Three months	184 10 0	190 10 0	English Ash Planks		
			Lead, soft foreign—			VEGETABLE OILS (per ton net drier)		
			Cash	15 0 0	16 2 6	Linseed, raked	27 0 0	27 0 0
			English, pig	15 2 6	16 3 9	Rape, refined	35 10 0	36 0 0
			Spelter, G.O.B.—			Cotton-seed, crude	18 5 0	19 0 0
			Spot	13 16 3	15 7 6	Coconut, seed	15 5 0	15 5 0
			Aluminium, ingots and bars ..	100 0 0	100 0 0	Palm	10 0 0	10 0 0
			" rolling billets	102 0 0	102 0 0	Oil Cakes, Linseed, Eng. ..		
			Nickel, home and export	180 0 0	180 0 0	Oil Seeds, Linseed—		
			Antimony, Chinese	67 0 0	67 0 0	La Plata, Feb.—		
			Wolfram, Chinese .. per unit—	70 0 0	76 0 0	Calcutta	32 0 32	32 0 32
				79 0 0	79 0 0	Turpentine		
			Platinum, refined .. per oz.	7 10 0	7 10 0			
			Quicksilver .. per 76 lbs.	12 17 0	12 17 0			

* February 10 and 17 respectively.
and do not include the Government tax.

† These prices are for fuel oil for inland consumption—other than

COMPANY MEETINGS

PEARL ASSURANCE COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

RECORDS IN ORDINARY AND INDUSTRIAL LIFE BRANCHES

FURTHER REDUCTION OF EXPENSE RATIO

STRONG FINANCIAL POSITION

SIR GEORGE TILLEY'S ADDRESS

The seventy-fourth annual general meeting of the Pearl Assurance Company, Limited, was held, on the 24th instant, at the registered offices, High Holborn, London, W.C.

Sir George Tilley, F.C.I.L., the president and 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,—The report shows, among other items of interest, what are the surpluses in the life funds, brought out by the valuation made by the actuary, and how these surpluses have been appropriated by decision of the directors. I presume it is your wish that, as in previous years, the report of the directors and the statement of accounts should be taken as read.

Since our last annual meeting Mr Harold John Sayer has been appointed to the board. Mr Sayer joined the company thirty-eight years ago as a junior clerk, and he has had a thorough and varied experience of the business both in the provinces and at head office. I welcome him to the board as an added source of strength in our councils.

CONDITIONS ABROAD

Before dealing with our own affairs, I should like to say a few words about the general conditions at home and abroad, from which, as a great business organisation with widespread interests, we cannot isolate ourselves.

Ahead, the position during the past year has been charged with anxiety, and to the grave unsettlement caused by the civil war in Spain there has been added the disturbing influence of the war between China and Japan.

That we have not been drawn into either of these conflicts is much more than a negative achievement. It is the triumph of a policy consistently directed to securing peace throughout the world. Here the endeavour to establish closer contact between statesmen of the leading countries—initiated by the Prime Minister—can do nothing but good in removing suspicions and promoting understanding. Conversations at first hand are more likely to create a better atmosphere than the interchange of long-distance speeches.

In no part of its foreign policy has the Government shown greater wisdom than in its consistent refusal to allow the dictatorships and the democracies to be aligned in two antagonistic groups. The world will never be made safe for democracy unless we succeed in living on terms of peace and security with the dictators. It would be a poor service to the ideals of democracy to make it the test of international friendship.

POSITION AT HOME

At home there has recently been some slowing down of trade activity, with a consequent rise in the unemployment figures. It would be a serious misreading of the industrial situation, I feel, to regard this as more than a temporary fluctuation, reflecting, in the main, the uncertain position in the United States. With the country in its present financial position, the proper reply to a temporary lull in activity is a vigorous and confident advance with the plans we have.

Turning to the general problems to the affairs of our own company, I desire to say that the more we are able to congratulate ourselves, in a phrase that has happily become familiar at these annual meetings, on a most satisfactory year.

ORDINARY BRANCH—RECORD FIGURES

In the ordinary branch the sum assured, together with the accrued bonuses, show a very substantial increase over last year's record

figure of one hundred million pounds, and this whilst maintaining the high quality of the business. The new policies assure a sum of £8,600,000. The premium income for the year, which amounts to £5,301,000, is an increase of £40,981 over 1936. The sums received in respect of the purchase of annuities reached a substantial figure, while the single premiums were again high at nearly £310,000.

It is gratifying to be able to report that the expenses of the ordinary branch are still at the very low level of 11.1 per cent. of the premiums. The interest yield on the branch funds, prior to deduction of income tax, is the satisfactory one of £5 1s. per cent. These two factors—an excellent interest yield and low expenses—are reflected in the rate of bonus. We have again declared a simple reversionary bonus of £2 on each £100 assured in respect of ordinary branch policies entitled to participate in the full profits.

As has already been announced, the first general revision of our ordinary branch life rates since 1916 was made recently, and an attractive set of tables has now been issued offering to the public still more satisfactory terms. This includes a new table for children's endowment assurance. With the advantage of these new rates, which were the subject of favourable comment in the press, we look forward with confidence to a substantial increase of business.

INDUSTRIAL BRANCH—REMARKABLE PROGRESS

The figures in the revenue account of the industrial branch reveal the remarkable progress which is being achieved and maintained in this class of business. The premium income for the year was £8,778,518, easily a record in the history of the company. This was an increase of £354,000 over the premium income for 1936 and it is worthy of note that in the last two years the total increase has exceeded £700,000.

Last year I called attention to the fact that in recent times there had been a marked improvement in the matter of outstanding premiums, and I am pleased to state that the same welcome tendency for the arrears to fall is again in evidence.

A new record for the company was established in the amount paid in claims, the total sum being £4,388,000. Of this nearly £3,000,000 was paid in respect of death claims, while the balance was in respect of the maturity of endowment assurance policies. The growth of endowment assurance, combining saving and assurance, shows how industrial assurance has outgrown its original function of providing for funeral expenses and has come to occupy a wider and even a more helpful place in the economy of working-class homes.

FURTHER REDUCTION IN EXPENSES

Last year, for the first time, the expenses in the industrial branch were brought below 30 per cent. of the premium income. This year there has been a further reduction, and the figure now stands at 29.4 per cent.

When it is remembered that our agency staff is in constant touch with the policyholders in their own homes, calling for the premiums at short intervals, always available to deal with inquiries and close at hand to arrange for the prompt payment of claims, it will be appreciated that an exceptional service is provided for the convenience and benefit of those who are insured in the industrial branch.

Our industrial policyholders also enjoy the advantage of our system of bonus distribution, whereby the sums assured are increased by additions wholly outside the contractual terms of the policies. This year the sum allocated to bonus distribution is over £5,000.

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

NEW LIFE BUSINESS EXCEEDS £1,000,000

The one hundred and eighth annual general meeting of the National Mutual Life Assurance Society was held, on the 23rd instant, at the Society's House, 39 King Street, London.

Mr J. M. Keynes, C.B., the chairman, in the course of his speech, said:—It is pleasant to be able to record that during this past year every factor connected with the assurance business of the society has been favourable, and we have again produced trading profits more than sufficient to provide the cost of the normal bonuses. For the first time in our history the net new life assurance business of the year has exceeded £1,000,000, and at £1,037,771 shows a substantial increase over that of 1936. This follows upon increases in each year since 1932. Moreover, if, as is preferable, we apply the more instructive test of the increase in the yearly premium income, this increase also constitutes a record in 1937.

The amount absorbed by expenses and commissions showed less than the normal increase despite the larger volume of new business and the additional cost of maintaining our fine new head office premises, with the result that we are able to report a diminution in the ratio which the expenses bear to the premium income—from 14.6 per cent. to 14.1 per cent.

The amount paid in respect of policies surrendered has declined from £49,170 in 1936 to £42,894 in 1937, but the profit from this source was for various reasons greater last year than in 1936. We do our best to persuade those of our policyholders contemplating this course to adopt other steps than the irrevocable one of surrendering their policies. It is therefore of interest to mention that the sums assured on policies surrendered in 1937 amount to no more than 1.1 per cent. of the total business in force.

Calculated as a percentage on the total funds excluding reversions, the net interest earnings last year were £3 17s. 1d. per cent., compared with £3 16s. 4d. per cent. in 1936, in spite of the rise in income tax from 4s. 9d. to 5s., which, other things being equal, might have been expected to reduce the rate earned by rather more than 1s. Over the past seventeen years the combined net earnings from interest and capital profits or losses have averaged 6.4 per cent. free of income tax. The net interest earnings calculated on the actuarial liabilities come out at £4 5s. 6d. per cent. This margin between the rate earned on the liabilities and the rate assumed to be earned is a substantial one.

VALUATION OF INVESTMENTS

In regard to the valuation of investments, I am afraid that this has been a dismal year for all institutional investors and we have not escaped the common fate. The year has been remarkable for the way in which practically every class of investment has been substantially affected in the downward direction. In our case, however, we have had the advantage of the large book and realised profits on investments recently earned and held in reserve. This year's decline has lopped off less than half of the previous precarious rise and leaves us with a large surplus in reserves and carry-forward. More precisely the loss on valuation over the year amounts to about 8½ per cent. of our assets. This still leaves intact an appreciation of about 10 per cent. from the previous four years. How hard the lot has been even of the most cautious investor becomes evident when we calculate that if at the beginning of 1935 we had put all our assets into War Loan we should have lost 6 per cent., and old Consols actually depreciated by nearly 20 per cent., while during the same period the actuaries' index of industrial debentures has fallen by 4 per cent. and their index of industrial preference shares has also fallen by 4 per cent. Nevertheless, our own depreciation over this period is only 1.73 per cent.

The year has been remarkable for the similarity of the movement in the gilt-edged and the other markets. The fall in the gilt-edged market was particularly noticeable in the first three quarters of last year and has been commonly attributed to the Government's rearmament programme taken together with the increased demand for trade advances. I am disposed, however, to explain the decline mainly by reference to the particular technique by which last year the gold purchases of the Exchange Equalisation Fund were being financed. The managers of the Equalisation Fund have largely depleted the liquid resources of the domestic market at a time when the international situation and the recession in America were disposing the market to become more, rather than less, liquid, and the result is that institutional and other investors, no matter what their policy, have had a dismal, and indeed an insoluble, task to keep their assets intact.

The report and accounts were unanimously adopted.

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

SIGNIFICANT GROWTH OF BUSINESS

The ninety-seventh annual general meeting of the Provident Mutual Life Assurance Association was held, on the 23rd instant, at 25-31 Moorgate, London.

Mr Owen Hugh Smith (the Chairman) said that they had that day to consider not merely the report and accounts for the past year, but also the actuary's quinquennial report and the distribution of profits. The outstanding feature in the accounts for the past year had been the great increase in the volume of business. New sums assured (£3,250,000) were the highest in their history and were nearly 100 per cent. more than five years ago, and the premium income of £1,142,000 showed an increase of over £60,000 over the previous year.

Their growth in recent years, and more particularly in the year under review, he thought was to be attributed in the main to two causes. In the first place the industrial recovery in this country by increasing wages, salaries and profits had made more income available for saving in the way of life assurance. In the second place there was no doubt that the opportunities which they offered for assurance and thrift and the services which they endeavoured to render to their members were becoming better known and better appreciated throughout the country. For example, the distribution of over £500,000 under endowment assurances which had become due to nearly 5,000 members was a very strong inducement to their friends and relatives to follow their example. He thought they might say that their recent growth was not the result of any change of policy, but was the natural and healthy result of the services which they rendered to their members.

As to the other figures in the revenue account, the surrenders had fallen to £69,000, which was the lowest figure since 1927—another reflection of increased employment and prosperity. The claims by death at £191,000 were slightly lower than in the previous year and the claims by maturity had increased by £49,000. The rate of expenses to premium income had risen slightly from 14.5 to 15 per cent. as the result of the increased new business. The net rate of interest earned on the funds had remained remarkably steady, having fallen only by 4d. to £4 9s. 2d. But they were still reaping the reward of the long-term investments made at high rates of interest during the depression. If investment conditions remained as they were at present they must be prepared to face in the future a further decline in the rate of interest.

RECORD LIFE ASSURANCE FUND

Turning to the balance sheet, the life assurance fund had grown during the year by £678,000, another record figure. During the past year there had been a general fall in the market value of Stock Exchange investments. As they had never taken credit for appreciation in past years, they were now in the happy position that the market values exceeded the values in the balance sheet by £668,000, without taking into account the investment reserve fund of £1,000,000 which had been created in order to prevent any shrinkage in market values causing a drain on the life assurance fund.

As to the actuary's valuation report, the board had no hesitation in adopting his recommendations which enabled them, after strengthening the reserves by £280,000, to declare a bonus at rates 5s. per cent. per annum higher than those at the last division and equal to the highest they had ever previously declared.

MR C. R. V. COUTTS' REMARKS

Mr C. R. V. Coutts, F.I.A. (Manager and Actuary) said that the new mortality table had now been published, and happily for them the mortality rates corresponded very closely to those which they were experiencing in their Association. The existence of a standard table reproducing so closely their own experience had enabled them to make their valuation on what was known as the bonus reserve method, a method already adopted by several first-class life offices.

Ten years ago he had had occasion to mention that the recent actuarial investigations had shown that under their existing scale of premiums policies effected for the whole of life, especially those at the older ages, were really earning higher rates of bonus than policies under the endowment assurance plan. They had given effect to that principle on that occasion and were again for the third time giving effect to the same principle by allotting total reversionary bonuses at the following rates: 50s. per cent. per annum to whole life policyholders aged 65 and over; 45s. per cent. per annum to other whole life policyholders; and 40s. per cent. per annum to endowment assurance policyholders.

The report was unanimously adopted.

GREAT WESTERN RAILWAY COMPANY

BEST YEAR SINCE 1930

VISCOUNT HORNE'S REVIEW

The annual general meeting of the Great Western Railway Company was held, on the 23rd instant, at the company's offices, Paddington Station, London, W.

Viscount Horne, the Chairman, in the course of his speech, said: It is gratifying for me to be able to tell you that, in spite of the continuance of political unrest in several parts of the world, and many embarrassing restrictions on international trading, the year 1937 was the best experienced by the company since 1930.

The net revenue of the whole undertaking amounted to £6,886,505, an increase over 1936 of £571,676, out of which we have thought it desirable to appropriate £100,000 to a new works revenue suspense account. The amount available for dividend on the ordinary stock is £1,868,767. This is sufficient to enable a dividend of 4 per cent. to be paid on it for 1937, as compared with 3 per cent. last year, and at the same time to increase the carry-forward by £74,785 to £151,578. This is the dividend which we now recommend. The total receipts from the dock undertakings were higher by £356,107, of which about £200,000 can be attributed to the improvement in the coal trade, and £150,000 to other traffics.

THE WAGE BILL

From every pound of receipts which we earn, wages take 11s. and coal and other materials 3s. 5d. These, with rates and sundry items, bring our expenditure per pound of receipts up to 15s. 11d., leaving 4s. 1d. for interest on debentures and dividends on capital. In the early part of April last year claims were submitted by the railway trade unions for the termination of the percentage deduction from salaries and wages and the restoration of standard rates of payment for night and Sunday duty. In addition, claims for certain new conditions were submitted by the unions.

After a hearing lasting six days, the Tribunal, under the chairmanship of Sir Arthur Salter, decided that the percentage deduction from earnings should cease and the standard rates for night and Sunday duty be restored as from August 16, 1937. They also awarded an increase of 1s. per week to adult staff in "conciliation" grades whose base rate was less than 45s. per week, with an increase of 6d. per week to those with base rates of 45s. In addition, a former decision of the National Wages Board, under which new entrants on and after February 1, 1926, were not entitled to cost-of-living bonus, was cancelled and an additional day's leave with pay was granted to all "conciliation" and salaried staff required to work on Whit Monday or August Bank Holiday.

An application on behalf of the railway shop staff for the termination of the percentage deduction from earnings and for various other terms was settled by an agreement to terminate the percentage deduction, to grant one week's annual leave with pay, commencing in 1938, and to increase by 1s. and 6d. per week respectively the rates of pay of staff graded at 43s. 6d. and 44s. 6d. per week.

Settlements having as their basis the cessation of the percentage deduction were also effected with the other groups of staff, and the deduction has now ceased to apply to any grades. Further, during the past twelve months approximately 25,000 of our staff have received increased wages in accordance with sliding-scale arrangements which are based on the cost-of-living figures published by the Ministry of Labour.

On the assumption that the cost of living continues throughout 1938 at the level at which it stood at the beginning of the year—viz. 60 per cent. over the pre-war level—the increased cost for a full year will amount approximately to £695,000, and for the current year represent an additional expenditure of approximately £475,000, as compared with 1937.

The past year has seen important developments in the direction of securing a greater measure of co-ordination between the various forms of goods transport, which it has long been recognised cannot be made really effective until the road haulage industry has been placed on an organised basis.

A Government Committee under the chairmanship of Sir James Bailie has been investigating the problem of wages and conditions of service in relation to road hauliers, and in their report, which was issued last April, they expressed the view that the present statutory provisions regarding "fair wages" have been a great source of inconvenience and misunderstanding.

The whole matter is now under the consideration of the Minister of Transport, who has announced the Government's general approval of the recommendations which have been made, and their intention of introducing the necessary legislation in due course after consulting

the interested organisations on points of detail. The matter is one of urgency from the point of view not only of the interests of the road hauliers, but of all those engaged in other forms of transport, and as the subject is one of national importance, it is desirable that every endeavour should be made to deal with the recommendations at an early date. I am glad to see from a recent pronouncement by the Minister of Transport that the Government apparently intend to do this, at any rate, so far as the Bailie Committee's recommendation is concerned.

INCREASE OF RATES AND CHARGES

The receipts for the last three months of the year were augmented by the increase authorised in July last by the Railway Rates Tribunal, and although since the date when the case of the railway companies was brought before the Tribunal, the new burden of increased wages has been imposed upon us, it is a matter of gratification that we have at least some prospect of additional revenue with which to meet it.

We are, however, watching with some anxiety the upward trend of coal prices. Where coal forms so large a portion of our traffic, it is clear that the railway and the coalfields can only prosper in unison, but there is obviously a limit to what we can afford to pay. Every shilling of increase in prices means an additional cost to us of over £100,000 per annum, and whilst we recognise that some increase in coal prices was right and proper in order to give a decent remuneration to the miner and a reasonable profit to the colliery owner, the recent increases in coal prices will represent a very substantial addition to the burdens which we have to face in the current year. We felt, therefore, that the large increase in the cost of operating steam locomotives made it incumbent upon us to explore the possibility of effecting economies by substituting other forms of traction where the conditions are favourable. We have accordingly engaged a firm of eminent consulting electrical engineers to prepare a scheme for the electrification of part of our system. We have under consideration at the moment the section of the line which runs between Taunton and Penzance.

THE OUTLOOK

You will, no doubt, expect me to say something about the outlook for the company in 1938. However rash it may appear to be cheerful during such a recession from the peak of last year as we have recently witnessed, I confess that I am not afflicted by an undue anxiety so far as our railway is concerned. In spite of the apparent setback in trade, the volume of traffic dealt with by us since the beginning of the current year does not show any diminution when compared with the corresponding weeks of last year. There are, in fact, good reasons for anticipating a further improvement in our business. During the year negotiations were completed for the establishment of 73 new factories on our system, some of which are already in production.

Lord Portal tells me that with the assistance of the Government, the Nuffield Trustees and the Special Areas Reconstruction Association, companies with a total capital of nearly £2,000,000 are being set up in South Wales. These should reach full production during the current year, and give employment to about 6,000 people. Richard Thomas and Company's steelworks at Ebbw Vale will also be completed this year, and we expect to handle a large volume of traffic in connection with them, whilst amongst other important new factories now under construction in South Wales are Messrs Pilkington's glass works at Pontypool, the Aberdare Cable Works at Aberdare, and the British Aluminium Company's works at Newport. In addition, the British Oxygen Company have announced their intention of erecting a large factory in our dock area at Port Talbot, and negotiations for the establishment of a number of other important works are in hand. These projects are all additional to the programme of new munition and aircraft factories in South Wales which is being directly undertaken by H.M. Government and from which we expect to derive considerable benefit.

Even if our anticipations of additional traffic are not realised, and the volume merely remains at last year's level, the increase in charges should, when the year is completed, yield us a sufficient additional revenue to meet the increased cost of salaries and wages as well as the rise in the price of materials, particularly as we are fortunate enough to hold considerable stocks and have contracts for further supplies at lower prices than obtain to-day.

No man would be so imprudent as to predict what troubles may emerge in the near future from the clash of rulers or the rivalries of nations. These are factors which would upset all calculations. Leaving such possible catastrophes aside, reflection must remind us that there is still a vast amount of work in this country waiting to be done, and, provided that we keep our courage and our confidence in ourselves, there is no reason why this year should not as a whole be as good as last.

The report and accounts were unanimously adopted.

SOUTHERN RAILWAY COMPANY

INCREASED REVENUE AND DIVIDEND

The fifteenth annual general meeting of the Southern Railway Company was held, on the 24th instant, at Southern House, London.

Mr Robert Holland-Martin, C.B. (the chairman), in the course of his speech, said:—The total gross receipts were up by £1,313,000, of which the increases in purely railway receipts were as follows: £836,000 passenger traffic, £111,000 goods traffic, and £16,000 miscellaneous, that is an increase of £857,000, or just over 4 per cent., making the total gross receipts from railway working £22,113,000. We have carried in the past year more than a million passengers a day. The total number of passenger journeys, including season-ticket holders' journeys, in 1937 was 378,714,000, an increase over 1936 of 18,452,000—5.12 per cent. Of this addition about 15½ millions—5.6 per cent.—including 6,000,000 season-ticket holders' journeys, was due to journeys made in the electrified area.

You will remember that last year we were pleased with our increase of 11,000,000 passengers; we have now got this further great increase of 18,000,000 passengers over that figure, despite our lacking the extra day Leap Year gave us in 1936, and we shall be disappointed if we do not see some further growth this year. We have had an outstanding year of Continental traffic. Of course, the Coronation brought many visitors from the Continent, but even allowing for this, I think we can be more than satisfied with our figures.

After making various provisions we are left with the increased revenue of £326,000 and are able to recommend, after payment in full on our other stocks, not the dividend of ½ per cent. with which we resumed payments on the deferred stock last year, but a dividend of 1½ per cent., a decided improvement which I hope you will regard as satisfactory. And having paid that we place the balance of £6,000 to our carry-forward.

I should like to say a few words about the 5 per cent. increase in rates and charges. The Tribunal did not hesitate to give us authority to make the increase as from October 1st, and I feel that now that we have got it we shall have some chance during the coming year of retaining the gains we have already made and be able to apply them to consolidating our financial position.

ELECTRIFICATION AND IMPROVEMENTS

As to our electrification programme, full electric services on the direct Portsmouth line were begun in July last, and similar services will start next July to Portsmouth Harbour via Chichester, serving Bognor and Littlehampton; an electric service will also operate between Brighton and Portsmouth. Other electric schemes in hand include the railway from Virginia Water to Reading via Ascot, from Ascot to Ash Vale Junction, from Frimley to Pirbright Junction, and from Aldershot North Junction to Guildford. Work has also been started on the electrification of the lines from Gravesend Central to Maidstone West, Swanley Junction to Gillingham, Strood to Rochester and Oxford to Maidstone East.

With regard to our project for giving Hastings and Bexhill a second electric route, by the electrification of the line from Sevenoaks to Hastings via Tunbridge Wells, we have decided, after most careful consideration, not to proceed with this scheme at the present time.

You probably read in the Press a few weeks ago severe criticism of the Waterloo and City Railway. We have long been conscious of the shortcomings of this important link in our system and readily met a deputation of regular travellers on this line at Waterloo. We were glad to be able to show them that delay in improvements had not been due to lack of sympathy with their real grievances or to cussedness on our part, for there were very serious difficulties to be contended with, and to relieve their minds that we were at last in a position to do something. We have already sanctioned the following improvements: The construction of new rolling stock which will practically double the present carrying capacity. This will be designed to have more accommodation and larger doors, and should eliminate queues; renewal of signalling arrangements, cables, etc., and the placing of the conductor rail in a new position, all of which will also add their quotas, even if small ones, to the capacity of the line; and certain smaller improvements tending to greater comfort, such as welding of rail joints, noise-absorbing shields, etc.

At Southampton I can report progress in the letting of sites for factories on our large estate of reclaimed land. We are spending much money in improving our stations. It is our constant endeavour to make the Southern Railway as comfortable and efficient as any line in the world. We hope to be able to present year by year a story of physical and financial progress based on conservative finance, and, having set such a course, we look forward with confidence to the future.

The report was unanimously adopted.

MANCHESTER SHIP CANAL COMPANY

RECORD TONNAGE

The annual meeting of this company was held, on the 24th instant, at Milton Hall, Manchester, Sir Frederick J. West presiding.

The Chairman, in the course of his speech, said: I venture to think you will agree with me that the outstanding feature of the year under review is the tonnage of imports and exports carried over the waterway. They reach a total of 7,053,216 tons, which constitutes a record in the history of the company and an increase of 679,908 tons over 1936.

Receipts from Ship Canal tolls, ship dues and miscellaneous receipts showed an increase of £101,414, railway working an increase of £10,216, and the Bridgewater Department a small increase of £802—a total of £112,432. After taking away the decrease of £4,327 on the working of dock labour and adding a small difference in miscellaneous receipts and charges there remains an increase of £108,526.

Expenditure in the working of the Ship Canal was £9,908 more than in 1936, but we have thought it necessary to make provision of £101,083 to meet, as stated in the report, eventual, in many cases imminent, expenditure on renewals and for other purposes.

These provisions represent an increase of £68,083 over those made in the previous year, and the total increase of £77,991 as per Account No. 10 (a) under the heading of Expenditure is made up of the above two increases.

It is proposed that there should be appropriated £35,000 to the reserve for contingencies and repairs, and that out of the balance of £303,875 the following dividends, amounting to £272,174, should be paid: 3½ per cent. on the Manchester Ship Canal Corporation 3½ per centum preference stock, 4 per cent. on the preference shares, 2 per cent. on the ordinary shares, carrying forward £31,701 to next year's account.

The Chairman then dealt exhaustively with the programme of expenditure on renewals which the company had to provide for. Continuing, he said: I have dealt fully with this feature of the accounts because your directors wish you to realise the absolute necessity of their making adequate provision for future requirements before distributing as dividends the balance of current net revenue.

Now let us turn to the capital account. Receipts from sales of land, etc., amounted to £162,615, expenditure to £63,240, resulting in a reduction of £99,375 on the expenditure side of the account.

Bonds amounting to £92,255 were repaid during the year. During the last three years we have fortunately been able to repay bonds amounting to £211,025 without resort to further borrowing. This we have been able to do out of the proceeds of the receipts from sales of land, etc., and the retention of revenue moneys through the creation of reserves.

We intend to continue this policy as far as we are able, as you will appreciate that whilst we can manage without further borrowing the resultant saving in interest charges is an annual one, and, as such, a valuable contribution to the net revenue of the year.

The traffic passing through the port is the highest tonnage figure in our history, and compares favourably with the general improvement for the country as a whole. We may indeed claim a favourable margin.

While our exports happily show an improvement I again appeal for more support from local manufacturers and merchants in the freighting of outward cargoes through the port.

Our shipping services have been maintained, and a new homeward service from Brazil was inaugurated during the year by Messrs. Lamport and Holt. The "Manchester Liners" fleet has been increased by a fine new ship, the "Manchester City," and they have yet another vessel on the stocks.

Industrial expansion in the neighbourhood of the port is an important factor in our development, and I am glad to tell you that on our Barton Dock Estate, which we obtained statutory powers to develop some little time ago, there is now nearing completion the large new factory of Messrs Kellogg's. That company combed England to find a site with all the facilities necessary for an undertaking designed to supply the European market with a cereal food, and I think it augurs well that it should have found it at Barton.

A port, I need hardly remind you, is but a servant of commerce, unable to command absolute prosperity. It depends upon shipping, and shipping in its turn depends upon world purchasing power and international trade.

On general tendencies and future prospects I decline to speculate as so many factors are involved. Relative prosperity is, of course, another matter, and to this we can contribute by keeping ourselves financially strong and in the highest possible state of efficiency—and by missing no chances.

The report and accounts were adopted.

SAN FRANCISCO MINES OF MEXICO, LIMITED

NET OPERATING PROFIT DOUBLED

The 25th ordinary general meeting of San Francisco Mines of Mexico, Limited, was held, on the 22nd instant, in London.

The Rt. Hon. the Earl of Denbigh, G.C.V.O. (the chairman), who presided, said that as a result of the increase in base metal prices and in tonnage milled the total revenue of the company in the past year rose by £441,000 to the really substantial figure of £1,081,000; on the other hand, wage rates, supplies and transport charges were higher, and costs rose accordingly. On balance, however, the net operating profit was more than doubled at £453,000. The net profit amounted to £276,000, and the directors recommended a final dividend of 1s. per share, which, together with the interim dividend of 1s. 3d. per share, made a total of 2s. 3d. per share for the year.

As regarded development results, last year, he told shareholders that, in spite of early indications, the bottom of the old Frisco mine had apparently not been reached. Further development on the tenth level strengthened that view. They had recently been getting some really excellent results at that horizon. He also referred last year to the encouraging results obtained far to the south of the South Shaft. Since then further development had shown that there was an interesting complex of veins under the basalt capping which covered the southern extension of the mine. They had plenty to do, therefore, at the old mine before they reached its limits.

SATISFACTORY ORE RESERVES

With regard to ore reserves, after replacing the 580,000 tons milled there was a net increase of 106,000 tons. In view of the high rate of milling that was satisfactory. The fully-blocked and partly blocked ore reserves now amounted to 2,853,000 tons, or about five years' milling at their present rate. In short, the technical position at the mine continued to be satisfactory.

They had, however, been continually subjected to demands from labour, strike threats, incipient slowdown strikes, ore thefts, interference in management, and a general lessening of efficiency and discipline.

The results for the first quarter of the current financial year showed an operating loss of about £4,750 before providing for depreciation. In other words, under present circumstances the mine could not earn enough to cover its payments to those it employed, to the suppliers of the materials it consumed, and to the receivers of the taxes it paid. There was less than nothing left for the shareholder. He had taken out an estimate of what the results for the quarter would have been if costs had not been increased above the 1934-35 level. Instead of an operating loss of £4,750 there would have been a profit of no less than £50,000. That was a measure of the cost to the shareholders of change in local conditions. At present, metal prices continued there must be amelioration in some form or other. The mine was now virtually being run for the employees.

heard in Mexico talk of expropriation, but in the case of the mine he believed the Mexican Government realised that the Government itself or the Syndicates could not run the mine as efficiently as could a technical staff highly skilled at the job and with long experience of the mine. In other words, under its present highly-skilled management the mine had its best chance of weathering that stormy period of low metal prices.

The Mexican Government and Mexican labour must surely realise that shareholders, management and British financial interests would not be content to give their co-operation if the reward was inadequate. It was not sufficient that the reward should only be forthcoming when base metals were at peak prices.

It should be borne in mind that the burden placed upon them by increased wages, social legislation and Government and labour interference with operations did not finish the story. Cost of supplies, import duties, railway freights, loading charges at port, metal production tax, salaries and, in fact, nearly everything which entered into their costs of production had been stepped up.

THE OUTLOOK

On the other hand, he for one was an optimist about metal prices. It seemed evident to him that the fall had been overdone and that some time or other base metal prices were due for a rise. Last year showed that given good metal prices the mine could still earn really handsome profits. He believed that the Mexican Government and the Mexican people would one day wake up to the fact that the country and its inhabitants could not prosper unless industrial conditions were stabilised at some level or other. If that were done now the report was...

adopted.

ANGLO-INTERNATIONAL BANK, LIMITED

CHAIRMAN ON EUROPEAN FINANCE

The twelfth ordinary general meeting of this bank was held, on the 18th instant, in London, Sir Bertram Hornsby, C.B.E. (the chairman), presiding.

The chairman, in the course of his speech, said: Our liquidity has definitely improved. In point of fact we are now in the position where our readily available resources are sufficient to cover the whole of our liabilities to the general public.

Although current income shows a small excess of £10,080 over current expenditure, net losses on realisation of assets, and sundry provisions during the year amount to £51,850, with the result that the debit balance on profit and loss account has increased by £41,770, bringing the total to £528,794.

This bank's main business is on the continent of Europe, and, since the crisis, the greater part of our assets have been subject to moratoria, to exchange controls and to other methods of restriction for the protection of the local debtor. Wherever we have found it possible to effect reasonable settlements we have done so. Prospects of payment in full from those countries with which we are concerned seem to me to be still very uncertain, and, while recognising the difficulties which do confront various countries, it does seem to me that a greater willingness to honour their obligations might often well be shown. The German Standstill has been renewed for another year, and once again the renewed agreement regrettably makes no provision for capital repayment. The Hungarian Standstill has also been renewed for a year, with an understanding that it may be prolonged for two further years; it provides for the payment of a nominal rate of interest, together with small capital repayments in each year. Through the operation of the Anglo-Roumanian Payments Agreement we have been able to encash without loss some portion of the amounts due to us by Roumanian debtors.

In the present unsettled state of affairs we deem it unwise to seek new business. Our efforts are concentrated on the maintenance of such existing connections as appear safe and profitable, and on the collection of our assets whenever favourable opportunity offers. Expenses have been reduced to a minimum, and we feel that we are pursuing the best method of recovering our outstandings.

The report was unanimously adopted.

ENGLISH ELECTRIC COMPANY, LIMITED

RECORD ORDERS

Mr G. H. Nelson, the chairman and managing director, presiding at the nineteenth annual general meeting of the English Electric Company, Limited, held, on the 22nd instant, in London, said that the excess of liquid assets over current liabilities had risen from £1,779,760 to £1,942,826; the net profit was £436,185. The directors proposed to allocate £200,000 to reserve. The company had again commenced the year with the largest order book in its history.

Export business had increased substantially, although, due to severe competition abroad, particularly from Germany and Switzerland, trading overseas was difficult.

The remedy for uneconomic competition must lie partly in Government action as opportunity offers through the negotiation of trade agreements, but primarily in arrangements between manufacturers in the leading industrial countries. In the latter direction, although with most countries it is possible to obtain co-operation, with Switzerland in particular and Sweden at the moment no progress has been made.

Among important export orders were repeat orders from the Victoria Falls and Transvaal Power Company, Limited, for large transformers, railway equipments for the South African Railways, Steel Works equipments for India and Australia, Rolling Stock for the Colonies and the Argentine, and Diesel Engines for Trinidad and many other parts of the world. Important buyers of Diesel Engines had given their opinion that the company's engines had the best consumption and maintenance costs of any of which they had experience.

Further important orders included those from Supply Undertakings and the Central Electricity Board for large steam turbine generating sets and large transformers, and orders for Land Diesel Engines, the company's range for which was 250 to 3,500 B.H.P. Among traction orders received during the year under review were those from the Southern Railway for their suburban and express stock, for three Diesel Electric Shunting Locomotives and for two main line Electric Locomotives.

The report and accounts were adopted, and a dividend of 10 per cent. was declared on the ordinary stock.

GENERAL MORTGAGE BANK OF PALESTINE, LIMITED

GRATIFYING RESULTS

DIVIDEND OF 7½ PER CENT.

The Sixteenth Annual General Meeting of the General Mortgage Bank of Palestine, Limited, was held on February 6th last in the bank's offices at Tel-Aviv.

Mr S. Hooten (the chairman) stated that during the year under review the country had suffered to a considerable degree from the effects of last year's disturbances. The slow procedure in dealing with the Royal Commission's recommendations and the Government's hesitant and wavering attitude had created a state of political uncertainty highly detrimental to private initiative and to all economic progress. Immigration had been reduced and order had not been restored.

SATISFACTORY BUSINESS

The directors were, however, happy to be able to state that the bank's business continued to be highly satisfactory and that results were again gratifying. It had already been stated on previous occasions that at no time in the bank's history had there been a loss on any business done and the year under review had not marred this record. While during the four preceding years there had not been one single case of forced sale of mortgaged property there had, indeed, been three such cases during the past year, but they had all resulted in the bank receiving full satisfaction both as to capital and interest.

As there were over 3,400 mortgage loans outstanding the number of forced sales was still extremely moderate, especially if the adverse conditions prevailing in the country were taken into account. Out

of the arrears outstanding at the end of the previous year on all interest maturing until November 30, 1936, which amounted to 1½ per thousand of the total loans outstanding, 93 per cent. had since been collected. This year the arrears amounted to 1½ per thousand of the total loans outstanding.

Building activity had been reduced to a marked extent and the directors had, therefore, been able to devote a proportionately large part of the bank's available resources to the consolidation of the property market by granting the bank's usual long term loans in replacement of maturing short term private mortgage loans. The instalments were calculated so as to leave a substantial margin when compared with the net income to be derived from the properties and this explained why there had been no disappointments.

The item "Mortgage Loans" in the balance sheet had gone up by £500,777 and it now stood at £2,604,230.

ADDITIONAL WORKING CAPITAL

During the year under review the share capital had been brought up to £450,000 through the issue of £100,000 ordinary shares. Additional working capital had been provided through the issue of £480,000 Five per cent. 20-year debentures.

The results of the business had been satisfactory. After making ample provision for contingencies and for debenture interest there remained a net profit available for distribution of £43,746. During the year an amount of £5,000 had been transferred to reserve out of premium on shares issued and a further amount of £10,000 had been added to that out of the year's profits. It was proposed to pay, like last year, a dividend of 7½ per cent. on the ordinary shares and one of 6½ per cent. on the six per cent. cumulative preference shares. Interim dividends of 3 per cent. had been paid on both the ordinary and the preference shares on September 1, 1937, and the balance would be made payable on March 1, 1938.

The report and accounts were unanimously adopted.

(Continued from page 467)

owing to heavy shipments. Plums, peaches and nectarines from the same source have been selling rather better. Oranges sold steadily at slightly firmer rates and lemons also improved. Grapefruit, however, was in only fair demand.

★

Vegetables.—Kitchen vegetables were in more active demand at Covent Garden last week, in response to the colder weather. According to *The Fruitgrower*, forced asparagus, beans, new carrots and turnips were dear. Green peas were somewhat scarce and mushrooms prices tended to rise. Except for the week-end, when supplies were heavier, the price of greenstuff has been steady. Onions were firmer and parsnips in very short supply. The spell of wintry weather appears to have made little difference to the potato trade and prices at the various London markets, as shown in our table of wholesale prices, were slightly lower.

Miscellaneous Commodities

Radium.—According to the Canadian Department of Mines and Resources, the Eldorado Gold Mines, Ltd., Canada's large radium producer, is at present occupied with a substantial extension of capacity. This work includes, apart from the extension of the mine, substantial enlargements at the company's refinery at Port Hope, Ontario. After the completion of the work, which should be achieved by this summer, the company will probably be able to produce 5 grammes of radium, 35,000 lbs. of uranium products and 40,000 oz. of silver per month. At present the monthly radium output is only slightly in excess of 2 grammes. If a regular monthly production of 5 grammes is achieved, the company will

be the world's largest producer of radium. The Union Minière du Haut Katanga, the largest radium supplier for the past 20 years, has not published any production figures in recent years, but its current output is estimated at not more than 20 grammes per annum.

★

Rubber.—With the belief that prices on Wall Sta have reached their nadir, in Amarket showed a firmer tendency. The movement was assisted by the news of the Regulation Committee's decision (discussed in a Note in the Industry and Trade Section) to recommend the continuance of the restriction scheme for a further minimum period of five years. Prices are consequently appreciably higher on the week.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Feb. 12, 1938	Feb. 19, 1938
Landed	3,281	3,664
Delivered	944	1,004
Stocks, end of week	65,706	68,366

SHORTER COMMENTS

(Continued from page 461)

Lewis's, Ltd.—Total profits for year to February 1, 1938, £819,883, against £817,714. In addition, net rents produced £54,215 (£52,353). To tax, £39,846 (£30,249). To depreciation, £33,000 (same). To staff fund, £10,000 (same). Deferred dividend raised from 275 to 300 per cent., absorbing £352,500 against £323,125. To general reserve, £50,000. Carry forward reduced from £61,082 to £52,422.

Illustrated Newspapers.—Net trading profit for year to November 30, 1937, £196,169 against £182,071. To tax and N.D.C., £48,140 against £36,164. To preference dividend reserve, £50,000. Preference dividends paid for half-years ended

October 31, 1935, and April 30, 1937. Half-year's dividend to October 31, 1937, paid on January 1st. Carry forward £76,389 against £96,880 brought in.

Meux's Brewery.—For 1937 net profits were £146,241, a decline of £4,549. Ordinary dividend maintained at 11 per cent. 100 property and co. after £3,000 of super-annuation (same) carry-forward is £226,206, against £220,878. Sum of £68,000 taken from property improvement, etc., reserve to improve properties.

British Isles and General Investment Trust.—First annual accounts for period to January 31, 1938, show total revenue £42,054. Ordinary dividend 3½ per cent., absorbing £17,718. To writing off preliminary expenses £1,000. Carry forward £3,552. Valuation was £595,089, against £816,627 (book cost).

Provincial Newspapers, Ltd.—Net profit for year ended November 30, 1937, £135,557 against £134,784. To depreciation £18,170 (£17,988). For tax and N.D.C., £43,000 (£38,500). Ordinary dividend 2 per cent. against nil. To reserve £25,000 (£300,000). Carry forward £16,807 up at £48,905. Bank loan has been further reduced during the year by £57,000.

Philco Radio and Television Corporation of Great Britain.—For 1937 the net trading loss was £110,604 compared with a profit of £102,815 for 1936. Fees £900. Preference dividend £7,875 for half-year to June 30th. £2,436 provided for a loss by a subsidiary, making total debit £121,815. Cash reduced from £111,328 to £19,843.

Bell Telephone of Canada.—Total operating revenues 1937, \$40,500,232. Net income \$6,112,939 (or \$7.73 per share) against \$5,456,000 for 1936. Dividends \$7.50 per share, absorbing \$5,914,181. Forward \$198,758.

United States Steel Capital.—A meeting is called for April 4th to consider changing the common stock from a par value of \$100 to no par value, and increasing the authorised number of common shares from 12,500,000 to 15,000,000. The directors also seek power to issue bonds, etc. vertible into common stock. tion states that there for new financ

CURRENT STATISTICS

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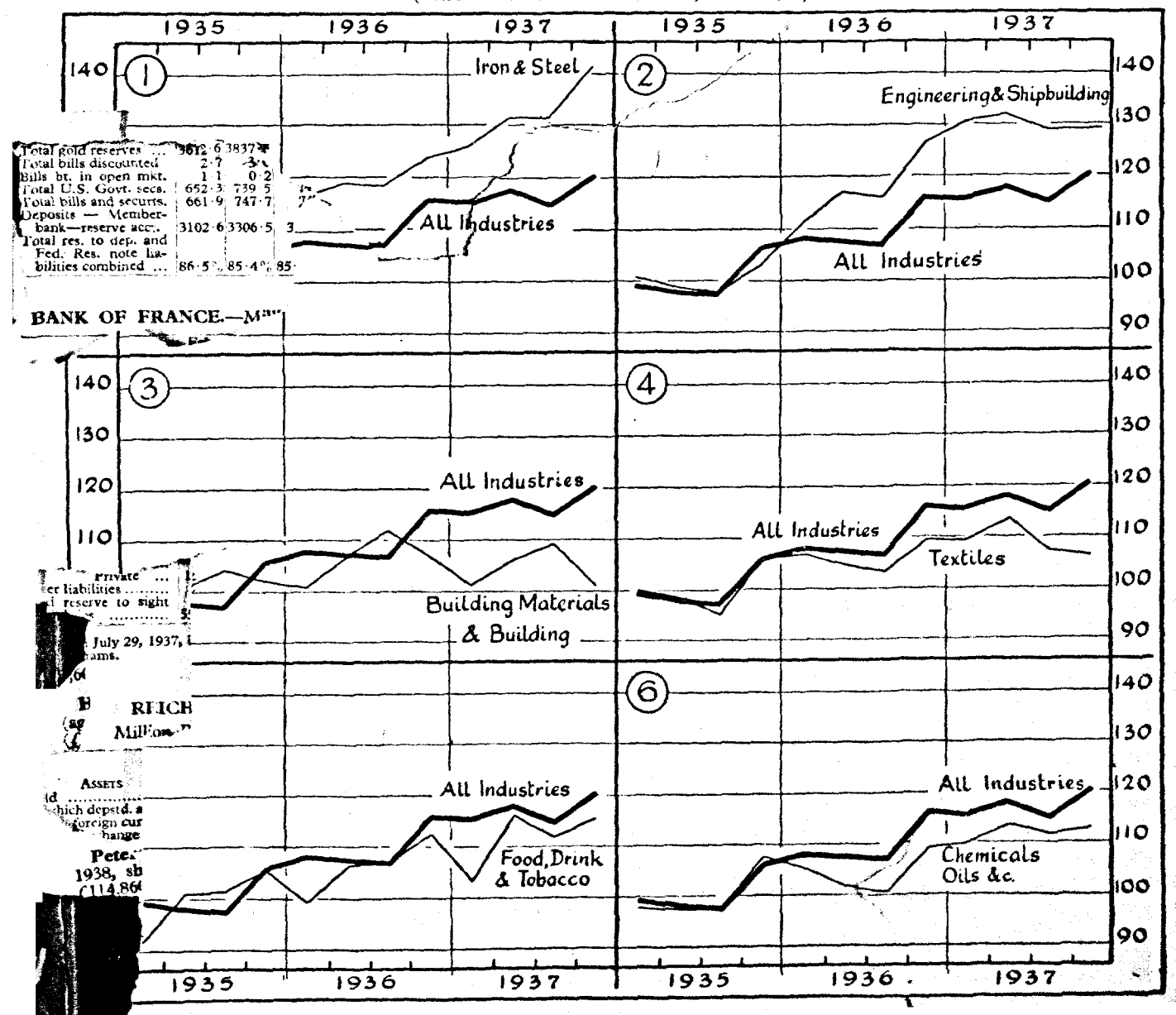
All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Trends in Industry

The following Charts draw attention to the recent divergent movements in the production of different industries. For this purpose the Board of Trade index numbers have been expressed as percentages of their level in 1935; and in each of the six charts a comparison is made between the index number for a particular group and that for all industries. Chart 1 brings out the very rapid expansion of iron and steel production, especially in the last quarter of 1937; while Charts 3 and 4 reveal a declining tendency in building and building materials and textiles towards the end of last year.

INDUSTRIAL PRODUCTION

(BOARD OF TRADE INDEX NUMBERS, 1935 = 100)



Finance

GOVERNMENT FINANCE

For the week ended February 19, 1938, the total ordinary revenue was £31,868,000, against ordinary expenditure of £12,233,000. The deficit accrued since April 1st last is thus £22,018,000, against a deficit of £24,527,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1937-38	April 1, 1937	April 1, 1938	Week ended Feb. 19, 1938	Week ended Feb. 19, 1937
Ordinary Revenue	288,150	202,973	231,491	17,256	17,483
Inc. Tax	58,000	30,550	38,400	2,570	2,780
Sur-tax	89,000	76,350	78,900	1,570	1,480
Duties, etc.	29,000	22,230	18,810	210	390
Stamp duties	2,000	...	450	...	90
N.D.C.	1,500	1,010	1,370	580	170
Other In. Rev. Duties	467,650	339,113	369,491	22,186	22,393
Customs	219,850	186,313	195,672	3,310	3,375
Excise	113,150	100,800	104,500	5,300	5,300
Total Cust. and Excise	333,000	287,113	300,172	8,610	8,675
Motor Duties	34,000	32,118	33,879	...	...
P.O. Net Receipt	11,800	14,700	14,650	350	800
P.O. Fund Crown Lds.	1,350	1,240	1,100	...	...
Rec. from Sun. Loans	4,300	4,481	5,161	...	...
Misc. Rec.	11,000	16,632	11,579	1	...
Total Ordinary Revenue	863,100	695,397	736,147	31,147	31,868
SELF-BAL. REVENUE					
Post Office and Broadcasting	75,198	61,100	64,350	1,400	950
Total	...	756,497	800,497	32,547	32,818

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for 1937-38	April 1, 1937	April 1, 1938	Week ended Feb. 19, 1938	Week ended Feb. 19, 1937
Ordinary Expend.	224,000	199,781	203,653	495	305
Int. & Man. of Nat. Dt.	8,000	5,828	6,373	...	...
Payments to N. Ireland	3,200	2,821	2,920	277	51
Other Cons. Fund Serv.	300	420	...	...	...
P.O. Fund	235,500	208,850	212,916	772	356
Supply Serv.	102,748	51,107	51,219	15,700	11,877
Total Ord. Expend.	862,848	719,923	758,165	16,472	12,233
Sinking Funds	...	7,371	7,589	...	...
SELF-BAL. EXPEND.					
P.O. and Broadcasting	75,198	61,100	64,350	1,400	950
Total	...	788,194	830,104	17,872	13,183

* Revenue required to meet expenditure.

† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.

‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After reducing Exchequer balances by £309,838 to £2,635,633, the other operations for the week (as shown in the next column, but excluding £2,750,000 issued under the Defence Loans Act), reduced the gross National debt by £17,195,000 to about £8,151 millions.

CHANGES IN NATIONAL DEBT

£ thousands	
NET INCR. IN DEBT	100
Net Savings Certs.	100
NET REPAYMENTS, ETC.*	17,295
Treasury Bills	16,385
Pub. Dept. Adv.	610
P.O. and Teleg.	300
(Money) Act	...

* Excluding £2,750,000 issued under Section 1 (1) of the Defence Loans Act, 1937.

AGGREGATE ISSUES AND RECEIPTS

£ thousands	
Ordinary Exp.	758,165
Ordinary Rev.	736,147
Issue to Exch. Eq.	200,000
Fund (July, '37)	200,000
Gross	241,301
Issues under Defence Loans Act	11,750
Less:	...
New S.F. 7,589	...
Old S.F. 9	...
Net borrowing	233,703
969,915	969,915

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of Eng.		
1937						
Feb. 20	530.0	158.9	35.8	...	724.7	194.7
Mar. 31	500.0	174.6	23.5	...	698.1	198.1
Dec. 11	622.0	305.3	45.3	1.5	974.1	350.6
" 18	622.0	317.3	41.6	...	980.9	358.9
" 25	622.0	319.9	41.1	...	983.0	361.0
" 31	889.7*	39.4	55.7	...	984.9	...
1938						
Jan. 8	622.0	312.4	41.6	7.0	983.0	354.0
" 15	612.0	308.9	35.3	...	956.2	344.2
" 22	597.0	301.0	28.1	...	926.2	329.1
" 29	587.0	292.3	31.6	...	910.9	323.9
Feb. 5	572.0	281.7	33.6	...	887.3	315.3
" 12	557.0	276.9	31.9	...	865.8	308.8
" 19	542.0	275.5	31.3	...	848.8	306.8

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Feb. 19	40.0	73.7	40.0	11.3	65
Nov. 26	50.0	62.3	50.0	10.5	79
Dec. 10	50.0	91.5	50.0	15.8	61
" 17	50.0	76.8	50.0	13.9	85
" 24	50.0	68.4	50.0	12.0	74
" 31	50.0	80.5	50.0	10.1	47
1938					
Jan. 7	40.0	81.8	40.0	10.4	38
" 14	35.0	81.8	35.0	10.0	47
" 21	35.0	88.2	32.0	9.1	46
" 28	30.0	86.5	30.0	10.0	18
Feb. 4	30.0	88.4	30.0	10.0	18
" 11	30.0	87.7	30.0	10.0	18
" 18	35.0	86.6	35.0	10.1	23

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On February 18th, applications at £99 17s. 6d. per cent. for bills to be paid for on any day except Tuesday of the following week were accepted as to about 23 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Tuesday at £99 17s. 7d. per cent. and above were allotted in full. £10 0 millions of Treasury bills are being offered on February 25th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number		Purchase Price
	£	£	
5 wks. to: Feb. 6, 1937	3,765,500	2,821,125	
Feb. 5, 1938	3,729,862	2,797,394	
Week to: Feb. 6, 1937	808,237	606,170	
Jan. 29, 1938	727,294	545,470	
Feb. 5, 1938	777,312	582,984	

Net Exchequer receipts, week to February 5, 1938: Nil.

BANK OF ENGLAND RETURNS

FEBRUARY 23, 1938

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation	474,523,750	Other Govt. Securities...	188,322,224
In Bkng. Department	51,883,410	Other Secs.	652,784
		Silver Coin...	9,892
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,407,160
			526,407,160

BANKING DEPARTMENT

£		£	
Capital	14,553,000	Govt. Secs.	97,426,164
Reserve	3,663,789	Other Secs.	6,546,899
Public Depts.	16,731,642	Securities	18,454,408
Other Depts.	...		
Bankers	105,099,439	Notes	26,001,307
Other	33,536,115	Gold & Silv. Coin	51,883,410
	141,136,555		774,085
	176,084,966		176,084,966

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

THE WEEK'S CHANGES

£ thousands		Compared with	
		Amt., Feb. 23, 1938	Last Week Last Year
Both Departments			
COMBINED LIABILITIES			
Note circulation	474,523,750	...	...
Deposits: Public	16,731,642	...	...
Bankers	105,099,439	...	...
Others	33,536,115	...	...
Total outside liabilities	155,366,936	...	...
Capital and reserves	28,217,189	...	...
COMBINED ASSETS			
Govt. debt and securities	114,852,363	...	...
Discounts and advances	10,000,000	...	...
Other securities	1,000,000	...	...
Other assets	1,233,636	...	...
Gold coin and bullion	326,407,160	...	...
Reserve	3,663,789	...	...
Res. of notes and annual accounts for period to banking depart. 1938, show total revenue			
Proportion of reserve to dividend	33.4%	0.2%	0.1%
(a) Bank, dept. only ("proportion")	33.4%	0.2%	0.1%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.7%	0.1%	0.1%

COMPARATIVE ANALYSIS

£ millions		1937		1938	
		Feb. 24	Feb. 2	Feb. 16	Feb. 23
Issue Dept.					
Notes in circ.	455.1	476.7	...	...	...
Govt. debt and securities	58.6	49.7	...	...	...
Other sec.	197.6	199.0	...	...	...
Gold	313.7	326.4	...	...	...
Deposits:					
Public	13.0	11.4	...	...	...
Bankers	100.4	111.4	...	...	...
Others	37.9	36.6	...	...	...
Total	151.3	159.4	...	...	...
Blg. Dept. Secs.	85.0	98.1	...	...	...
Discounts, etc.	4.0	10.5	...	...	...
Other	20.3	18.7	...	...	...
Total	110.2	127.3	...	...	...
Banking dept. reserve	59.3	50.3	...	...	...
"Proportion"	39.2	31.6	...	...	...
Reserve ratio	51.8	51.4	...	...	...

† Gold stocks in both department and notes in circulation. * At this date debt was £11,015,100; silver coin in issue £9,892; capital, £14,553,000; rest, £3,663,789.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Roumania appeared in *The Economist* of December 25, 1937; Portugal, of February 5; International Settlements, Egypt, Estonia, and Poland, of February 12; Federal Reserve Reporting Members, Argentina, Australia, Denmark, Finland, Hungary, Yugoslavia, South Africa and Sweden, of February 19.

U.S. FEDERAL RESERVE BANKS

Million \$s		Feb. 15, 1938		Jan. 15, 1938		Dec. 15, 1937	
		1937	1938	1938	1938	1938	1938
12 U.S.F.R. BANKS							
RESOURCES							
Assets on hand	8,847	9,118	9,164	9,168			
Total reserves	9,129	9,568	9,614	9,616			
Total cash reserves	271	441	441	439			
Total bills discounted	...	...	...	...			
Bills in open mkt.	...	...	...	...			
Total bills on hand	...	...	...	...			
Industrial advances	...	...	...	...			
Total U.S. Govt. sec.	2,430	2,564	2,564	2,564			
Total bills and sec.	2,461	2,594	2,592	2,592			
Total resources	12,365	12,776	13,003	12,808			
LIABILITIES							
F.R. notes in actual circulation	4,168	4,119	4,120	4,126			
Aggregate of excess mkt. bank res. over reqs.	2,100	1,440	1,360	1,410			
Deposits — Member bank reserve account	6,005	7,296	7,216	7,241			
Govt. deposits	180	117	187	155			
Total deposits	7,185	7,807	7,857	7,839			
Can. paid in and surplus	365	308	309	309			
Total liabilities	12,385	12,776	13,003	12,808			
Ratio of total res. to deposits and F.R. note liab. combined	80.4	80.2	80.3	80.4			
U.S.F.R. BANKS AND TREASURY COMBINED							
Monetary gold stock	11,425	12,755	12,781	12,784			
Treasury and Bk. currency	2,532	2,654	2,662	2,665			
LIABILITIES							
Money in circulation	6,372	6,294	6,302	6,324			
Treasury cash and deposits with F.R. bks.	2,782	3,759	3,813	3,775			

NEW YORK FEDERAL RESERVE BANK

Million \$s		Feb. 15, 1938		Jan. 15, 1938		Dec. 15, 1937	
		1937	1938	1938	1938	1938	1938
RESOURCES							
Total gold reserves	361,268	383,766	386,666	3,907			
Total bills discounted	2.7	3.6	3.3	3.3			

BANK CLEARINGS

LONDON

(£ thousands)

	Month of January		Change ↑	Week ended Feb. 24, 1938		Aggregate from January 1 to	
	1937	1938		Feb. 24, 1937	Feb. 23, 1938	Feb. 24, 1937	Feb. 23, 1938
Number of wkg. days:	26	26		6	6	47	46
Town.....	3,268,947	3,133,880	- 4.1	824,346	576,550	6,017,439	5,308,529
Metro.....	198,790	200,849	+ 1.1	39,051	37,978	350,551	333,419
Country.....	342,492	350,759	+ 2.4	64,726	63,921	607,033	605,789
Total.....	3,810,229	3,685,528	- 3.3	928,125	678,449	6,975,023	6,257,737

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of January		Change ↑	Week ended Saturday		Aggregate from January 1 to	
	1937	1938		Feb. 20, 1937	Feb. 19, 1938	Feb. 20, 1937	Feb. 19, 1938
No. of working days:	26	26		6	6	44	44
BIRMINGHAM	13,977	12,505	- 10.5	2,565	2,264	23,308	19,842
BRADFORD	5,238	3,942	- 24.3	818	586	8,432	6,141
BRISTOL	5,481	5,539	+ 1.0	1,310	1,321	9,738	9,627
HULL	4,333	4,128	- 0.1	1,071	851	7,387	7,043
LEEDS	5,395	5,265	- 2.4	1,020	869	8,426	8,126
LEICESTER	3,556	3,476	- 2.2	618	609	5,520	5,320
LIVERPOOL	32,803	25,869	- 21.1	7,253	5,852	55,746	41,830
MANCHESTER	48,406	46,713	- 3.4	10,422	9,385	84,422	76,243
NEWCASTLE	6,161	7,304	+ 18.5	1,342	1,470	10,778	12,336
NOTTINGHAM	2,502	2,487	- 0.5	439	513	4,263	4,194
SHEFFIELD	4,834	5,098	+ 17.8	1,182	1,063	8,795	9,616
Total: 11 Towns	132,656	123,126	- 7.1	28,014	25,003	227,650	200,818
DUBLIN	...	...	...	6,001	5,873	46,165†	47,850†

† Based on average working day. ‡ 8 full weeks.

MONEY RATES

LONDON

	Feb. 17, 1938	Feb. 18, 1938	Feb. 19, 1938	Feb. 21, 1938	Feb. 22, 1938	Feb. 23, 1938	Feb. 24, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bkts. dratts	17½	17½	17½	17½	17½	17½	17½
3 months' do.	17½	17½	17½	17½	17½	17½	17½
4 months' do.	17½	17½	17½	17½	17½	17½	17½
6 months' do.	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills							
3 months'	12½	12½	12½	12½	12½	12½	12½
6 months'	12½	12½	12½	12½	12½	12½	12½
Loans—Day-to-day							
Short	12½	12½	12½	12½	12½	12½	12½
Deposit allwncs.: 10k.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	12	12	12	12	12	12	12

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938						
Jan. 27...	17½	17½	17½	17½	17½	17½
Feb. 3...	17½	17½	17½	17½	17½	17½
" 10...	17½	17½	17½	17½	17½	17½
" 17...	17½	17½	17½	17½	17½	17½
" 24...	17½	17½	17½	17½	17½	17½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Feb. 24, 1937	Jan. 26, 1938	Feb. 2, 1938	Feb. 9, 1938	Feb. 16, 1938	Feb. 23, 1938
Call money.....	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.).....	1½	1½	1½	1½	1½	1½
Bank acceptances:—						
Members—eligible 90 days	5½	5½	5½	5½	5½	5½
Non-mem.—eligible 90 days	5½	5½	5½	5½	5½	5½
Commercial accept., 90 days	5½	5½	5½	5½	5½	5½

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Feb. 18, 1938	Feb. 19, 1938	Feb. 21, 1938	Feb. 22, 1938	Feb. 23, 1938	Feb. 24, 1938
New York, \$...	4.862½	5.02½	5.01½	5.00½	5.01½	5.01½	5.01½
Montreal, \$...	4.862½	5.02½	5.01½	5.00½	5.01½	5.01½	5.01½
Paris, Fr.	124.21	152½	152½	152½	152½	152½	152½
Brussels, Bel.	35.00a	29.53	29.53	29.53	29.53	29.53	29.53
Milan, L.	92.46	95½	95½	95½	95½	95½	95½
Zurich, Fr.	25.22½	21.59	21.59	21.59	21.59	21.59	21.59
Athens, Dr.	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm. Fl.	12.107	8.96½	8.96½	8.96½	8.96½	8.96½	8.96½
Berlin, Mk.	20.43	12.39	12.39	12.39	12.39	12.39	12.39
Registered Marks							
Br. India Rup.	† 18d.	48-53	47-52	46½-51½	46½-51½	47-52	47½-52½
Hong Kong, \$...	† 18d.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Shanghai, \$...	† 18d.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Rio, Mil.	† 5-899d.	21½-22½	21½-22½	21½-22½	21½-22½	21½-22½	21½-22½
B. Aires, \$...	† 11-45	18-95	18-90	18-85	18-90	18-95	19-00
Valparaiso, \$...	† 40	16-12½	16-12½	16-12½	16-12½	16-12½	16-12½
M'video, \$...	† 5-11	21-22	21-22	21-22	21-22	21-22	21-22
Lima, Sol.	† 17-38	20-21½	20-21½	20-21½	20-21½	20-21½	20-21½
Mexico, Pes.	† 9-76	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Manila, Pes.	† 24-66d.	23½-24½	23½-24½	23½-24½	23½-24½	23½-24½	23½-24½
Moscow, Rbls.	...	26-67½	26-61½	26-56½	26-58½	26-59½	26-58½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8-23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (f) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Feb. 18, 1938	Feb. 19, 1938	Feb. 21, 1938	Feb. 22, 1938	Feb. 23, 1938	Feb. 24, 1938
Helsingfors, M.	193-23	225½-6½	225½-6½	225½-6½	225½-6½	225½-6½	225½-6½
Madrid, Pt.	25-22½	70-110 (I)	70-110 (I)	70-110 (I)	70-110 (I)	70-110 (I)	70-110 (I)
Lisbon, Esc.	110	110-110½	110-110½	110-110½	110-110½	110-110½	110-110½
Vienna, Sch.	34-58½	25½-7½	25½-7½	25½-7½	25½-7½	25½-7½	25½-7½
Budapest, Pen.	27-82	24½-5½	25-25½	25-25½	25-25½	25-25½	25-25½
Prague, Kc.	164½	142½-3	142½-3	142½-3	142½-3	142½-3	142½-3
Danzig, Gul.	25-00	26½-3½	26½-3½	26½-3½	26½-3½	26½-3½	26½-3½
Warsaw, Zl.	48-38	26½-3½	26½-3½	26½-3½	26½-3½	26½-3½	26½-3½
Riga, Lat.	25-22½	24½-5½	24½-5½	24½-5½	24½-5½	24½-5½	24½-5½
Bucharest, Lei	813-8	665-90	665-90	665-90	665-90	665-90	665-90
Constantinople, Pst.	110	627½	627½	627½	627½	627½	627½
Belgrade, Din.	276-32	211-21	211-21	211-21	211-21	211-21	211-21
Kovno, Lit.	48-66	29½-30½	29½-30½	29½-30½	29½-30½	29½-30½	29½-30½
Sofia, Lev.	673-66	390-420	390-420	390-420	390-420	390-420	390-420
Taiwan, E. Kr.	18-159	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18-159	19-35	19-35	19-35	19-35	19-35	19-35
Stockholm, Kr.	18-159	19-35	19-35	19-35	19-35	19-35	19-35
Copenhagen, Kr.	18-159	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45
Alexandria, Pst.	97½	97½-58	97½-58	97½-58	97½-58	97½-58	97½-58
Kobe, Yen.	† 24-58d.	13½-4½	13½-4½	13½-4½	13½-4½	13½-4½	13½-4½
Singapore, \$...	† 28d.	28½-14	28½-14	28½-14	28½-14	28½-14	28½-14
Batavia, F.	12-11	8-9½-6	8-9½-6	8-9½-6	8-9½-6	8-9½-6	8-9½-6
Bangkok, Baht	† 21-82d.	22½-14	22½-14	22½-14	22½-14	22½-14	22½-14

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-10½ since dollar devaluation on February 1, 1934. Rate for payments to the Bank of England. (v) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Feb. 18, 1938	Feb. 19, 1938	Feb. 21, 1938	Feb. 22, 1938	Feb. 23, 1938	Feb. 24, 1938
New York cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Paris, francs	1 Month (d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent.	1 Month (d)	(d)	(d)	(d)	(d)	(d)
Geneva, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)

(p) Premium. (d) Discount

-cont.

RK

	Feb. 17, 1938	Feb. 18, 1938	Feb. 19, 1938	Feb. 21, 1938	Feb. 22, 1938	Feb. 23, 1938
5.021½	5.01½	5.01½	5.01½	5.01½	5.01½	5.01½
5.03½	5.02½	5.01½	5.01½	5.01½	5.01½	5.01½
5.021½	5.02½	5.01½	5.01½	5.01½	5.01½	5.01½
3.2914	3.282	3.283	3.283	3.283	3.283	3.283
17.03	17.01½	16.99½	16.99½	16.99½	16.99½	16.99½
42.29½	42.27½	42.26	42.26	42.26	42.26	42.26
5.264	5.264	5.264	5.264	5.264	5.264	5.264
40.33	40.33	40.33	40.33	40.33	40.33	40.33
23.82	23.82	23.82	23.82	23.82	23.82	23.82
32.67	32.67	32.67	32.67	32.67	32.67	32.67
68.06	68.06	68.06	68.06	68.06	68.06	68.06
45.37	45.37	45.37	45.37	45.37	45.37	45.37
29.12	29.12	29.12	29.12	29.12	29.12	29.12
100.060	100.060	100.060	100.060	100.060	100.060	100.060
29.07	29.07	29.07	29.07	29.07	29.07	29.07
29.85	29.85	29.85	29.85	29.85	29.85	29.85
1.09	1.09	1.09	1.09	1.09	1.09	1.09
5.95	5.95	5.95	5.95	5.95	5.95	5.95

* Dollars per £1.

† Official.

TRANSVAAL GOLD OUTPUT

STATISTICS FOR JANUARY 1938
(Revenue calculated on basis of £6 19s. 0d. per fine ounce)

Results calculated on basis of £6 19s. 0d. per fine ounce)												
Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton	Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
						Goldfields						
140,000	...	£ 244,093	£ 138,085	£ 106,008	s. d.	Simmer and Jack.....	112,000	23,739	£ 164,949	£	55,913	s. d.
130,000	...	266,730	138,028	128,702	...	Robinson Deep	111,500	26,520	184,311	...	77,646	19 6 3
150,000	...	298,361	146,855	151,506	...	Sub Nigel.....	59,300	41,528	288,575	...	190,161	33 2 3
90,000	...	123,202	80,189	43,013	...	Vogelstruisbosch.....	58,300	13,950	96,949	...	24,123	24 11 8
						Lupatards Vlei.....	50,000	10,652	74,034	...	19,729	22 0 5
						Rietfontein Cons.	21,750	3,470	24,091	...	9,018	13 10 2
						Johnnies Group						
104,000	20,423	142,216	...	20,038	23 6 0	East Champ D'or ...	26,000	...	43,578	...	11,109	25 0
162,000	29,677	206,265	...	48,065	19 6 4	Government Areas ..	207,000	...	394,227	...	210,274	18 0
358,000	86,428	601,470	...	259,965	19 0 9	Langlaagte Estate ...	91,000	...	97,953	...	10,135	19 6
100,000	20,507	142,634	...	35,048	21 6 2	New State Areas	124,000	...	262,660	...	150,061	18 4
99,000	46,126	321,195	...	99,189	21 6 2	Randfontein Estates..	386,000	...	432,228	...	121,090	16 3
63,800	9,568	66,583	...	15,512	16 0 1	Van Ryn Deep.....	102,000	...	127,291	...	41,052	17 0
91,000	15,445	107,453	...	44,235	13 10 7	Witwatersrand	76,000	...	87,851	...	11,058	20 7
100,000	21,904	152,190	...	53,317	17 7 9	Johnnies Group Total						
120,000	26,858	256,755	...	110,272	14 11 4	Union Corporation ..	1,012,000	...	1,445,788	...	554,779	17 10
196,000	16,068	111,728	...	22,275	23 2 8	East Geduld	144,000	40,973	284,739	118,795	165,944	...
77,000	12,245	85,206	...	14,008	19 6 1	Geduld Prop.	110,000	27,496	192,109	78,262	113,847	...
73,000	...	...	...	...	...	Modder Deep	49,900	6,845	47,666	39,590	8,076	...
						Other Mines						
General Mining	...	...	...	...	...	Glynn's Lydenburg...	8,600	2,649	18,418	...	5,170	30 9 7
Ryn Gold	63,000	57,549	...	7,518	16 4	New Kleinfontein ...	71,700	13,656	94,769	66,568	28,201	16 6 8
at Rand Cons.	175,000	239,383	...	99,547	16 3	Transvaal Gold	27,500	4,519	31,427	...	4,275	19 9
						Witwatersrand Deep	50,500	8,246	57,162	47,412	9,750	...

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Feb. 20 (£'000)					Aggregate Gross Receipts, 7 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L.M.S.—	345	494	300	794	1,939	2,595	3,309	2,015	5,324	7,919
1937	394	492	310	802	1,996	2,687	3,369	2,172	5,541	8,228
1938	251	324	268	596	855	1,748	2,238	1,837	4,075	5,823
1937	251	312	285	627	881	1,791	2,327	1,990	4,317	6,108
Great Western—	160	194	121	315	475	1,107	1,303	836	2,129	3,246
1937	161	195	127	322	483	1,123	1,366	889	2,250	3,373
1938	255	39	39	93	353	1,753	401	250	651	2,409
1937	253	58	38	96	349	1,802	401	261	662	2,464
Total—	1,079	1,075	724	1,803	2,873	7,208	7,251	4,938	12,189	19,397
1937	1,062	1,087	760	1,817	2,909	7,403	7,463	5,307	12,770	20,173

(a) Week ended February 19.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross receipts, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross receipts, second half 1937, over second half 1936	+ 1,413	+ 1,099	+ 647	+ 372
Gross receipts, first half 1938, over first half 1937	+ 309	+ 295	+ 127	+ 55
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 44.14	+ 40.71	+ 18.14	+ 7.86
Latest week compared with 1937	+ 6	+ 24	+ 8	+ 4
Latest week compared with average 1937-38	- 129	- 117	- 45	- 14

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended February 18 (£'000)			Aggregate Gross Receipts, 7 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Dublin & Co. Down—						
1937	1.6	0.5	2.1	11.4	3.1	14.5
1938	1.6	0.4	2.0	11.8	2.9	14.7
Great Southern—						
1937	7.0	9.2	16.2	51.0	59.7	110.7
1938	8.2	8.3	16.5	50.0	56.7	112.7
Great Northern—						
1937	26.1	40.5	66.6	182.8	204.6	478.4
1938	26.4	37.7	64.1	192.8	235.0	477.8

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
RAILWAYS					City of London Elec.	20	7 1/2	...	7 1/2	North Met. Electric	6 1/2	10	Mar. 23	10
Isle of Man	2	Mar. 9	2		Clapton Stadium	20	35	...	35	North Wales Power	5 1/2	...	...	...
L.N.E.R. 1st Pref.	1 1/2	Mar. 9	1 1/2		Clarke, Chapman & Co.	20	10	Mar. 11	8	Oakey (John)	10 1/2	12 1/2	Mar. 25	12 1/2
Do. 1st Pref.	1 1/2	Mar. 9	1 1/2		Coats (J. & P.)	20	10	Mar. 31	2 1/2	Parry, Leon & Hayhoe	5	...	Mar. 25	...
Do. 5th Pref.	3 1/2	Mar. 9	5		Coleman and Co.	20	12 1/2	Mar. 30	17 1/2	Plymouth Breweries	12 1/2	15	Mar. 7	15
INSURANCE					Colonial Securities Ltd.	20	4	...	4	Robinson (Peter)	10 1/2	12 1/2	Mar. 15	12 1/2
Britannia Assurance	5 1/2	Apr. 15	5 1/2		Cons. Gas (Baltimore)	90	25	Apr. 1 190	25	Saxone Shoe	10 1/2	12 1/2	Mar. 15	12 1/2
London Assurance	5 1/2	Apr. 15	5 1/2		Eastwoods Lewis Ltd.	4	25	Mar. 15	4	Second Ed. & Dundee	10 1/2	12 1/2	Mar. 15	12 1/2
UNITED RAILWAY					Entfield Cables	15	25	...	25	Inv.	3	...	...	...
Prak Rubber	4	...	4		European & Gen. Cprn.	15	25	...	25	Scottish Iron & Steel	7 1/2	10	Apr. 1	10
Sampson Tea Rubber	8	...	8		Falkstone Electricity	20	110	Feb. 28	110	Scottish Power	5 1/2	8	Apr. 1	8
MINE					Globe Telegraph Ltd	20	110	Apr. 1	110	Scottish West Invest.	9 1/2	14	Mar. 12	14
Lake View & Star	12 1/2	Apr. 5	...		Goring (F.)	51 1/2	9	...	9	Shrews. & Wm Bwy.	7 1/2	10	Mar. 12	10
Lancashire W.A. Gold	12 1/2	Apr. 5	25		G.R.A. (Mechstr.) Def.	25	25	...	25	Solus Teoranta	5	...	...	...
North Broken Hill	15 1/2	...	30		Hackney Wick Stadium	37 1/2	...	...	...	Staveley Coal, etc.	3 1/2	...	Mar. 31	3 1/2
Pearling Realties	25 1/2	...	45		Hall Telephone Excs.	10 1/2	...	...	...	South African & Gen. In.	2 1/2	...	Mar. 31	2 1/2
Witbank Colliery	6 1/2	Mar. 29	5		Harringtons & Co. Wall	12 1/2	...	...	...	South Shields Stadium	10	...	...	...
OTHER COMPANIES					Heilene, etc., Trust	5	...	...	...	Swan and Edgar	7	...	Apr. 4	6 1/2
American Trust	4 1/2	...	6 1/2		Highland Distilleries	5	...	Apr. 1	5	Taylor Walker & Co.	6 1/2	10	Apr. 4	10
Anglo-Amern. Asphalt	22 1/2	Mar. 9	32 1/2		H.P. Sauters	22 1/2	30	Mar. 24	30	Trade Indemnity	3	7	Mar. 22	7
Armstrong & Company	22 1/2	Mar. 9	32 1/2		Humber Graving Dock	20	...	Mar. 24	20	United Steel	3	...	Mar. 22	3
Australian Agricultural	21 1/2	Mar. 11	112 1/2		International Paint	16 1/2	...	Mar. 31	16 1/2	Wake and W...	...	...	...	...
Bearpark Coal, etc.	7 1/2	...	...		Lancashire Electric	5 1/2	...	...	...					
British Lion	12 1/2	...	...		Leeds & Liverpl. Canal	12 1/2	...	...	...					
British Power & Light	5 1/2	...	...		Lon. & Clydevale Tst.	6	...	...	...					
Brice Peabody	5 1/2	...	...		London & Lombard Tst.	35 1/2	...	...	...					
Buriedon Brk.	5	...	...		Lon. Ass. Electricity	4 1/2	...	Mar. 17	21 1/2					
Cables Investment	2 1/2	Mar. 15	4		Lon. United Laun.	2 1/2	...	Mar. 8	4					
Caledonian Trust	6 1/2	Mar. 15	2 1/2		Mercantile Dry Dock	10	...	Mar. 24	10					
Canon Brewery	6 1/2	Mar. 12	10		Mid Counties Motor	5 1/2	...	Mar. 15	8					
Chamberlain, King, etc.	5 1/2	...	10		Midland Counties Elec.	5 1/2	...	Mar. 17	8					
					Morris & Jones	6 1/2	...	Mar. 17	7					

LONDON TRANSPORT BC

Week ending February 19, 1938, before pooling	1
Total, 34 weeks to date	1
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378
London Transport Pool receipts, year to June 26, 1937	41,377,929

OVERSEAS WEEKLY TRAFFIC REC

INDIAN

Name	Weeks	Ending	Gross Receipts for Week
			1938
Bengal & N. Western	17	Jan. 31	Rs. 11,69,966
Bombay, Bar. & C.I.	45	Feb. 15	Rs. 22,73,000
Madras & S. Mah.	43	Jan. 31	Rs. 21,57,000
S. Indian	43	Jan. 31	Rs. 17,38,468

CANADIAN

Canadian National	6	Feb. 14	\$ 3,215,473
Canadian Pacific	6	Feb. 14	\$ 2,284,000

SOUTH & CENTRAL AMERI

Anglo-Arg. Trans.	7	Feb. 18	\$631,487
Antioquia	7	Feb. 20	\$20,370
Argentine N.E.	33	19	\$136,300
B.A. and Pacific	33	19	\$112,221
B.A. Central	32	5	\$112,300
B.A. Gt. Southern	32	19	\$3,367,000
B.A. Western	33	19	\$770,000
Central Argentine	33	19	\$1,866,350
Central Uruguay	32	12	\$189,565
Cordoba Central	30	Jan. 29	\$401,000
Leopoldina	7	Feb. 19	\$1,165,400
Mexican Railway	6	14	\$322,700
Nitrate	6	15	\$128,318
United of Havana	33	19	\$33,672

* Converted at average official rate 16.12 pesos to £. † Receipts in Argentine pesos. ‡ For freight. § Converted at official rate. ¶ Receipts in Uruguayan currency. * Converted at "controlled free rate."

SUEZ CANAL RECEIPTS

Transit Receipts	6	Feb. 10	£288,800
			£21,200
			£1,129,700

THE WEEK'S COMPANY RESULTS

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. Amount	Ordinary Amount Rate					
British Line	Jan. 15,	£ 98,745	£ 290,203	£ 388,948	£ ...	£ 150,000	% 16	£ 140,000	£ 98,948	£ 293,388	% 16
Banks											
Brew Bank	Jan. 15,	£ 98,745	£ 290,203	£ 388,948	£ ...	£ 150,000	% 16	£ 140,000	£ 98,948	£ 293,388	% 16
Brew Bank	Jan. 15,	£ 98,745	£ 290,203	£ 388,948	£ ...	£ 150,000	% 16	£ 140,000	£ 98,948	£ 293,388	% 16
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1938

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Special Statistics

ECONOMIST SHIPPING FREIGHT INDEX

We give below a complete record of our monthly and annual indices of shipping freight rates. The index is based on 28 representative routes for tramp shipping, divided into six groups. The monthly figure for each group is the mean of the weekly figures, and the final index is an unweighted arithmetic average of the group figures. An account of the method of construction and of the routes included was given in our monthly *Trade Supplement* for July, 1923.

I. ANNUAL INDICES

(1898-1913=100)

Year	Europe- an Waters	North America	South America	India	Far East and Pacific	Aus- tralia	Mean
1898	108.6	137.5	119.9	124.1	130.9	110.4	121.9
1899	113.0	120.6	117.5	124.7	122.9	118.1	119.5
1900	127.3	141.2	137.8	130.4	126.7	124.6	134.7
1901	97.4	100.0	101.9	101.2	102.0	115.7	103.1
1902	91.4	81.9	86.0	90.6	84.8	87.2	87.0
1903	89.9	87.8	81.7	83.1	82.0	89.0	87.3
1904	85.2	92.3	83.8	86.9	83.6	87.2	88.2
1905	90.7	94.4	85.4	85.7	85.7	86.7	88.9
1906	95.1	93.1	88.3	90.1	85.4	86.9	89.4
1907	97.0	88.8	90.3	88.0	86.7	86.9	90.9
1908	82.9	77.7	77.4	82.7	82.5	74.8	78.3
1909	84.1	76.2	76.4	78.6	86.8	89.9	82.0
1910	90.1	77.1	87.9	84.0	83.2	84.6	84.5
1911	104.9	89.4	100.9	96.3	95.8	94.4	96.9
1912	130.6	130.4	147.6	119.1	129.9	128.2	131.0
1913	110.0	113.1	123.4	106.3	117.4	127.9	116.3
1920	575.7	440.2	525.5	498.5	506.5	514.8	510.2
1921	168.9	195.9	201.8	150.1	174.5	214.5	184.3
1922	147.8	147.0	138.2	138.8	123.4	136.8	142.0
1923	137.6	122.9	123.5	122.2	128.4	130.6	127.6
1924	127.6	138.2	130.1	127.6	127.9	142.9	132.0
1925	112.6	123.3	112.5	112.8	110.0	142.5	118.9
1926	132.1	132.3	146.4	113.8	107.1	133.0	127.6
1927	115.1	126.8	125.0	123.0	128.2	147.7	127.6
1928	107.9	111.2	110.2	113.0	117.0	132.9	114.9
1929	123.9	109.1	114.1	110.2	107.0	109.1	112.6
1930	92.5	89.3	84.0	92.8	89.9	96.3	92.0
1931	86.0	90.3	84.0	92.8	89.9	96.3	92.0
1932	85.5	85.8	81.8	90.0	89.9	96.3	87.8
1933	85.9	78.9	78.8	90.0	89.9	96.3	84.5
1934	88.1	79.3	80.3	92.0	87.6	87.7	86.0
1935	92.8	82.2	81.3	94.7	84.2	84.7	86.6
1936	101.7	93.7	93.8	101.5	97.7	99.9	98.2
1937	165.1	124.9	139.8	158.9	154.5	153.2	151.7

II. MONTHLY INDICES

(1898-1913=100)

	1920	1921	1922	1923	1924	1925
January	634.6	226.4	153.1	132.7	136.3	134.4
February	691.0	191.4	158.0	131.2	144.0	131.3
March	684.4	158.7	157.7	134.1	142.1	124.1
April	604.3	171.6	151.6	134.1	136.4	121.1
May	559.1	184.4	145.6	133.9	132.9	114.3
June	538.9	192.8	136.6	124.3	126.4	106.7
July	447.3	197.6	133.2	120.3	120.7	110.4
August	408.3	198.5	131.7	116.5	121.5	111.5
September	419.1	179.7	128.4	110.9	128.6	114.2
October	459.3	165.0	133.1	125.5	134.4	115.8
November	396.0	158.8	139.0	129.4	131.2	118.9
December	280.1	156.7	136.6	130.1	129.4	121.8

	1926	1927	1928	1929	1930	1931
January	117.0	138.0	114.6	127.6	94.4	94.5
February	110.4	140.2	109.7	124.2	87.0	95.3
March	101.1	138.0	108.4	119.4	87.0	94.6
April	102.3	129.2	110.1	115.3	89.7	94.0
May	96.2	129.6	109.1	113.2	88.5	95.2
June	104.4	124.0	106.2	107.2	88.5	90.9
July	116.0	118.2	109.0	110.3	90.9	87.3
August	122.8	122.8	114.2	111.9	96.1	86.6
September	141.1	125.1	115.8	110.9	97.3	86.9
October	182.7	123.1	120.9	108.5	95.1	95.0
November	196.7	123.6	129.1	102.7	92.2	95.8
December	147.3	119.0	131.7	100.3	94.8	95.4

* Coal Stoppage. Available routes. No British coal exports.

	1932	1933	1934	1935	1936	1937
January	92.2	91.8	87.4	83.8	94.1	135.6
February	91.0	86.4	85.2	81.4	90.6	134.3
March	91.0	86.4	83.7	82.1	89.8	137.8
April	91.7	82.3	83.3	83.4	89.9	150.3
May	88.0	81.9	83.4	83.7	88.8	154.9
June	84.3	81.9	83.8	84.0	90.6	157.0
July	80.1	84.4	85.3	83.0	92.4	154.5
August	81.8	81.4	89.6	82.1	97.5	161.8
September	86.6	81.3	89.9	86.6	100.3	169.8
October	87.3	84.1	87.5	97.2	105.9	163.6
November	88.8	85.5	86.2	94.6	112.4	164.1
December	91.1	87.9	86.4	95.8	128.2	126.4

THE ECONOMIST

Vol. CXXX

MARCH 5, 1938

No. 4932

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The Burden of Arms

THE issue at this time of the year of a White Paper on Defence policy is becoming a regular custom. The paper published this week is the fourth in annual succession, but it is the least sensational of the series. It includes no statement of Government policy of comparable magnitude to the original decision in 1935 to initiate a policy of armament, or to the arrangements for co-ordination announced in 1936, or to the disclosure of the full magnitude of the financial burden of re-armament last year. But the fourth White Paper resembles its predecessors in one melancholy aspect; for each one has foreshadowed a larger programme of defence expenditure than the last, and we are now told that even last year's gigantic estimate of £1,500 millions in five years is certain to be exceeded.

If a perusal of the White Paper induces any satisfaction, it can only be of the grim variety with which a peace-loving nation contemplates the piling up of machines of destruction. Since we have set our national hand to the task, it must be accomplished with as much efficiency and despatch as are possible; and every proof of either quality is preferable to delay and incompetence, even in a destructive cause. But no man can rejoice when he contemplates the goal towards which we are so busily hurrying.

As a record of progress, the White Paper is undeniably

impressive in its accumulation of facts. In each of the three fighting services there is substantial achievement to record. So far as the Navy is concerned, the most impressive figures are those of tonnage under construction, which have increased from less than 140,000 tons on New Year's Day, 1935, to well over 500,000 tons this year. The objective of Air Force expansion is in considerable measure achieved, as the metropolitan air force has been raised to 123 squadrons, with vastly greater reserves of men and machines than existed three years ago. Less can be said about the Army; but even there it is recorded that the Mobile Division (which in many respects is the modern Expeditionary Force) is already embodied and ready for exercises this year as a fully-established unit.

These are the achievements of re-armament, and they are by no means inconsiderable. The White Paper is naturally more reticent about the disappointments. There are glancing references to "setbacks" and to "delays and difficulties," but details are not given. Yet it is in these that the man in the street, in his capacity either of taxpayer or of prospective soldier, is naturally most interested. Is the expansion of the Navy sufficiently divorced from old-fashioned ideas which bear little relation to the actual naval problems of to-day? Is the assurance that deliveries of aircraft are "now proceeding satisfactorily," a confession that

there have been grave difficulties up to now? Is the concentration on bombers—68 squadrons as against 30 of fighters—placing too much reliance on deterrence and too little on defence? Does the statement that the new types of anti-aircraft artillery promised in last year's White Paper are "shortly to be issued" mean that London and other cities are still devoid of modern protection?

These are some of the many questions that are inevitably raised in the mind of anybody who reads the White Paper carefully. And on one wide range of subjects it is difficult not to feel the gravest disquiet. This is the vital fourth sector of defence that has aptly been called the Home Front. When the White Paper reaches this sector there is an unmistakable change of tone. Up to that point, all has been figures and facts, couched in the past and the present. But on the Home Front the White Paper can speak only in the future and in the imprecise terms of intentions, aspirations and advice. The very impressiveness of the achievements in re-equipping the fighting forces serves only to throw into the sharper contrast the procrastinations and the obscurities of home defence. Now that so much has been done for the fighting forces, the home front must receive the first share of the Government's energy.

There is thus no lack of material, in the statements and omissions of the White Paper, for those whose duty it is to prod the Government into ever greater efficiency. There is another aspect of the programme, however, which must necessarily cause disquiet. Details of the Air and Army Estimates are given on a later page of *The Economist*, and the White Paper reveals that the total of these two, together with the Navy Estimates, will be no less than £343,250,000, of which £90 millions is to be borrowed.

France Stands Firm

THE French Chamber of Deputies in its great foreign affairs debate last Saturday was clearly concerned with issues far deeper than the surface dissensions of party politics. It was facing realities and delivering upon them the considered verdict of the real mind of the French people. In doing so, it was rendering a service to Great Britain as well as to its own nation. Superficially, the relations between France and Britain since the Armistice have not been particularly happy. Yoked side by side to the Juggernaut car of the Peace Settlement, the two countries have been resolute in double harness. When either has shown an inclination to advance along the strait way leading to genuine pacification, the other has hung back. Only when one of the partners has been bent on mischief has the other failed to resist, just when its perverse recalcitrance might, for once in a way, have done good. On the surface this is a melancholy story; but consolation can be drawn from the deeper moral that, in the last resort, France and Great Britain cannot, and will not, go their separate ways alone. With this moral the Chamber was chiefly concerned.

What passed in the Chamber last Saturday was an event in English political history as well as in French. The issues raised in the House of Commons earlier in the same week were reconsidered on this occasion on the other side of the Channel, and the same division of political forces revealed itself. The schism between Chamberlainites and Edenites in the Conservative Party in the United Kingdom was mirrored on the French Right in the duel between MM. Flandin and Reynaud. But the French debate was both more enlightening and more encouraging than ours. It was enlightening because the French love clarity as much as we love imprecision. It was encouraging because of the difference in the present constellation of political forces in France and England. The Left parties, being both in coalition and in office, had no temptation to subordinate a larger national and international outlook to the game of scoring

This gross total is £65 millions higher than the comparable figure for the current year, and as £10 millions more is to be borrowed, the increase in the burden on the taxpayer is £55 millions. The Civil Estimates, published last week, showed a net increase of £13.6 millions in comparison with last year's Budget estimate. There is little or no room for savings on the debt services, so that the Chancellor of the Exchequer is faced with the problem of raising nearly £70 millions more in revenue next year than this. This is a formidable task. After making all allowances for the effects of changed taxation, the natural growth in the revenue in the last three years has been £36 millions, £25 millions and £13 millions—in reversed chronological order. This year, it is true, the Chancellor will have the assistance of the first full year of N.D.C. But the gap is too large to be filled by that device; it may be difficult to avoid increases in taxation.

This year's problem, however, is comparatively simple compared with next year's. We are told that there will be a further increase in expenditure. But by that time the revenue may be far less buoyant and N.D.C. will have made its initial contribution. Clearly, re-armament is leading us into a financial maze almost as impenetrable as the diplomatic tangle which gave it birth. Before long, the Government will have to decide whether to propose increased taxation or increased borrowing; and the choice will be neither easy nor politically advantageous. In public finance, as in foreign policy, we seem to be steadily slipping from bad to worse. For the moment there is no escape from the resolute pursuit of our purpose to re-arm. But it is a policy which is playing havoc with our finances. We can only hope that it may end before we begin to sink beneath the burden.

points against their opponents on the domestic political front. Conversely, the parties of the Right, being out of office, and not being provoked by militant tactics on the part of the Left, were able to look at the issues on their merits. M. Reynaud was in a position to criticise and castigate M. Flandin with less reserve than Mr Churchill was constrained to impose on himself in expressing his dissent from Mr Chamberlain. And the contributions made by MM. Delbos and Chautemps gained from their ministerial responsibility the weight that those made by Mr Attlee and Mr Lloyd George lacked.

The upshot of the French debate is that France has made up her mind to pursue Mr Eden's policy and not Mr Chamberlain's, and that this decision has the support of all parties from the Socialists to the Right Centre inclusive—with a possibility that the Communists, and even the extreme Right, may come into line as well.

The conspicuous features of Saturday's debate were, on the one hand, M. Flandin's failure to attract much support for his views and, on the other, the striking consensus between M. Reynaud and the spokesmen of the Government. M. Flandin showed symptoms of not having quite the courage of his recently expressed convictions. Confronted with his fellow-deputies, he did not venture to advocate his policy of withdrawing behind the Maginot Line, and leaving Europe to Hitler, as boldly as he has been stating it in the British Press. He took refuge in recriminations over past history, and in personal attacks on MM. Blum, Eden and Chautemps. It was not M. Flandin's views but M. Reynaud's which evidently appealed to the Right Centre, and the agreement between Government and Opposition was underlined when M. Chautemps was able to congratulate M. Reynaud on "son magnifique discours si joyeux et français."

The essence of the Chautemps-Reynaud policy—which the Chamber endorsed by 439 votes to 2—is that France

will not "abdicate" or "take her discharge," and the meaning of this has been made perfectly clear. France will not renounce the League of Nations; she will not abandon her allies and protégés in Central and Eastern Europe; in particular, she will not abandon Austria or Czechoslovakia; she will go to war if Czechoslovakia is attacked; she will not denounce the Franco-Soviet Pact; she will not tolerate a German hegemony in the Danube Basin. And she nails her colours to the mast on all these points because she has a clear opinion of her own on the general situation.

Some people, as M. Delbos put it, were preaching a policy of abstention—of falling back on the West; but this was to forget that France had a moral as well as a material patrimony to defend: her respect for her engagements; her consciousness of the solidarity of Europe. If France sent in her resignation, France herself would soon be threatened. It was a most abysmal error to imagine that a country could place itself beyond the reach of cataclysms by isolating itself. On this subject M. Chautemps was as emphatic as his Foreign Minister. He, too, rejected the doctrine that France ought to make a complete reversal of her foreign policy—that she ought to renounce collective security and the Franco-Soviet Pact and seek an entente with the totalitarian Powers. Such a policy of abandonment, he submitted, would have no result but to repudiate the greatness of France without even guaranteeing her security. The resignation of France from her rôle in Europe would lead inevitably to a submission of the small nations to the hegemony of the Fascist Powers, who, thus fortified, would then impose on France conditions of equal severity. As for M. Reynaud, he began by declaring that Germany would find herself mistaken if she was hoping that the debate would result in a reversal of French policy and in a vote for abdication. The choice for France lay between maintaining the balance of power and resigning; and resignation would mean, not peace as some people said, but war. If and when Hitler had made himself master of Europe outside the Maginot Line, he would demand the French colonies, Alsace-Lorraine and a corridor to the Atlantic. In the face of this peril France must stand firm in national unity.

It will be seen that the speakers in this French debate have done a valuable service to the public of both countries. Even M. Flandin has "done his bit" in bringing out into the open the great issues which Mr Chamberlain pro-

fesses not to see. The French evidently believe that they can stand firm without jeopardising their alliance with this country. M. Reynaud declared, in terms, his conviction that, notwithstanding Mr Eden's resignation, there would be no substantial change in British foreign policy; and MM. Chautemps and Delbos obviously hold the same opinion, though the responsibilities of office imposed verbal discretion upon them in Saturday's debate.

At the moment, Mr Chamberlain is concerning himself, not with Central Europe but with Italy; and if his policy is to re-establish the Stresa Front against Germany it is plain from the debate in the Chamber that the French will wish him success and will join him in making the last sacrifice of Ethiopia in order to seal the unholy bargain. Such a triple agreement will be a somewhat ramshackle affair; for the three parties approach it from different motives and with differences of emphasis. Mr Chamberlain will, no doubt, enter on the Italian talks with his eyes chiefly fixed on the state of things in the Mediterranean and its reaction on our strength in the Far East and the distant fields of Empire. Though a successful drive by Germany through Central Europe and the Balkans would ultimately prove a serious threat to British communications and Imperial interests, the danger is a more remote one than the existing friction with Italy. The Duce, though gravely embarrassed by Herr Hitler's rapid moves in Central Europe, will not come down on our side of the fence or use force on the Brenner, but will seek to keep in touch with both sides, will rely on his influence in Berlin to prevent things from going too far for his own comfort, and will use his understanding with Britain, if he gets one, as additional weight to his diplomatic representations.

Thus, England and Italy are in an ambiguous position. What of the third party? France, for her part, will welcome aid from any quarter against a German drive to the South-East. She alone is committed by specific treaty obligations in Central Europe, and her voice is, therefore, the decisive one. Though she has committed grave blunders in the past, she now bases her case on the strong ground of resistance to aggression against free peoples, and M. Delbos now tells us that she will stand firmly to her moral responsibilities. And every obligation of international right, of honour and of self-interest compels us to rally to her side.

Urban Growth and Garden Cities

CIVILISATION, as we know it to-day, is mainly town life. Men crowd into towns to find work and organised amenities lacking in the countryside. Britain, a centre of world commerce and trade and a pioneer in industry, is pre-eminently a country of towns and town-dwellers. The export industries of Welsh and Northern towns have lately declined; but urban concentration proceeds apace near the great distributive regions of the Midlands and the South. Light industries, no longer obliged to settle near their raw materials and able to tap electric power at will, seek out the largest markets.

In 1931, just over half the population of England and Wales lived in towns with more than 50,000 inhabitants; nearly one-fifth lived in towns with over half a million inhabitants; and there were more than 8,000,000 people in Greater London alone. London is the centre of Britain's transport systems by land and sea and the focus of British government, finance and culture. The number of factories in London rose from 25,559 in 1921 to 39,233 in 1936. On the fringes of the city new industries and new housing estates are being established; and of 470 factories opened or extended between 1933 and 1936, over 40 per cent. were set up on the arterial roads leading out of the

capital. The tide of population is receding from the centre of the metropolis only to meet the incoming wave of immigrants in the new industrial districts of Outer London. Smaller cities are similarly swollen, and grave problems of health, transport and administration have arisen.

Indeed, the debit side of urban civilisation has notably grown in recent years, when public and private enterprise have still to cope successfully with the last two generations' legacies of slums and overcrowding. The despoiling of the countryside by urban outgrowths is only one part of the story. Urban growth, carried to extreme lengths, may menace the health of town-dwellers, wear down their nerves by constant and expensive travelling in congested traffic, and allow them little respite for recreation and refreshment in the distant countryside. The services operated by the London Transport Board carry over 250 million passengers annually at workmen's fares, and more than 4,000 millions in all. A rough and ready estimate of the annual cost of traffic delay in Greater London alone puts it at £20 millions. Nearly two-thirds of the families in London County occupy only part of a house originally built for a single family; and, according to the most conservative estimate of Greater London's requirements for fresh air and

recreation, over 60 square miles of additional playing fields and 140 square miles of extra open spaces are needed.

Considerations of health and economy alike demand some solution for the *malaise* of overgrown cities. Existing machinery has so far failed to stem the tide of urbanisation or markedly to mitigate its less welcome consequences. Housing Acts and subsidies have been fully employed simply to abate overcrowding and provide new houses. Town Planning and Ribbon Development Acts have combated chaotic town growth, but with only slight success.

It is frequently contended that little can, in fact, be done to check the growth of urbanisation. But in the last resort population movements are the result of broad changes in the location of industry, and a policy which is profitable for industrialists may be undesirable for the community as a whole. The State, indeed, is already committed to interference with the "natural" growth of industry by tariffs, quotas, subsidies, grants and social legislation; and already the task of improving houses, health and highways in crowded towns has been undertaken. As an alternative, however, to the laborious and expensive policy of remodelling existing cities, increasing attention is now being given to the practicability of persuading industrialists and house-builders to take their enterprises to places away from the immediate fringes of cities, and there to establish communities of reasonable size and protected amenities. Trading estates in the Special Areas and, under private management, in Manchester, at Slough and near London, have already shown how factories can be induced to settle on prepared sites with organised transport, power and market facilities. Letchworth and Welwyn have combined housing development with factories, in order to create towns "designed for healthy living and industry, of a size that makes possible a full measure of social life, but not larger, surrounded by a rural belt." And the paternal housing experiments of industrial firms at Bourneville, New Earswick and Port Sunlight (which celebrated its Jubilee this week) have sought similar objectives.

It is, indeed, largely upon experiments such as these—and the "satellite towns" of Sweden and the United States of America—that the practicability of abating urban congestion by decentralisation largely depends for proof. Housing estates without industries, or industries *minus* housing, merely aggravate transport difficulties; as the experience of Dagenham and Slough and the history of London Transport show only too clearly. The absence of residential plans for workers on the Team Valley, Treforest and Hillingdon Trading Estates, again, threatens somewhat to impair their deserved success. This point, at least,

was clearly realised by the founders of Welwyn and Letchworth, which are well within the orbit of London's markets, but have their own independent social and economic individuality. They are private enterprises, begun under the inspiration of Ebenezer Howard and his disciples. The First Garden City, Limited, founded at Letchworth in 1904, has proved in its 33 years of life that a garden city can be commercially successful—provided that ordinary shareholders are prepared to wait some years for dividends. Welwyn Garden City was started under less favourable conditions, shortly after the war, when land, labour and capital were all costly. Its objectives were more ambitious; for they included the operation of subsidiary enterprises such as retail trading, cottage building, industrial construction and brick-making, as well as the essential services of gas, water and electricity. Financially, the Welwyn company has had a chequered career, but, after two drastic capital reconstructions, it has shared in general trade recovery. Neither Letchworth nor Welwyn has yet succeeded in evolving a corporate life for all classes. Nevertheless, both are notably healthy places, where the wage-earner can live within easy distance of his work without having to make his home in the cramped, dreary streets of the ordinary industrial town.

We may briefly summarise the conclusions suggested by this review of an urgent social and economic problem. A general requirement for reform is the co-ordination of industrial and housing developments; and the pattern of policy, designed to persuade rather than to compel the complementary siting of houses and factories, is the trading estate and the garden city. In a planless way, industry is already being decentralised in regions like Greater London. What is needed is not State control of industrial movements, but rather State provision through local authorities, under Town Planning and other powers, of convenient sites for industrialists with adequate supplies of labour, suitable housing and transport facilities and accessible markets, combined with the encouragement—through voluntary organisations—of the social activities and amenities which distinguish garden cities from soul-less dormitory towns.

It may be that a combination of planned units, self-contained satellite communities (similar to Manchester's developments at Wythenshawe or Aberdeen's Kincorth, and more remote garden cities) will best satisfy the economic needs of the manufacturer, and at the same time rehabilitate the social standards of the community. Our civilisation may well stand or fall in the next few generations by its ability to retain the cultural and commercial advantages of town-life without surrendering the health and freedom of open spaces, gardens, fresh air and the countryside.

Progress in India

SIR JAMES GRIGG, Finance Member of the Government of India, described his latest Budget, which he opened in the Legislative Assembly on February 26th, as a dull one. It was dull only in the sense that it recorded neither any changes in taxation nor any spectacular movements of realised or anticipated revenue or expenditure. In some of its subsidiary aspects, however, notably the provision for defence and the finance of provincial autonomy, it was profoundly interesting. Revised estimates for 1937-38 showed an increase of Rs. 390 lakhs* in revenue and of Rs. 322 lakhs in expenditure; hence Rs. 75 lakhs of the Revenue Reserve Fund of Rs. 184 lakhs, the whole of which had been appropriated in order to show an estimated surplus of Rs. 7 lakhs, would be available to relieve the 1938-39 Budget. Of the increased expenditure, defence services were responsible for Rs. 260 lakhs, the greater

* A lakh of rupees is equivalent to £7,500; 100 lakhs make one crore.

part of which was due to the Waziristan campaign.

In 1938-39, defence is estimated to cost Rs. 4,518 lakhs, slightly more than the original estimate for the current year. A temporary shortage of British troops will be offset by the cost of better rates of pay and conditions of service designed to stimulate recruiting in Great Britain. Some Rs. 85 lakhs are to be spent on mechanising British cavalry and infantry, for which the British Government is providing a special grant of Rs. 80 lakhs, some of which has already been spent. In addition, the remaining balances in the Defence Reserve Fund are to be used to finance improvements in coast defences, the construction of a factory to make India self-sufficient in high explosives, the mechanisation of certain Indian units and other urgent measures. Sir James Grigg disclosed that the British Government had agreed to forgo India's long-standing contribution of £100,000 a year to imperial naval defence on condition that she maintains a sea-going fleet of at least six

modern escort vessels, available to co-operate with the Royal Navy in the defence of India, and that she accepts responsibility for the local defence of Indian ports. The defence relations between India and Great Britain are thus being steadily readjusted to meet changed political and strategic conditions. But difficulties are bound to continue while defence expenditure fills over half the Indian Budget.

The total estimates for 1938-39 are Rs. 8,592 lakhs of revenue (including the residue of the Reserve Fund) and Rs. 8,583 lakhs of expenditure. The Finance Member has had to take into account the trade recession, particularly in the textile industry, which has already caused a distinct falling-off of revenue from customs and excise and from the railways. The latter had a very good year in 1937, their net estimated surplus for the fiscal year being Rs. 283 lakhs. Under the Niemeyer award, this is added to the yield of divisible income tax amounting to Rs. 1,155 lakhs, and of this combined total the Central Government receives Rs. 1,300 lakhs and the provinces Rs. 138 lakhs. The latter's share in 1938-39 is estimated at Rs. 128 lakhs. In addition, the central Budget for 1937-38 has had to bear extra expenditure of Rs. 449 lakhs as a result of the reforms, of which Rs. 251 lakhs is due to the separation of Burma.

It is no mean achievement to have carried through so vast and expensive a constitutional change within the limits of a "dull" Budget, and at the same time to have made available over a million pounds of central revenue for provincial purposes. For 1939-40, the Finance Member forecast a considerably higher yield of income tax as a result of the Income Tax (Amendment) Bill, which he proposed shortly to introduce. But economic conditions seem unlikely to repeat the prosperity of 1937 for a while to come, and lack of revenue will obviously remain a heavy brake on social reform in India. Some of the provincial Governments have increased their own fiscal difficulties by measures of local prohibition, which deprives them of liquor revenue—one of the most striking of current developments is the effort of Bombay, Bihar and the United Provinces to find alternative uses for material formerly used to make liquor, notably through the manufacture of industrial alcohol from molasses. In the circumstances, Congress Governments, as well as others, have been compelled to go slow with economic reform, in the face of severe pressure from their own Left Wing and from peasant agitators. The

peasant movement has apparently gained great momentum during the past year, and is proving embarrassing to Ministers who had conducted "No-Rent" campaigns and similar agitations when in Opposition. The Madras Ministry has introduced a Bill providing for the compulsory liquidation of arrears of interest on agricultural debt and a limitation of such interest to 6 per cent. In the United Provinces a "Five Years' Plan of Rural Reconstruction" has been launched. It rests on the endeavours of 1,200 "field workers" who are engaged at nominal salaries to organise village assemblies, to encourage cottage industries, and generally to improve the life of the villagers.

The dominance of the Right Wing of Congress, which has been displayed in actual provincial administration, has also been proved in the course of the dispute over the refusal of the Governors of Bihar and the United Provinces to release all political prisoners immediately. The Congress, assembled in full session at Haripura, refused to extend the conflict beyond those two provinces, and both Ministries have now returned to office on the basis of a compromise. The Governors will accept the advice of their Ministers on the release of political prisoners provided each case is separately examined. Face has been saved on both sides, but the Ministers have obtained the substance and the Viceroy the shadow; for the latter had insisted that the release of these prisoners was dangerous in any case, and that his and the Governors' responsibility for "peace and tranquillity" overrode that of Ministers for law and order.

Regrettable as was the initial clash, the episode has been a lesson both to British and to Indians of the meaning of responsible government. The future of Indian provincial government under the Act of 1935 seems more assured to-day than ever before, and nothing but good can come of the Indian realisation that, as reactions in the British Press plainly showed, public opinion in Great Britain is anxious to keep faith with India and to test to the fullest degree her capacity for self-government. Only by such slow education of all those concerned can federation and central autonomy be brought to reality. That is the next stage in India's advance towards the place in the world that her size, her numbers, her resources and her ability mark out for her. It has been brought nearer both by the incident of the political prisoners and by the sound central finance once more exemplified in the Finance Member's latest Budget.

The Defence White Paper

The Statement Relating to Defence issued on March 2nd is summarised below.

THE general lines on which it was proposed to expand capacity for the production of armaments were explained in the White Paper of February, 1937. A number of new factories have been brought into production, and others are under construction. Existing factories are working to a high level of output.

It is not to be expected that no setbacks should be encountered in a programme of this magnitude. For example, the full expansion of production necessary to enable the programme to be completed within the time originally contemplated has made demands on the supply of certain materials and on certain types of skilled labour which could not be met without some delay, the more so as it has been the policy to avoid as far as possible interference with the requirements of private industry.

Regarding the task as a whole, it can be said that, while delays and difficulties have been experienced, and deliveries have not in some cases come up to anticipation, progress has on the whole been satisfactory. The difficulties hitherto encountered have been largely met, and the rate of production is now rapidly increasing. The position in regard to raw materials has been kept under continuous survey.

THE NAVY

The speed with which the strength of the Royal Navy is being increased is shown by the following figures of tonnage building at successive dates:—

January 1, 1935	...	...	...	139,345
January 1, 1936	...	...	...	281,925
January 1, 1937	...	...	...	375,740
January 1, 1938	...	...	...	547,014

During the year April, 1938, to March, 1939, some 60 new vessels of all classes are expected to be put into service, representing a total of over 130,000 tons.

The programme of new ships to be laid down in 1938 has been planned in accordance with the principles stated in the preceding White Paper, and will consist of:—

Two capital ships, one aircraft-carrier, four large cruisers, three small cruisers, three submarines, three minelayers, two river gunboats, one destroyer depot ship, one submarine depot ship, one Fleet Air Arm supply and repair ship.

The programme will also include boom defence vessels, tugs, motor torpedo boats, and miscellaneous small craft.

* Inducement for existing firms to expand.

THE ARMY

The accumulation of the necessary war reserves for the Army is proceeding on a large scale. In the production of nearly all the major articles of armament and equipment for which new designs are being adopted the stages of design and development are already ended, or are within sight of completion.

A certain amount of modern equipment, including vehicles, has already been issued to the Territorials.

THE AIR FORCE

The new types of aircraft were for the most part placed in production before the construction and testing of prototypes. This policy, which was deliberately adopted in order to reduce delay to a minimum, has involved certain initial difficulties, but it has enabled new types of aircraft to be delivered to squadrons much earlier than would have been possible under the methods used in the past. The types in question have shown a high degree of performance.

The equipment, including many new and improved types of armament and instruments, has come fully up to expectations, and deliveries are now proceeding satisfactorily. As a further step to ensure maximum production the number of types of aircraft in the Service is being progressively reduced, so that not only can a clear run be obtained in each factory on a single type, but also several factories can be engaged in the production of one type.

The six shadow factories for the manufacture of engines have already begun production. One of the two airframe shadow factories is expected to begin production a few weeks hence and the other later in the year. Other shadow factories for airscrews and carburettors have also started production, and a shadow factory for bombs is on the point of doing so.

WORKS AND PERSONNEL

Good progress has been made with the Army works services for bringing barrack accommodation up to modern standards, and providing the workshops and buildings required for modern mechanised forces, both at home and abroad. A large building programme is also being carried out to provide the new type of accommodation which is necessary for the two Anti-Aircraft Divisions.

The total number of new aerodrome sites acquired since the expansion programme started is 59; of which 30 are now occupied by units.

To keep pace with the growing strength of the Fleet, naval personnel has expanded at a steadily increasing rate. Additions were made to total numbers of approximately 3,000 during the years 1933 and 1934, and of approximately a further 10,000 during the years 1935 and 1936. In the year 1937 an increase of over 10,000 has been planned, the effect over the five years being an expansion of about 25 per cent. In 1938 an increase of 7,000 is in contemplation. Some difficulty has been experienced in the past year in obtaining skilled tradesmen, but the position in this respect is showing most satisfactory improvement.

A number of measures have been taken to facilitate and encourage Army recruiting. These measures fall under two headings: revision of the qualifications for enlistment and improvements in conditions of service. Under the first heading, physical and educational standards have been adjusted to suit the duties of the various arms, and in certain corps the age limit has been raised. Under the second heading there have been increases of ration allowance and of recruits' kit allowance, the improvement of messing and accommodation, the abolition of "holding" for an extra year's service abroad, and the granting of permission to soldiers over 21 years of age to sleep out of barracks. During 1937, 3,600 more recruits were taken than in the previous year.

Last August men serving in Sections A and B of the Army Reserve were invited to rejoin the Colours; up to the end of January some 2,600 had done so.

The year 1937 was a record recruiting year for the Territorial Army, 45,320 recruits being obtained and the strength of all ranks being increased by 17,690.

In the Air Force training facilities have been greatly extended both for pilots and technical personnel, and

further extensions will be made. The number of Service flying training schools has been increased from four to 11, and they have also been relieved entirely of elementary flying training, which is now carried out at 13 civil flying schools. Since April, 1935, approximately 4,500 candidates have been accepted for training as pilots, and 40,000 airmen (including 6,300 apprentices) mostly for training in skilled trades, as compared with a typical pre-expansion entry of approximately 300 pilots and 1,600 airmen a year.

The Royal Air Force Volunteer Reserve, which was recently established to create a reserve of pilots and other personnel, is working very satisfactorily and will be further extended. The estimated pilot entry for the year April, 1937-March, 1938, was 800, but this programme has already been exceeded, and over 1,000 entrants for the pilot reserve have been accepted since April, 1937.

Detailed plans are being worked out by the Admiralty and Air Ministry to give effect to the decision taken in July, 1937, for the transfer to the Admiralty of the administrative control of the Fleet Air Arm.

Of the four new infantry battalions and two new Army tank battalions referred to in the White Paper of February, 1937, two infantry battalions and one tank battalion have been formed, and very satisfactory progress made in building them up to establishment. The Mobile Division is now in being as a formation, and will train as such this year.

In the process of building up an adequate home defence Air Force, the Metropolitan strength was raised during the past year to 123 squadrons; the corresponding number in 1934 was 52 squadrons. The present force comprises 68 bomber squadrons, 30 fighter squadrons, 15 squadrons of general reconnaissance aircraft and torpedo bombers, and 10 Army Co-operation squadrons.

GROUND DEFENCE

The development of active ground defence against air attack has continued throughout the year. More units have been converted to form part of the expanded second Anti-Aircraft Division, and others have been converted and reorganised for Coast Defence purposes. Between April and December, 1937, the two Anti-Aircraft Divisions increased their strength by 345 officers and over 9,000 other ranks. The new types of weapons and equipment to which reference was made last year will shortly be issued.

A successful start has been made with a balloon barrage scheme, most of the material for which has already been delivered. Sufficient regular personnel have been fully trained to enable them to supervise and train in their turn the auxiliary personnel who will be primarily responsible for manning the barrage. Recruiting of the auxiliary personnel is expected to start in May.

As regards the system of organisation, the Air Ministry is responsible for the air defence scheme as a whole, and the anti-aircraft units of the Territorial Army, which provide the gun and searchlight defences, come directly under the Air Officer Commanding-in-Chief, Fighter Command, for operations in war and combined training in peace.

The measures for the protection of the civilian population against the consequences of air raids have been taken an important stage forward by the Air Raid Precautions Act, 1937, under which local authorities will discharge the duty of preparing comprehensive schemes for the purpose, with substantial financial assistance from the Exchequer.

The local authorities are required to provide for the instruction of the public, the enrolment and instruction of voluntary personnel for air-raid wardens, first-aid parties, first-aid posts, etc., arrangements to deal with the dangers of poisonous gases, a survey of accommodation locally available which could be used, with adaptation where necessary, for public shelters, the organisation of the hospital services for casualties, the organisation of emergency fire services, co-ordination with public utility undertakings, lighting restriction and warning systems, as well as the preparation of plans on which the Secretary of State could, if the emergency arose, give directions as to evacuation.

A general training school for Air Raid Precaution Officers of local authorities is being opened in London. About 25 to 30 officers will attend each course, which will last between two and three weeks. The two schools for anti-gas measures are now fully in operation and a course for

superintending instructors in the measures for dealing with incendiary bombs is also beginning.

A large proportion of the gas respirators required to supply the whole civilian population is already available, and the balance will have been obtained by the end of this year. Similarly, the supply of protective clothing for volunteers who will be actively engaged in the schemes proceeds regularly, and arrangements are being made for its partial distribution to local authorities.

The Home Office, working in conjunction with the Office of Works and the Scottish Office, is responsible for the design, production, and issue of the equipment for the use of the local authorities as their schemes develop. As the result of co-operation with various manufacturers, orders have already been placed for about 2,500 light trailers; these are fire pumps coupled up to an engine and mounted on a light chassis which can be towed by an ordinary motor car. In addition, orders have been placed for 200 trailer machines of larger pumping capacity as patrol vehicles for areas of heavier fire risk. Large-scale production of this type will be in progress this year.

Further experiments have led to orders for five types of heavier duty machines primarily for station work—i.e., fighting conflagrations.

Supplementary to the military plans for the defence of trade and the protection of important points against air attack, the maintenance of adequate supplies of food and

feeding stuffs, including a proper system of control and distribution, has occupied a prominent place in the work.

EXPENDITURE

In the White Paper presented to Parliament in February, 1937, it was stated that, taking the programme as it then stood, it would be imprudent to contemplate a total expenditure on defence during the next five years of much less than £1,500,000,000.

Estimates for 1937-38 provided for a total expenditure by the three Defence Departments of £278,250,000, of which £80,000,000 was to be met by borrowing. In addition, about £2,250,000 was provided for air raid precautions schemes.

For the year 1938-39 provision is made in the Estimates of the three Defence Departments for expenditure amounting to £343,250,000, of which it is proposed to meet £90,000,000 by borrowing. In addition, nearly £8,500,000 is provided for air raid precautions services.

Present indications are that the defence programmes now in hand are likely to involve defence expenditure in 1939 in excess of the provision made in the Estimates for 1938.

Even on the assumption that 1939, as now seems probable, will be the peak year of defence expenditure, the total expenditure on defence over the five financial years 1937-41 will exceed the sum of £1,500,000,000 mentioned in the White Paper of February, 1937.

Topics of the Week

Lord Halifax at the Foreign Office.—The appointment of Lord Halifax as Secretary of State for Foreign Affairs has been greeted by loud protest from the Labour Party against the appointment of a member of the House of Lords to take charge of what is now the most important and most criticised Department. A debate on the matter took place on Monday evening in the House of Commons. It is, in truth, an unfortunate situation that the Foreign Secretary should have his seat in a House where the Opposition is very inadequately represented, and that questions on foreign affairs in the House of Commons should be answered either by the Under-Secretary, whose authority is restricted, or by the Prime Minister, who is not in constant contact with the detailed work of the Foreign Office. The debate revealed a general agreement on all sides that, other things being equal, it was highly desirable for the Foreign Secretary to sit in the Commons. But there was also a very general agreement that, the personnel and the policy of the Government being what they are, Lord Halifax is the best available person for the post. Parliament has indeed accepted the change from Mr Eden to Lord Halifax more quietly than could have been expected before it took place. This does not mean that there is any lack of support for the position which Mr Eden has taken up. On the contrary, it is being made clear from every corner of the country that there is a very large body of opinion of all parties which takes his side of the controversy. But there is also recognition that it is not in the country's interest to embarrass the Government in the very delicate and difficult task that they have undertaken of reaching an agreement with Signor Mussolini.

It must also be recorded that much of the opposition to the Government's policy which might have showed itself in votes and speeches has been driven into silence by the clumsy tactics of the Labour Party, who have framed their indictment, both inside and outside Parliament, in terms calculated to frighten rather than to attract the large section of middle opinion which is disquieted by Mr Chamberlain's policy without going as far as to believe that the Labour Party are heaven-sent diplomatists. This dissatisfaction with Labour tactics has already led to the resignation from the party of Lord Arnold, who was a member of both the Labour Governments, and it is apparent that the cleavage of opinion on foreign affairs is not confined to any

one party. Success in the task that the Government have undertaken would, of course, rally a large section of the public to Mr Chamberlain's thesis, and in pursuit of this aim the Government are pressing on with the preparations for conversations with Italy. Lord Perth, the British Ambassador in Rome, has been in London to receive his instructions. Nothing definite is apparently known of the terms which Signor Mussolini will both demand and concede, but it has been most emphatically denied that he is seeking a share in the control of the Suez Canal, and the Non-Intervention Committee is passing through one of its recurrent phases of making substantial progress towards the acceptance of the British plan for the withdrawal of volunteers. There is thus every reason to believe, until evidence to the contrary is produced, that both the British and Italian Governments are anxious for an agreement, and the hope will be universally expressed in this country that a genuine and worth-while understanding may be achieved. There has never been much disagreement on the desirability of such an accord, but only on the methods and possibilities of achieving it. Success would therefore be welcomed. But failure would be followed by a dual crisis both in the affairs of Europe and in those of the British Conservative Party.

Mr Eden and Lord Cranborne.—Mr Eden addressed his constituents at Leamington on Friday last, and Lord Cranborne his at Weymouth next day. Both speakers struck the same note and made the same points. The two ex-Ministers combined great self-restraint and public spirit with an equally marked confidence in the correctness of their judgment and the rightness of their action. Each of them dealt with the minor as well as the major question at issue. On the minor question they both reaffirmed emphatically their own conviction (reached in the light of the full evidence at their disposal) that the Italian invitation to negotiate had been accompanied by something of the nature of a threat of "now or never." On the major question—whether it was good policy to enter into negotiations with Signor Mussolini unconditionally, without asking for a previous fulfilment of undertakings already given—they were both equally emphatic. And their case is particularly impressive in the present context, for it is, after all, a case which the champions of the old diplomacy have never tired of making against the post-war tech-

nique of convening general conferences with an unlimited agenda. It was, in fact, nothing but the orthodox demand for "adequate diplomatic preparation" that Mr Chamberlain scouted as an indignity to which no self-respecting Great Power could be expected to submit. Lord Cranborne made it clear that he and Mr Eden had been perfectly ready to see unofficial exploratory conversations with Count Grandi continue. Their point was that the official conversations ought not to begin until existing Italian pledges in the matter of withdrawing troops from Spain had been implemented—*pari passu* with the implementation of the corresponding pledges of other Powers.

As Mr Eden put it, the course that the Government had chosen was an indication of the sincerity of their desire to reach an agreement, but it was not necessarily an indication of their wise judgment in international affairs. It was possible, he submitted, to stand firm and obtain the same results, if they were there to be obtained, without the risks attendant on the present course. Was it to be agreement when you could get it negotiated on a solid basis? Or was it to be agreement if you could get it, regardless of the basis? Mr Chamberlain's course was, as Lord Cranborne put it, to condone existing breaches of obligations and so to strike a further blow at the whole structure of international confidence. And on this showing Lord Cranborne reaffirmed his own, and Mr Eden's, opinion that the issue was a fundamental one. The verdict of the country as a whole, if it could be consulted, would doubtless be the same. Perhaps Mr Chamberlain's knowledge that he will have to justify himself not merely to his own supporters but also to Mr Eden and the great mass of people who think with him, will serve as a salutary obstacle to any headlong progress along the dangerous road that the Prime Minister has chosen to take.

Climax in the Irish Talks.—Mr de Valera, after spending last week-end in Dublin, returned on Wednesday to resume, apparently for the last time, his talks with British Ministers in London. Trade relations have had first place in these later discussions, and the hopes of a comprehensive settlement which animated both sides at an earlier stage have faded. Mr de Valera himself remarked on his return to Ireland last week that such a settlement—"the only one that would have world significance"—seemed now unattainable. The fact that inability to proceed on the larger issues that divide the two countries has not prevented progress towards at least a trade agreement is itself a welcome victory for common-sense. But it is difficult to avoid the reflection that if Mr Chamberlain could spare for Ireland a little of the optimistic zeal that he has lent to the chance of a settlement with Italy he might be rewarded with a far greater return in strategic and economic advantage, and in friendship that would stand the test of time.

Another Beveridge Report.—Once more the Unemployment Insurance Statutory Committee has reported that there is a true surplus in the Unemployment Fund; and once more the Minister of Labour has accepted the Commission's recommendations for increased benefits. The balance in the Fund on December 31st last was £60,379,000. The Committee estimates that the reserve necessary to meet the losses of the Fund in the depression half of the cycle is £52,963,000. The surplus is thus £7,416,000. In addition, the Committee proposes to use its new powers to pay off £20,000,000 of its debt to the Treasury which will yield a net annual saving in interest of £500,000. These sums will pay an extra shilling a week to the wives or adult dependants of insured unemployed and also to extend the period of benefit. The Committee also finds that the agricultural scheme is accumulating a surplus and accordingly recommends both reductions in contributions and increases in benefits. These findings are based on the usual authoritative survey of economic prospects. The Committee recognises that there was a definite change in the trend of unemployment in the last quarter of 1937. But they agree with the view of the Committee on Economic Information of the Economic Advisory Council that "the

probabilities are against the recession becoming a depression in 1938 or even in 1939." In the longer period, they once more revise downward their estimate of the future average unemployment percentage over the period of a complete trade cycle. When the Act was passed in 1934, the balancing point of the Fund was assumed to be 18.1 per cent. It has now been reduced to 15.1 per cent. Hitherto the Committee's optimism has always been more than justified by the course of events. Whether its luck will hold as well in the downward phase of the trade cycle as during the period of recovery remains to be seen. But though the testing time of the Fund's solvency is approaching, it still seems to be some way off.

Trinidad Report Debated.—On the Colonial Office vote, last Monday, the Opposition raised the matter of the Trinidad Commission of Inquiry. A good deal of time was spent, rather unfortunately, in debating the question of the Governor's resignation, and Labour members accused the Secretary of State of having dismissed him for his liberal attitude towards the rioters and their grievances. Mr Ormsby-Gore made it clear that no such charge could be justified; a Governor of stronger health and firmer decision was obviously now required. On the major practical issue the Secretary of State was reassuring. He had given general instructions to the new Governor to carry out the Commission's recommendations. The medical department in the colony would be radically improved, and a labour department was being organised. The Government had appointed an adviser to the Colonial Office on labour questions, who would visit Trinidad immediately after his return from the Rhodesian copperfields. The whole episode has been profoundly disturbing to our complacency over British colonial administration. It suggests, first, that parliamentary vigilance should be intensified, and, secondly, that there is a deal of dead wood in the colonial service. Bureaucratic apathy and inertia must share the blame with avaricious commercial exploitation for the unhappy conditions in Trinidad, which, it is generally hoped, will now be corrected.

Domestic Affairs.—While the substitution of Lord Halifax for Mr Eden at the Foreign Office and Monday's discussion of the disturbances in Trinidad last June again largely focused attention on overseas events, home topics in the past week have commanded more Parliamentary interest than for some time past. The appearance of a batch of Service Estimates and a White Paper on re-armament (summarised on page 489) evoked the shadow of the forthcoming Budget and rising expenditure. In the second-reading debate on the Government's proposal to decontrol the rents of all houses with a rateable value of £35 a year in London and Scotland, and £20 elsewhere, there was a clear-cut division of opinion. Sir Kingsley Wood argued that there was no longer any serious shortage of this type of house. The Labour Opposition contended that there was, and professed no confidence in the Government's policy to secure low rents for cheap houses by free competition between builders. Mr Tom Johnston claimed that the effect of the Bill was to provide the machinery whereby the rents of 450,000 families could be raised; and it was at least clear from the discussion that the extent and tempo of the policy of decontrol must depend upon exact inquiry into the state of housing supply, such as the Government propose to undertake through a Committee before 1942. The time taken in the discussion of subjects like rent restriction and hire purchase is well spent; but members heard with regret the Prime Minister's announcement that there would be no opportunity to introduce the long-awaited and controversial Electricity Bill this Session, in view of the pressure of foreign affairs, finance and films upon Parliament's time.

Hire Purchase.—March opened in Parliament with the successful passage of Miss Ellen Wilkinson's Hire Purchase Bill through Standing Committee. So far, this salutary measure, designed to eradicate practices which bear unjustly upon hirers whose limited means compel

them to secure many of the amenities of living through the widespread system of deferred payments, has surmounted the obstacles of private member procedure. Although more opposition has been forthcoming from the trade than at one time seemed likely, the Bill has the support of the Hire Purchase Association, whose concern for improved standards of commercial behaviour has been notably demonstrated. Miss Wilkinson has enjoyed the assistance of the Attorney General, in addition to the general backing of public opinion and the specific endorsement of her proposals by judges whose daily contact with hire-purchase cases has revealed the evil effects of disreputable practices. If the Bill becomes law, it will no longer be legally possible for firms to "snatch back" hired goods after a third of the instalments has been paid, without recourse to a county court. All contracts must state explicitly the cash as well as the hire-purchase price of the goods hired; and hirers will be permitted to surrender the goods and end their obligations on payment of a proportion of the agreed price varying with the length of time for which the contract has already run. Discussion and amendment in committee have improved the Bill, and its appearance on the Statute Book will be the occasion for merited gratitude.

Schuschnigg Himself Again.—At a time when there is an unusual dearth of statesmen with will-power, Austria has shown herself capable of providing one such statesman for herself as well as one for her sister—and antagonist—the Reich. Flushed with repeated triumphs over Frenchmen, Englishmen and Poles, not to speak of Germans in the Reich, Herr Hitler has come up at last against an Austrian Bundeskanzler who has the will to fight. According to precedent, there ought now to be in progress a Nazi landslide in Austria as there was in the South-German states whose Governments talked so bravely up till the moment when they were *gleichgeschaltet* in 1933. But Dr von Schuschnigg—as those who know him might have guessed—is not of the stuff to provide one of Herr Hitler's obligatory half-yearly triumphs. He gave his interpretation of the Berchtesgaden agreement in a speech at Vienna on Thursday of last week. His theme was that Austria's interpretation of her duty as a German state would be to keep her own end up *vis-à-vis* the Reich; and he gave the Austrian Nazis warning that the letter of the Berchtesgaden agreement represented the spirit in which it was going to be interpreted by him. It had been agreed, he reminded them, that the Austrian Nazis were to enjoy neither support from quarters outside Austria nor toleration for political agitation from the Austrian Government. The Austrian Constitution of 1934 had been recognised by Herr Hitler, once again, as being the law of the land, and the watchword for Austria was now "so far and no farther." He concluded by putting to himself the question "Do you think you can carry through your

programme?" and replying "I not only think; I know I can."

There can thus be no doubt about Dr von Schuschnigg's determination to maintain the independence of his Government and country. But the sequel to his speech in the province of Styria, a south-eastern march of the German-speaking world that has always been a stronghold of Pan-Germanism, has caused doubts about the possibility of his policy to be re-born, despite his own confidence. The Styrian Nazis' retort to the speech was to jam the wireless, to hoist the swastika flag over the town hall of Graz, and to announce a converging march of all the Nazis in the province upon the city. At the weekend Dr von Schuschnigg acted promptly, and vigorously. Troops were sent down in lorries from Vienna, aeroplanes circled over the town, and the Mayor of Graz was dismissed. On Tuesday Dr von Seyss-Inquart, the Nazi Minister of the Interior, visited Graz, ostensibly with the purpose of imposing discipline upon his followers there. But the presence among them of Herr Hitler's nominee served only to intoxicate the Styrian Nazis, and they paraded before Dr von Seyss-Inquart in flagrant breach of his own instructions. Since then he has been in conference with the local Nazi leaders, one of whom has interpreted the Government's views as permitting the use of the swastika and the Hitler salute in private. It is clearly not going to be an easy business for Dr von Seyss-Inquart to control his followers, or for Dr von Schuschnigg to control Dr von Seyss-Inquart.

Chamber and Senate in France.—In spite of the remarkable decisiveness and unanimity that characterised the debate on foreign policy last Saturday, this week has been an anxious one for M. Chautemps' Government. It looked for a day or two as though, at a moment when, of all moments, union and stability in France were of vital importance, the Government might be forced into resignation by a deadlock between Chamber and Senate over the purely domestic question of the Labour Arbitration Bill. A hard-driven Premier had to pass from a Saturday spent on a crucial debate on foreign affairs to a Sunday of wrestling with the Senate over the text of this piece of draft domestic legislation. In spite of his appeals to the Senate to refrain from making any drastic amendment of the text which the Chamber had sent up to it, the Senate did reject an important clause providing that the documentary evidence relating to the ability of employers to meet increases in wages owing to rises in the cost of living must be shown to the two arbitrators representing Capital and Labour respectively, as well as to the neutral arbitrator whom the Bill appoints to deal with this question. This might have involved the opening of a firm's books to the trade unions. But if the Government accepted the Senate's amendment it would be abandoning a compromise at which it had arrived in laborious negotiations with the

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Confédération Générale du Travail. Accordingly, on Monday, the Chamber rejected all but a trifling residue of the amendments that the Senate had made on Sunday, and on Tuesday it went still further in the direction of restoring its own original text—with M. Chautemps now vainly imploring the Chamber, in turn, to leave the Senate some chance of saving its face. On Wednesday the Chamber did show some consideration for the Senate's susceptibilities, and the omens now point to an agreement.

Dictators' Justice.—Both the German and the Russian dictators have this week demonstrated their contempt for the antiquated democratic notion of justice. M. Stalin's latest "treason trial" eclipses all its predecessors in the rank and past services of the accused, who include M. Rykov, a former Prime Minister of the Soviet Union, and M. Krestinsky, who preceded M. Stalin himself in the key-post of Secretary of the Communist Party. But otherwise the trial has followed the familiar pattern. There has been the same series of utterly unbelievable accusations of continued and deliberate treachery to the Soviet State. There has been, with one exception, the usual monotonous record of pleas of "Guilty." The exception was M. Krestinsky, who confessed to his crimes in prison, but retracted his confession in open court. Such a refusal to abide by the rules of the game was obviously disconcerting to the Public Prosecutor, as it clearly indicated the existence of wreckers in the Commissariat of Justice, and it is not surprising that within twenty-four hours M. Krestinsky was brought to see the danger in which his selfish action was placing his accuser and that he accordingly retracted his retraction. What internal purpose these trials serve is, presumably, M. Stalin's business. But outside the Russian borders they serve only to sicken and disgust the friends of Russia and delight her enemies. By comparison, the treatment of Dr Niemöller by the Nazis is almost gentle. The pastor was sentenced by the court of law before which he appeared to a sentence of seven months' honourable confinement and to a fine of £25, both of which were considered as cancelled by his imprisonment before trial, and to a further fine of £75. But he was no sooner set free by the law than he was arrested by the police, and the latest news is that he is to be sent to a concentration camp. Thus the Nazis allow the formality of a fair trial, they allow their prisoners to plead not guilty, and they do not shoot everybody who falls foul of the party. But these are minor differences compared with the negative justice under either regime.

Japan's Three Fronts.—Japan's war continues on three fronts, of which only one involves actual shooting. The battle for the Lunghai Railway continues. The Japanese regularly report great victories and the rout of their opponents, but the only result of these advances seems to be to give them more territory to occupy and longer communications to defend against the growing threat of Chinese guerrillas. In the East, where two Japanese armies are converging from north and south on Suchow, progress is slow. The first flank attack down the Peiping-Hankow railway has also been held up and another flank attack still further to the west in Shansi has been developed. The Chinese regular armies are being pressed back to the Yellow River, but the Japanese have not yet reached the vital Lunghai Railway. This progress must be gallingly slow to those sober minds in Japan who realise that it is not a contest between the Japanese and Chinese armies so much as a race against time before the effort to swallow China overstrains Japan's capacities. The pressure from the Army for a totalitarian mobilisation of the nation is increasing, but so is the civilian resistance, and the Government is having a rough time in the Diet with its National Mobilisation Bill. The third front is the foreign reputation of Japan, and there has been a sharp reminder that here too Japan is steadily losing ground, in the shape of a further American protest against the treatment of American nationals by the Japanese Army. With every advance of the Japanese Army, the difficulties of the country increase.

The Air Estimates.—The Estimates of the Air Ministry for 1938-1939 show another large increase in expenditure. The gross total is £111,111,502, or £22,913,400 more than last year. This gross total, however, is reduced in several ways before the net figure is arrived at. Although the decision has been taken to transfer the Fleet Air Arm entirely to the Admiralty, the change cannot be effected this year, and there is consequently a grant of £5.7 millions from the Navy Estimate in reduction of the cost of the R.A.F. Other appropriations-in-aid amount to £2.3 millions, and no less than £30 millions is to be raised by loan. This leaves a net Estimate to be voted of £73.5 millions, which is £17 millions more than the corresponding figure last year, and includes an item of £780,000 for interest on borrowings. The following table shows the details of the estimate, and also the extent to which the total recently increased:—

	1933	1934	1935	1936	1937 (Estimate)	1938 (Estimate)
Number of effectives	28,470	28,780	35,942	48,583	70,000†	83,000†
Pay, etc., of the Royal Air Force	£000	£000	£000	£000	£000	£000
Quartering stores, supplies and transportation	4,020	4,227	5,025	6,274	8,466	10,175
Technical and warlike stores	1,399	1,456	2,537	3,328	4,476	6,144
Works, buildings and lands	6,953	7,190	11,640	25,342	31,542	42,631
Medical services	1,390	1,820	4,864	10,560	(43,542)*	(60,631)*
Technical training and educational services	1,390	1,820	4,864	10,560	4,000	3,800
Auxiliary and reserve forces	278	295	335	391	439	524
Civil aviation	388	380	488	687	741	1,040
Meteorological & miscellaneous services	464	406	473	549	1,360	1,660
Air Ministry	460	509	419	602	2,315	2,925
Half-pay, pensions, etc.	326	328	523	821	1,429	2,587
	643	691	834	1,024	1,259	1,490
	378	368	375	416	482	524
Net expenditure	16,701	17,671	27,515	49,996	56,500 (82,500)*	73,500 (103,500)*

* Including sums to be issued from the Consolidated Fund in accordance with the Defence Loans Act, 1937.
† Maximum number to be borne.

It will be noticed that the total expenditure (deducting the cost of the Fleet Air Arm) will next year be well over six times what it was only five years ago. The Memorandum from the Secretary of State which accompanies the Estimates gives a number of impressive details of this very rapid expansion. The strength of the Metropolitan Air Force has been increased from 52 squadrons in April, 1935, to 123 to-day. Moreover, each squadron to-day is equipped with much more modern machines and backed by much fuller reserves than before.

Lord Swinton's White Paper reveals that in several particulars the process of re-equipping the R.A.F. with modern machines has been slower than was hoped when the programme was planned. These delays are ascribed to the necessity for supplying the jigs and tools necessary for such large production, to changes in design in accordance with far-reaching developments in aeronautical construction, and also to the shortage of draughtsmen and skilled labour. It is stated, however, that re-equipment will be substantially completed during the coming financial year, and that "the new types of aircraft have in general equalled or exceeded the expectations formed of them in the design stage, and the Air Council are satisfied that they bear comparison with any aircraft in production abroad." Lord Swinton also expresses himself as being satisfied with the results of the shadow factory scheme, and new shadow factories are announced for air screws, carburettors and bombs. The White Paper also includes some interesting announcements on the organisation of the R.A.F. The duties of the Air Officer Commanding in Chief have been divided between an Air Officer in command of the Air Striking Force and an Air Officer in command of the Fighter and Army Co-operation Units. This latter officer is also to be in "operational control" of the ground defences of the country, consisting of Anti-Aircraft guns and Searchlights and the units of the Balloon Barrage. In this way the unified command of all sections of the defences of the country against air attack will be achieved. The Estimates, it will be noticed, show increases under almost every head. The single exception is works, buildings and lands, which

is to require £2.2 millions less than last year, but this single reduction in itself demonstrates the progress that has already been achieved with the bulk of the programme. Technical and warlike stores, which is the location covering aircraft and armament, is the largest item, and shows the biggest increase, and the total spent in the coming year under this head will be more than double what it was two years ago. There is a further substantial and welcome increase in the expenditure on civil aviation. The Report of the Cadman Committee on recent allegations into the Air Ministry's civil aviation programme policy is to be published before the Estimates are discussed in the House of Commons, and it is not unlikely that there will be some announcement of alterations in the methods of encouraging the growth of civil aviation.

The Army Estimates.—As with the Estimates for the other fighting services, those for the Army are complicated by the policy of meeting part of the cost from borrowing. The gross total for 1938 is £106,106,500, but of this sum £21,143,000 is to be borrowed (the remainder of the War Office's allocation of this year's borrowings is applied to the Royal Ordnance Factories), so that the net charge upon the revenue is £85,357,000. The details are given in the following table:—

	1933	1934	1935	1936	1937 (Estimate)	1938 (Estimate)
Number of effectives	148,700	149,500	152,200	158,400	168,900	170,000
Pay, etc., of the Army	£'000	£'000	£'000	£'000	£'000	£'000
Territorial Army and Reserve Forces	9,416	9,514	9,440	8,987	10,488	10,819
Medical Services	4,721	4,777	5,055	5,979	7,867	9,775
Educational Establishments	872	910	1,010	1,106	1,035	1,105
Quartering and Movements	785	866	910	944	1,053	1,327
Supplies, Road and Transport	1,205	1,269	1,650	2,358	1,909	2,446
Remounts	3,758	3,851	4,450	4,794	6,005	8,677
Clothing and Stores	4,358	5,153	8,060	14,752	20,368	33,335
Works, Buildings, Lands and Miscellaneous Effective Services	3,427	4,292	4,802	5,991	4,882	8,137
War Office	802	816	852	938	(10,936)*	(15,280)*
Half-Pay, Retired Pay, Pensions, etc.	8,127	8,242	9,368	8,446	8,447	8,541
Net Expenditure ..	37,540	39,692	44,654	55,015†	63,120 (82,174)*	85,357 (106,500)*

* Including sums to be issued from the Consolidated Fund in accordance with the Defence Loans Act, 1937. † Including minor adjustments.

The figures show an all-round expansion, though the largest increase, as might be expected, is under the heading of "warlike stores." The total expenditure on the Army is now almost three times what it was five years ago.

The accompanying Memorandum by the Secretary of State contains a number of interesting details of the progress of the Army during the year. The changes in the War Office which have been so prominently before the public eye are alluded to very briefly, and are said to have been introduced "with the object of ensuring the co-ordination and expediting the dispatch of business." Recruiting has been distinctly better during the past year. The intake of recruits for the financial year just ending has approximated 28,500, compared with 22,800 for the previous year. Nevertheless, the strength of the Regular Army is still 1,200 officers and 22,000 other ranks below establishment, and during the year the number of men leaving the colours will be about 32,000, so that there is plenty of room for further improvement in recruiting. The strength of the Army Reserve will be about 130,000 at the beginning and about 142,000 at the end of the financial year. The figures for the Supplementary Reserve are 25,000 and 30,500, respectively. The Territorial Army now stands at 9,046 officers and 149,797 other ranks, and the number of recruits in the calendar year 1937 was considerably higher than the previous year. The White Paper reports further progress in the mechanisation of the Army. By the end of 1938, of the 15 cavalry regiments on the British Establishments, only 3 will be horsed, and the number of horses on the

establishment is now only 5,205, as compared with nearly 29,000 in 1914. The most important change in organisation announced in the White Paper is the transfer of responsibility for Searchlight units from the Royal Engineers to the Royal Artillery, and the simultaneous reconstitution of the Royal Artillery in two separate branches, one comprising Horse, Field and Medium Units and the other Anti-Aircraft and Coast Defence Artillery and Searchlights. On the problem of the supply of weapons and munitions the White Paper is not explicit, and contents itself with reporting progress in general terms. But the increase in the estimates required for these purposes can be taken as convincing testimony of the extent to which the programme is now getting into its full stride.

Royal Ordnance Factories Estimate.—Following the precedent of last year, the Estimate for the Royal Ordnance Factories has again been issued separately. The details are shown in the following table:—

	1936 Estimate	1937 Estimate	1938 Estimate
Establishments	81	99	118
Wages, etc.	3,135	4,446	6,480
Materials and stores	1,545	2,947	3,768
Machinery obtained by contract	468	2,372	2,114
Works carried out by contract	225	558	757
Works carried out by H.M. Office of Works	25	5,154	6,201
Land	281	280	173
Miscellaneous	118	186	539
Non-effective charges	109	123	127
Deduct appropriations-in-aid	5,987	16,164	20,276
Excess of payments over receipts ...	5,556	15,482*	19,542*
Deduct transfer from supplies suspense account	97	100	50
Vote	333	583	684

* Includes £7,946,000 in 1937 and £8,857,000 in 1938 to be issued from the Consolidated Fund under the Defence Loans Act, 1937.

As was to be expected, most of the items show considerable increases. The sum to be borrowed under the Defence Loans Act will be spent on the construction of new munitions factories, including the conversion of the reserve factories at Hereford and Birtley, and it is evident from the Estimate that the erection of new factories has not yet reached its peak. The sum to be spent in 1938-39 on these items is £8.7 millions, but it is estimated that the further cost of factories already provided for will be £11.2 millions in future years. The bulk of the work of the Royal Ordnance Factories is, of course, undertaken for the three fighting Forces, and the appropriations-in-aid for 1938-39 include £2.1 millions from the Navy, £6.8 millions from the Army, and £1.2 millions from the Air Force, all three sums being considerably in excess of the previous year.

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United States

"Nationalisation" of Agriculture

NEW YORK, February 21.—The Farm Act was signed last week, and the Treasury announced a modification of its gold policy. The Farm Act is in effect a re-incarnation of the Agricultural Adjustment Act of 1933, and a continuation of the existing Soil Conservation Act plus certain crop insurance features. It has been thoroughly and laboriously studied, amended, and deliberated in Committee over a long period of weeks. But the absence of real discussion in the Press, where it has been respectively glorified and vilified, has not enlightened the general public, either as to its aims or its methods; and certainly, outside of Congress, there are few who profess an understanding of its intricacies. Its basic provisions are contingent upon a kind of plebiscite, and certain other basic provisions are contingent upon the appropriation of funds, not included in the Act itself.

The Act contemplates the national organisation of agriculture. The producers of five major agricultural commodities—cotton, tobacco, rice, wheat and maize—will be invited to vote as to whether or not they favour the adoption of a quota for their respective products. Unless more than one-third of the votes cast are adverse, the control will be put into effect. There is every reason to believe that no more than a small negative vote will be cast in each case.

Crop Restriction

Quotas will be established by the Secretary of Agriculture, on the basis of acreage to be planted. This acreage is expected to produce a crop of a given magnitude. Cotton, for example, would be allotted an average of about 26 million acres, intended to produce in 1938 a crop of 10,750,000 bales. The acceptance by the cotton plebiscite of the cotton quota principle would not bind any individual; he could accept his own quota, or refuse it. But if he accepts it, he becomes eligible for very tangible benefits; if he refuses, he forfeits all claim to these benefits; and once he has accepted, an evasion of his obligations subjects him to penalties.

The benefits include those now provided under the Soil Conservation Act; but the principal inducement is the promise of a Parity Loan. This loan would be 52 to 75 per cent. of the parity price, when the average price of cotton on August 1st is below 52 per cent. of the parity price, which is about 16 cents a pound. Every agricultural commodity in the United States has a parity price, which is usually the price which would have the same present purchasing power per unit to-day as the average price of that commodity possessed in 1909-1914. The provisions relating to cotton are typical of those covering the other four commodities, except that in

the case of wheat and maize, the principle of the "ever-normal granary" is emphasised; that is, the principle of carrying over the surpluses of large harvests to make up the deficits of short crops.

The intention is to raise and stabilise the prices of basic crops; and the method is the limitation of production. This limitation of production is dependent, in the first instance, upon voluntary co-operation; and, in the second instance, on a complicated system of rewards and penalties. The term "nationalisation of agriculture" is quite accurate, provided it is clearly understood that the whole programme depends upon its acceptance by two-thirds of the producers involved, and that the compulsion exercised takes the form of bounties for compliance rather than penalties for refusals to comply.

Desterilising Gold

On February 14, the Treasury announced what is definitely a new gold policy. Until further notice gold received by the Treasury will be monetised up to \$100 millions a quarter. As domestic production is approximately \$50 millions a quarter, this policy indicates an intention to increase member bank reserves by that amount at least, and by twice that amount at most.

This is not really a drastic departure from the policy of 1937. Last year, it is true, all gold receipts were entered in the Inactive Fund; but at the same time about \$130 millions of reserves were created by open-market purchases, and \$300 millions of inactive gold were released in a single operation in September. These two factors increased member bank reserves in the year by about \$430 millions, while the present programme would distribute approximately the same sum evenly over the year.

The episode illustrates one of the problems of currency management. Every action taken or proposed is instantly labelled "inflationary" or "deflationary," and the new gold policy was dubbed inflationary. The simple statistical fact is that, in the second half of last year, there was a substantial contraction of bank credit, amounting in the reporting member banks to above \$1,000 millions, due initially to a large repayment of brokers' loans and then to a repayment of commercial loans, presumably representing inventory liquidation. It is quite consistent with the general policy of the Reserve System to undertake a "reflation" of this contraction, and the action taken may be regarded as directed toward that end.

Neo-Mercantilism

No one can understand the American economy unless he can appreciate its ideology. There has been a popular revolution against *laissez faire*. The extension of State responsibility has consisted of the revival of pre-*laissez faire* concepts, which roughly are associated with mercantilism. The concept

Germany

Second Thoughts on Austria

BERLIN, March 2.—The belief that recent changes in international affairs were revolutionary and would operate exclusively in the Reich's interests were modified last week. It had seemed that under the Berchtesgaden agreement Austria would speedily become a second Danzig with its international status formally unchanged but with the Nazi party in control. Herr Schuschnigg's speech and other Austrian developments of the week tempered this confidence considerably.

The replacement of Mr Eden by Lord Halifax is no longer treated with unqualified jubilation. True, the promised substitution of British policy of realities for Mr Eden's allegedly "idealistic" and impractical methods is in the line of German political thought. But Germans last week were impressed by the extraordinary vigour in protest of the groups sympathising with Mr Eden. Germans want concessions from Great Britain, at least in the Colonial sphere, and they do not see how Mr Chamberlain can concede them if he is to be opposed simultaneously by Imperialistic Diehards who would surrender nothing British and by "idealists" who will have no truck with dictators.

Dependence on Foreign Food

The final return of the 1937 cereal crop is 22.2 million metric tons, against 21.9 million tons in 1936, and an average of 23.2 million tons (Saar yield estimated) in 1931-36. Bread grains, at 115 million tons, are some 420,000 tons below the 1936 level; but fodder grains have been correspondingly increased. There is likely to be a drastic application of the present regulations against feeding livestock with grain; and there will presumably be heavy imports of cereals (mainly of wheat and maize) in the current year (suggested already in the January trade returns).

Wheat consumption is still rising. In the crop year 1936-37 it was already 400,000 tons higher than in 1933-34. The compulsory cereal deliveries by farmers are stated to have been satisfactory, and owing to imports the stock of wheat is larger than a year ago. A recently published book on "Germany's Supply of Grain in the Event of a Blockade" is pessimistic in view of the shortage even in peace times, which has to be made good by imports. In time of war and blockade the consumption of bread grains would increase, it is stated, by 20 per cent. Land amelioration might ultimately increase the cereals area by 15 per cent., but this work would take decades, and in the meantime more intense mechanisation is suggested.

The industrial situation is unchanged. It is believed that the new and mostly military officials in the reorganised Ministry of Economy favour a policy of large imports of raw materials and foodstuffs. There have been some further cuts in the prices of small metal goods, wire articles and tools, apparently in the agricultural interest. General Loeb, the chief of the General Industrial Department of the Ministry of Economy, has suggested that the home-produced motor-fuels for general consumption will not be entirely satisfactory, and that motor-car manufacturers will have to adapt their engines accordingly.

The average number of persons at work in 1937 (according to the Health Insurance returns) was 19,797,000, of whom 69.4 per cent. were men. The number of hours worked in industry in January was 8.4 per cent. higher than in January, 1936. Coal production in January was 15.9 million tons against 14.9 millions in January, 1937.

Increased Import Surplus

The slackening-off in coal exports is causing some anxiety. Exports in 1937 totalled 38.6 million tons, against 28.6 millions in 1936; but there was a steady decline after August, and in particular to France and Italy, the chief customers. Ingot steel production in January rose to 1.8 million tons, and the output per working day was 7 per cent. higher than in December.

The 1937 balances in trade with all the Continents except Asia show a reversal of the tendency obtaining in the first years of the New Plan towards an approximate equation of

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France

Prospects of Peace

PARIS, March 3.—French opinion runs true to the post-war ideals of Geneva and collective security. But the pressing dangers for peace and the social order of ideological blocs and competition in armaments suggest that nothing must be rejected *a priori* which may bring peace and business revival to unquiet Europe. That is the moral of the Chamber's latest vote.

There is too great a distrust in France of the dictatorships in Berlin and Rome for any very considerable hopes to be placed in Mr Chamberlain's attempt to bridge the gulf by agreement. On the other hand, France would be happy to find this scepticism disproved by the course of the Anglo-Italian discussions.

M. Chautemps' Middle Course

Some parliamentary prophets still foresee the formation of a Government of National Union in the near future. Meanwhile, M. Chautemps, with his Popular Front Cabinet, continues to pursue a moderate policy. He has set his face against the more extreme social demands of the Left, and refused to concede the rigid application of sliding scales to relate wages to the cost of living.

His Labour Code was fully endorsed by the Chamber; and it was a most inoffensive measure which he then put before the Senate—to meet with considerable opposition. Outside the legislative assemblies, M. Chautemps' policy has been no less cautious, and a recent demonstration of miners against union instructions to work extra shifts was severely punished. (The social and political implications of the dispute between the Senate and the Chamber over the labour proposals are discussed in a Topic of the Week on page 493.)

Recession in Industry

Although the general atmosphere is calm, however, this country, which only shared very slightly in the recent return of world prosperity, is now feeling the first effects of world recession. Orders in the metal trades are falling off; and the January output of steel, at 623,000 tons, was 55,000 tons lower than in the previous month. Business in the textile industries is declining. The Stock Exchange is completely dead and, in this poor context, several billion francs of public loans will have to be issued shortly to finance increased re-armament.

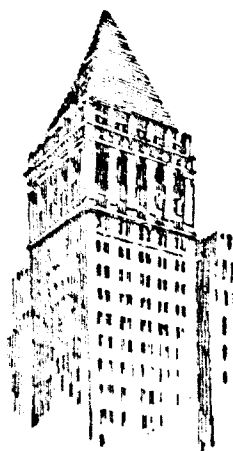
Nevertheless, fiscal receipts last month showed further improvement. The increase of 725 million francs in the yield of taxation between January, 1937, and January, 1938, is mainly due to the higher proceeds of the turnover tax, owing to higher prices. Indirect taxes, however, registered a further decline, which suggests that there is no increase in consumption. Revenue in January was 4,128 million francs, of which 3,946 millions were ordinary receipts, against 3,117 millions in January, 1937.

Prices have moved as follows in recent weeks:—

	WHOLESALE PRICES					
	Jan. 22nd	Jan. 29th	Feb. 5th	Feb. 12th	Feb. 19th	Feb. 26th
General index	611	612	610	607	611	613
Domestic products	653	653	652	651	654	656
Imported products	535	537	534	528	535	538
Foodstuffs	622	620	617	617	622	624
Industrial products	601	605	603	599	603	605

The general index has thus remained relatively stable while showing a very slight tendency to rise, which is accounted for by small upward movements in each of the component indices.

The number of persons out of work on February 19th was 409,770, against 409,776 in the previous week and 415,580 a year ago.



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imports and exports. This was upset in 1937 by heavy imports of raw materials and foodstuffs, which necessarily came in great measure from overseas. Of the absolute increase in exports much the greater part went to Europe, though there was a relatively larger increase in exports to overseas countries.

The export surplus in trade with Europe rose from Rm. 851 millions in 1936 to Rm. 1,055 millions in 1937. The import surplus in trade with all overseas countries rose from Rm. 293 to Rm. 598 millions; in trade with America from Rm. 117 to Rm. 356 millions; in trade with Africa from Rm. 134 to Rm. 197 millions; and in trade with Australia from Rm. 14 to Rm. 46 millions. In trade with Asia, on the other hand, there was an export surplus of Rm. 1 million, against an import surplus of Rm. 28 millions in 1936. Imports from Great Britain were valued at Rm. 307 millions, against Rm. 264 millions in 1936, and exports to Great Britain at Rm. 432 millions against Rm. 405 millions.

Reich revenue from taxes in the first ten months of the financial year was Rm. 11,584 millions against Rm. 9,553 millions in the same months of 1936-37. Some Rm. 400 millions of the increase came from Customs and Excise.

This is a reaction to the Reich Loan. The January bank balance sheets show the same influence. Deposits fell sharply; and the leading banks sold bills heavily. The balances of all banks covered by the return declined by no less than Rm. 805 millions.

Switzerland

Increased Rhine Traffic

GENEVA, February 21.—In 1937 some 2,960,265 tons of goods passed through the Swiss port of Basle, which was a new record and 30 per cent. more than in 1936. Exports amounted to 219,025 tons, or 7.4 per cent. of the total traffic, compared with 4.9 per cent. in 1936 and 3.1 per cent. in 1935. Owing to improvements made in the bed of the Rhine, the river waterway is now more used than the Rhone-Rhine canal, which carried 77 per cent. of the traffic in 1932, 42.5 per cent. in 1936 and 34.5 per cent. in 1937. The Rhine brings coal to Switzerland from England, France, Poland (via Danzig) and the Ruhr, sugar from Czechoslovakia, and wheat from Hungary and Eastern Europe.

The Swiss fleet, no longer a joke, consists of 1,306 one-thousand ton barges and a number of tugs. The lack of space for these ships made it necessary to build new dock basins, and a new port is being constructed at Birsfelden, near Basle. Some 41 million francs have been invested in the port of Basle and its equipment, and it is estimated that the import of goods through Basle represents a saving of 15 to 20 million francs annually on freight.

The devaluation of the Swiss currency caused a revival in the tourist industry. During the past year, the 5,500 hotels of Switzerland received 3,508,000 guests, of whom 1,600,000 came from abroad, compared with 2,952,000 and 1,156,000 in 1936. Some 300,000 foreign motor cars entered Switzerland in 1937, against 144,000 in 1936. The increase in tourism was in part responsible for the improved earnings of the Federal Railways.

Railway Receipts and Indebtedness

The Swiss Federal Railways carried about 114,817,000 passengers and 15,795,000 tons of goods, against 106,933,000 and 12,804,000, respectively, in 1936. Receipts amounted to 335,853,000 francs, compared with 290,366,000 francs in the previous year; and the surplus in 1937 was 124 million francs, against 78 millions in 1936. The railways have a debt of about 3,500 millions, and interest and other obligations amount to 146 millions a year, so that the real deficit for 1937 will be nearly 22 millions, compared with 68 millions in 1936.

The board of directors and the Federal Government intend to reduce the debt, and Parliament has included in the Federal Budget for 1938 a sum of 43 million francs to be paid into a special reserve fund for the redemption of railway debt. The finances of the Federal Railways will not be sound until the interest on the debt and other engagements have been reduced by about 40 million francs a year to make up for the annual deficit on working. This cannot be achieved for many years, and only on the condition that traffic receipts do not decline. The taxpayer will be called upon to contribute 1½ million francs to restore the railways'

finances; but effective railway reorganisation is held up by party quarrels.

Room for More Motor Cars

Sales at the fifteenth International Motor Show at Geneva, which closed on February 20th, are reported to have been slightly higher than last year. The Swiss motor car market is not overcrowded. At the end of 1936, there were 118,319 motor vehicles, including 69,098 motor cars, 1,515 charabancs, 18,454 motor lorries and 28,639 motor cycles; these figures were slightly increased during 1937, but did not reach the 1931 total of 131,208 motor vehicles, the highest figure yet recorded. Thus there is a potential market for at least another 10,000 motor vehicles. Great Britain had six stands in the motor-car section of the Exhibition out of forty-seven, and nine out of thirty-five in the motor and pedal-cycle section.

The first session of the Permanent Agricultural Committee, convened by the International Labour Office, was held at Geneva from February 7th to 15th. The Committee was composed of experts from 22 countries. According to the I.L.O. statistics there are, in the whole world, some 865 million persons "gainfully occupied," and of these no fewer than 550 millions are employed in agriculture.

[In the letter from Switzerland dated December 26th, and published in *The Economist* on January 15th, the final sentence of the first paragraph should have read "The Federal Government has been authorised to levy the Extraordinary Crisis Tax for another year (a Commission is examining the question whether this tax should be prolonged for a further three years), and to increase slightly the rates of tax on higher incomes.—ED., Econ.]

Danzig

Gdynia-Danzig Rivalry

DANZIG, February 2.—According to Polish railway statistics there was a marked increase in the trade of both Danzig and Gdynia in 1937. Over 1.27 million tons were imported through Danzig, compared with 0.73 million in 1936, and 5.55 million tons were exported, against 4.57 millions. Gdynian imports were nearly 1.8 million tons, against 1.4 millions in 1936, and exports 7.21 million tons, against 6.33 millions. Gdynia maintains a marked lead, but Danzig trade is growing considerably faster.

At first sight, therefore, it would seem that Danzig's continual complaints about Polish mercantilism and the severe effects of Gdynian competition were unfounded. The Danzig figures are heavily weighted, however, by metal ores and coal. Imports, excluding metal ores amounting to 1.08 million tons in 1937 against 604,000 in 1936, increased by only 88,000 tons in 1937; and exports, excluding coal, which rose from 2.38 million tons in 1936 to 3.56 millions, in fact decreased by over 197,000 tons. Gdynia's exports, on the other hand, excluding coal which in 1937 amounted to 788,000 tons more than Danzig's total exports, rose by over 55,000 tons; and Gdynia's imports, excluding metal ores, which increased by only 4.6 per cent., rose by 1.27 million tons.

Valuable goods tend to be diverted via Gdynia, and Danzig's trade is artificially maintained by bulky goods of little value. Danzig's trade was also adversely affected by the poor state of Poland's grain trade, due to export restrictions on rye and fodder. The export of grain via Danzig fell from 626,000 tons to 173,000; but Gdynia's grain trade rose from 2,500 tons to 17,800 tons.

All these railway statistics include transit trade, while the figures of value, issued by the Warsaw Statistical Bureau, exclude transit trade. Comparing the volume in 1936 and 1937, purely Polish traffic through Danzig rose 15.9 per cent. in the case of exports and 52.1 per cent. in imports, compared with Gdynia's increase of 14.2 and 27.1, respectively. Transit traffic alone accounted for 0.2 of Gdynia's increase in tonnage and 9 per cent. of the increase at Danzig.

Ten Years' Decline in Danzig's Trade

During 1937, the value of Gdynia's exports rose from 370 million zlotys to 477 millions, and of imports from 578 million zlotys to 721 millions. The value of Danzig's exports rose from 306 million zlotys to 316 millions, and of imports from 71 millions to 100 millions. The 16.3 per cent. increase in the volume of Gdynia's trade represents an increase in

value of 26.4 per cent., whereas the increase of 19.7 per cent. in the volume of Danzig's trade represents an increase of no more than 10.2 per cent. in value. In the last ten years, while the value of Danzig's trade has fallen from 2,198 million zlotys to 416 millions, that of Gdynia's trade has risen from 158 million zlotys to 1,198 millions.

Herring imports have risen considerably at Gdynia, despite Danzig's superior facilities. Gdynia's coffee imports are twice those of Danzig; Gdynia's cocoa and tea imports are more than twice as big; and Gdynia has now a virtual monopoly of cotton, wool, jute, hides, rice and fruit. The steady increase in Gdynia's exports of butter, eggs and bacon is important, even if it does not necessarily show, as Danzig claims it does, that exports are being deliberately concentrated in the Polish port.

Canada

Tariff Policy Criticised

OTTAWA, February 12.—In the House of Commons the Ministry's trade and tariff policy has received considerable attention. Mr Bennett and other Conservatives tried to depict the Government as ready to sacrifice a large part of Canada's valuable trade privileges in the British market to promote a political concordat between Britain and the United States. Ministerial spokesmen replied that all legitimate Canadian interests would be safeguarded in the negotiations, and that the inoculation of the Canadian public with these ungrounded fears was largely responsible for the present recession in business.

From a group of Western Liberals there came sharp criticisms of the Ministry's delay in fulfilling their pledges of drastic tariff reduction. Mr Gordon Ross, a leader of the malcontents, proposed that the three Prairie Provinces should be allowed to create a free trade enclave, as there could otherwise be no recovery of real prosperity for them.

Freedom in French Canada

The Government has been formally petitioned to use the Federal power of disallowance in the case of the notorious "Padlock" Law passed last year by the legislature of Quebec. Under its authority the Quebec police have not only banned "Leftist" meetings and forbidden the publication or circulation of "Leftist" newspapers, but they have also raided the private houses of labour leaders, social workers and others to seize and confiscate literature. During the debate, Mr Woodsworth, the trade union leader, demanded to know why a Liberal Government, which had seen fit to disallow the banking and other legislation of Alberta, could not intervene to safeguard elementary human rights. But during the debate some of the Ministry's French-Canadian supporters gave their blessing to this law. Its nominal author, Mr Duplessis, Prime Minister of Quebec, publicly admitted that the law owed its inspiration to Cardinal Villeneuve, Archbishop of Quebec and Primate of the Roman

Catholic Church for all Canada, who has openly proclaimed that freedom of speech and writing merely means licence for the enemies of the Roman Catholic Church to attack and slander it.

The Government has introduced a bill dealing with the export of hydro-electric power which provides that, while existing licences will not be affected, any new licence can only be obtained by special act of Parliament. Mr C. H. Cahan, who was Secretary of State in the last Conservative Ministry and has been a vigorous critic of the Privy Council and its decisions upon Canadian constitutional cases, has introduced a bill to abolish Canadian appeals to the Privy Council, and a remark made by Mr Lapointe, the Minister of Justice, suggested that the Government may support it. The two Social Crediters in Alberta, recently sentenced to terms of imprisonment for publishing a defamatory pamphlet, have now begun to serve their sentences, despite Mr Aberhart's protest that hard labour for such an offence is unduly severe.

Rising Revenues and Business Caution

Federal revenues for the first ten months of the present fiscal year totalled \$438,065,893, an increase of 66½ million dollars compared with the figure for the same period last year. Ordinary expenditure for this period was 320½ million dollars, a decline of nearly 12 millions. When capital expenditure, the cost of relief, etc., are added, however, total disbursements amount to 414½ millions, an increase of about 9 millions. There is likely to be a nominal surplus for the fiscal year of about 24 million dollars, but this will be wiped out by the deficit on the Canadian National Railway, and various items of special relief expenditure.

The general business index published by the Bureau of Statistics has been relatively stable. Given below are data of three of the major components with comparative figures.

Week Ended	Car-loadings	Wholesale Prices	Bank Clearings	General Index
Feb. 6, 1937	84.73	83.0	122.1	118.9
Jan. 22, 1938	83.1	83.0	95.9	109.8
Jan. 29, 1938	81.60	83.6	95.2	109.2
Feb. 5, 1938	79.94	83.6	100.9	109.6

In business circles a feeling of uncertainty about the outlook and a consequent hesitancy in making heavy commitments is still the dominant mood; but with the advent of milder weather in many parts of Canada, there has been an improvement in certain lines of business—an increased demand for lighter clothing, hardware, farm implements, paint and other commodities, and mounting sales of motors, gasoline and oil.

There is some evidence of price-cutting to sustain the volume of sales. The winter lumber cut is smaller than a year ago, and practically all the newsprint mills have curtailed their operations since the beginning of the year, in an effort to work off the surplus stocks built up by publishers in the last half of 1937. Reductions in the prices of base metals threaten to affect producers' profits, but in general there has been no abatement of mining activity.

Letters to the Editor

Interest Rates and the Treasury

TO THE EDITOR OF THE ECONOMIST

SIR,—There are some points in your interesting article under this heading on which it may be useful for me to comment.

I ought to have given in the first instance the reference to Mr Paish's estimate of the gold purchases in the first quarter of 1937, which is to be found in the issue of *Economica* for last August. Mr Paish's method yielded an estimate for the gold held on March 31, 1937, made before the official figure was available, which was very nearly right. The excess of the gold purchased in the first quarter of 1937, given by his method, over the actual imports of the period might be explained by gold ear-marked at the Bank of France and actually imported later on. If, however, he has attributed to the first quarter of 1937 gold purchased at a previous period, an excess of, say, £30 millions in his estimate will not materially affect my argument, since I gave a very cautious and conservative estimate of the depletion of domestic liquid assets, which had a sufficient margin to cover an even larger error. I do not know why the Treasury should not give quarterly figures. Meanwhile, however, Mr Paish is per-

forming a very useful service by employing the best available method of interpolation, particularly if his efforts result in the authorities being persuaded eventually to supply the actual figures.

A number of critics have seemed to think that the force of my argument is impaired by the fact that, whilst the fall in gilt-edged prices was fairly continuous over the nine months, about three-quarters of it occurred in the first three months. But I should not have expected a close correlation over very short periods between gilt-edged prices and the liquid resources of the domestic market. In the early part of the year the announcement of the Defence programme, combined with a high level of business activity and some expectations of inflation, led to a rapid discounting of the supposed prospects, which would have proved an over-discounting and have been corrected instead of increased in subsequent months, if it had not been for the further continuous depletion of the liquid resources available to the domestic market.

I do not want to overstate the part played by the Exchange Account. If there had been no influx of hot money and no gold purchases, and the Treasury had nevertheless depleted the liquid resources of the market to the same extent by direct action, the result would have been much the same. But,

in view of various declarations by the Chancellor of the Exchequer, I felt it unlikely that the Treasury were depressing the gilt-edged market on purpose, and more probable that they were led to do so imperceptibly by a complicated train of events, including a new Loan raised long before it was required, the final consequences of which were not fully realised. Thus it seemed worth while to raise an issue of high general importance which will emerge, independently of other events, whenever there are large operations either way by the Exchange Account. Moreover, if it were not for the hidden operations of this Account, the course of events would not be veiled from us until long afterwards.

The available data do not allow an exact quantification of the facts, and the statistical points discussed above are only details compared with what is known and agreed. For I infer from your article that you are in full accord with the main substance of the matter, namely that over the period in question there was a large depletion of the liquid resources of the domestic market, and that this was bound to have a very depressing effect on gilt-edged securities and, to a certain extent, on other securities also, particularly at a time when, as you point out, other influences—which, so far from wishing to neglect, I would wish to emphasise—were increasing the demand for liquidity. Furthermore, as you have previously pointed out, the rather absurd result of a deflation of domestic credit when gold flows in, and a corresponding inflation when it flows out again, will continue to occur, until the technique, apparently pursued at present, is revised. I regard this, the full complications of which I have not attempted to explore either here or in my address to the National Mutual Life Assurance Society, as being to-day the major issue of credit policy.

I am,
Your obedient servant,
J. M. KEYNES.

Roomsbury, W.C.1.

[Reference is made to Mr Keynes's letter in a leading article on page 504 of this issue.—ED., *Econ.*]

Lancashire's Problem

TO THE EDITOR OF THE ECONOMIST

SIR,—Your comment on Mr W. Crossley's letter, in your issue of February 26th, was not, I am sure, intended to convey the impression that cotton spinners have benefited unduly during 1937 at the expense of the rest of the industry; but it is just possible it might be read in that sense by those not familiar with the industry. It is true that a large part of the spinning section is working under voluntary but legally binding price schemes, and that these have helped to stabilise prices; but I think the known facts prove that the Committees concerned have exercised their functions with a full sense of responsibility. During the brief period at the end of 1936 and beginning of 1937, when demand was unusually brisk and prices rose, the increase was most marked for those classes of yarn which were not subject to price control. One section of the trade (medium ring yarns) came under a price scheme late in 1937, and the first action of the Committee was to reduce the ruling margins.

An examination of spinners' balance sheets over the last ten years will show that in very few cases have shareholders received any return on their capital, and that in addition many have had to accept a drastic writing down of their claims. It is true that spinners are now in a position to limit further dissipation of their resources, and it is only natural that they should do so. So long as the present chaotic conditions in the industry generally continue, spinners must obtain the best terms possible in the circumstances for their services. Their experience of the last ten years has proved that their sacrifices have been merely frittered away without benefit to the industry generally.

If measures are taken to strengthen the organisation as a whole, spinners will be glad to play their full part in efforts to improve the position of the industry, and with this in view would be willing to submit their prices to supervision by a body representing the interests of the trade as a whole.

One section, however, cannot by itself do what is necessary. All sections must be placed on a more economic basis. That is why the responsible organisations in all sections of the industry support the Enabling Bill proposals which have been submitted to the Government.

Yours faithfully,
FRANK PLATT,

Managing Director,
The Lancashire Cotton Corporation, Limited.

Balances of Payments

TO THE EDITOR OF THE ECONOMIST

SIR,—May I offer one or two comments on the very interesting and useful table of comparative balances of payment, based on the League of Nations data, which you published on January 29th (page 232)? It is a little rash to publish such a table without a reminder of the danger of using official balance of payments figures for comparison between countries. As the League editor says at the outset, "the figures given vary from well-founded and carefully compiled administrative statistics to confessedly doubtful inferences drawn from an unquestionably inadequate basis of established fact."

The table "excludes gold movements," including the export of home-produced gold. Such exports of gold are as much a current credit item as any other export and their omission would seriously misrepresent the position of any important gold-producer. Curiously for South Africa, gold imports are included in the merchandise balance, because "gold is exported from South Africa as a commodity and not for monetary reasons." This is, of course, equally true of Australia and Canada; and even for the U.S.A. gold produced should be treated as an export, which is afterwards re-imported as a capital movement.

The table gives the average of 1934, 1935 and 1936, but for Australia and New Zealand it is noted that only two years were taken. The result shows Australia as a considerable borrower. It is not clear why the previous year 1933-34 is omitted, in which year Australia was a lender; as was the case also in 1936-37, for which official data were not available. The "borrowing" was of course chiefly drawing on London balances, accumulated in the "lending" years.

If 1933-34 had been included, and gold exports taken into account, the average Australian borrowing would have been nine instead of 48 million gold dollars, and the inclusion of 1936-37 would leave her on the border line between debtor-borrower and debtor-lender. The inclusion of gold would have raised Canada's average lending from 48 to 115 million gold dollars, and would have removed U.S.A. from the class of creditor-borrower to that of mature creditor-lender.

Yours faithfully,
L. F. GIBLIN.

King's College,
Cambridge.

[We accept Professor Giblin's rebuke for failing to make clear the great variations in reliability between the different estimates. In any case, the main purpose of the article was to expound the proposed classification and the figures were given mainly as illustrations. As for the exclusion of gold, it was decided that it would be impracticable to include exports of domestically-mined gold in every case, and exception was made for South Africa because that is the only country where gold exports make a decisive difference. Australia and Canada could be treated similarly. But it is surely wrong to treat gold produced in the United States as an export. The Australian figures are given for years from July to June, for New Zealand from April to March. It was thought that comparability was best preserved by taking two years, the whole of which fell within the period taken for other countries.—ED., *Econ.*]

The Stock Exchange and the Public Trustee

TO THE EDITOR OF THE ECONOMIST

SIR,—In his letter in your recent issue "Member" mentions as a possible and profitable way of reducing commissions substantially, that the Public Trustee might charge his customers with the cost of doing their business "instead of subsidising his office (quite improperly in the opinion of many) at the expense of stockbrokers."

The Public Trustee does charge fees on the sale or purchase of securities and also receives a share of the broker's commission and is thus doubly remunerated. Paragraph 60 of the Official Pamphlet gives the scale of fees and subparagraph (b) states: "The trust will pay the brokerage in every case. The fee is additional to any refunded commission retained by the Public Trustee."

Accounts delivered by the Public Trustee show the fees deducted but not the refunded commission.

Yours faithfully,
BENEFICIARY.

Books and Publications

Market Control

THE Aluminum Company of America is a powerful corporation which has built up a monopolistic enterprise for the production of aluminium. American thought, perhaps naturally nowadays, is concerned with the possibility of exercising some control over such bodies, and Professor Wallace, in this volume of the Harvard Economic Studies,* attacks the problem with a painstaking erudition which commands admiration. Despite a fairly successful effort to make so technical a study readable, this is no book for the general reader; but, for the knowledgeable student of economic and industrial problems, it is at once a model of close and lucid analysis and an invaluable work of reference.

To give any more than a general indication of the ground covered by the author is impossible. Aluminium is a new metal, its first reduction by electrolysis dating from the middle of the nineteenth century. The history of the industry and its organisation, both in the United States and in Europe, is here related in detail. In the United States, the industry acquired a monopoly character, and in Europe came under the control of an "oligopoly" of a few firms, subject at different times to a cartel of varying rigidity.

Professor Wallace's aim is to describe, in the light of the current theory of this type of trading, the reactions of the market in aluminium and aluminium products to monopolistic or "oligopolistic" control; and to show the extent to which competitive influences have nevertheless survived. The argument throughout leads up to the question whether a certain measure of healthy competition can be secured and maintained in the general interests of society.

The industry acquired impetus from the development of the electric furnace and, from about 1924, of a series of aluminium alloys. Its growth was determined by various factors: some were inherent in the technical progress of industry, and others were external, such as the rise of the motor industry, the war, the coming of the aeroplane, and the course of tariff policy in America. The development of new uses for the metal brought into being what was virtually a new industry, controlled in America by a single company which alone could cope with the rapid diversification of demand.

The time and capital required to establish reduction works, not to mention problems of location and raw materials and the importance of integrated organisation, discouraged free entry into the industry. In addition, the scarcity of specialist technicians and changing uses for the metal favoured the established firm.

These influences were apparent in Europe as well as America, but the American company took advantage of the situation with particular determination. Its conflict with the anti-trust laws, discussed at some length, is primarily of interest to Americans; but the last fifteen pages of the book on "Possibilities for Economic Reform" are of general interest. Professor Wallace seems to think that "a maximum of desirable results" would ensue from Government competition in ingot production, or possibly (in a final illuminating sentence) "if the executives of the integrated firm or firms understood thoroughly how to promote the public welfare and placed it ahead of private advantage whenever the two conflicted"—a pious hope, indeed.

There is ample evidence throughout the book of the difficulties encountered by Professor Wallace through lack of proper statistical data. Economists cannot make the bricks of policy, so widely in demand nowadays, without statistical straw. Apart from policy, however, all students of technology and industrial chemistry will be indebted to Professor Wallace for the first of his six brief appendices entitled "Aluminium and the Electrochemical Revolution." Here is a revealing example of the force of discovery and invention in the determination of economic development.

* "Market Control in the Aluminum Industry." By Donald H. Wallace. Harvard University Press. Oxford University Press. 585 pages. 21s.

Shorter Notice

"The Mining Year Book," compiled by W. E. Skinner. 1,060 pages. 20s. (20s. 6d. post free inland, 21s. 6d. post free abroad.)

The fifty-second issue of this authoritative record of mining companies includes details of over 1,300 undertakings, their directors and engineers, and covers every branch of the Mining Market. Over 300 new foreign and Empire companies have been added in this edition, and 25 maps illustrate the location of African and Australian properties.

Official Publications

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

Statistical Abstract for the United Kingdom for each of the Fifteen Years 1913 and 1923 to 1936. Cmd. 5627. 7s. net.

Annual Statement of the Trade of the United Kingdom with British Countries and Foreign Countries, 1936, Compared with the Years 1932-35. Vol. IV. £1 5s. net.

Post Office Fund Account, 1936. 1d. net.

Revenue Departments Appropriation Accounts, 1936. 9s. net.

Trinidad and Tobago Disturbances, 1937. Report of the Commission. Cmd. 5641. 2s. net.

Twenty-eighth Report of the Commissioners of H.M. Customs and Excise for the year ended March 31, 1937. Cmd. 5573. 3s. 6d. net.

Civil Appropriation Accounts, 1936. 7s. net.

Post Office Commercial Accounts, 1936. 9d. net.

Development Fund Accounts, 1936. 2d. net.

Road Fund Accounts, 1936. 2d. net.

Tithe Act Accounts, 1936. 1d. net.

Accounts of the Anglo-Spanish, Anglo-Rumanian, Anglo-Italian and Anglo-Turkish Clearing Offices for the year ended March 31, 1937. 2s. net.

Committee of Imperial Defence. Sub-Committee's Report on Oil from Coal. Cmd. 5665. 1s. 3d. net.

Report by the Departmental Committee on Certain Questions Arising under the Workmen's Compensation Acts. Cmd. 5657. 2s. net.

Widows', Orphans' and Old Age Contributory Pensions Act. Accounts, 1936. 2d. net.

Supplementary Civil Estimates, 1937. 9d. net.

Government Policy on Rent Restriction. Cmd. 5667. 1d. net.

Unemployment Fund Accounts, 1936. 2d. net.

The British Broadcasting Corporation Eleventh Annual Report, 1937. Cmd. 5663. 6d. net.

Supplementary Civil Estimates and Estimates for Revenue. Departments for the Year ending March 31, 1938. 6d. net.

Report of the Commissioners of H.M. Inland Revenue for the Year ended March 31, 1937. Cmd. 5574. 1s. 3d. net.

Department of Overseas Trade, No. 693. Austria, December, 1937. 1s. net.

THE ROUND TABLE

A Quarterly Review of the Politics of the British Commonwealth

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THE BUSINESS WORLD

Home Railway Prospects—II

Railway Capital Expenditure

LAST week we considered the 1937 accounts of the four group railways, mainly in relation to the year 1937. That year included, on the revenue side, a 5 per cent. increase in charges (operating only for the last quarter) and, on the costs side, a significant rise both in wage rates and in coal and raw material prices. These abnormalities, however, are not important enough to prevent the year's results from being fitted into their place in the long-term development of railway economics. Indeed, as 1937 may prove to have been the peak year of the present trade cycle, the figures afford material for a significant comparison with those of 1929, the peak of the previous cycle.

The disparity between general recovery and railway recovery is striking, as we showed last week, and as is further evident from the series of charts on page 533 of this issue. Before discussing the reasons and effects of that disparity, we may examine the basis of railway business itself in the capital accounts of the four companies. To what extent and in what directions are the railways requiring

new capital? In the first of the annexed tables the total expenditure figures are given for each company under each of the more significant headings in the last peak year (1929), the bottom year of the depression (1932) and the last two years.

The most striking point which emerges from the figures is the substantial increase in capital investment which has taken place since 1929 for both railway and non-railway purposes. For the companies as a whole the increased investment in railway assets since 1929 is £26.3 millions, a sum which would almost suffice to cover the entire railway outlay of the amalgamated Great Southern Railways of Ireland. New investment in non-railway assets totalled £13.7 millions, and the combined total investment since 1929 amounts to no less than £40 millions. The asset of "Lines," which by the middle of last century had already reached a development recognisable on to-day's maps, has actually absorbed the largest share of this fresh investment—the explanation being that "Lines" includes all stations,

FOUR GROUP RAILWAYS—1929-37

TABLE I.—CAPITAL EXPENDITURE
(Million £)

Company	Year	Lines	Rolling Stock	Works and Plant	Total Railway	Road Vehicles	Steam-boats	Docks	Hotels	Non-Railway Land	Non-Railway Investments	Total Non-Railway	Capital Expenditure Excess
Southern	1929	118.9	17.2	2.4	138.6	0.1	2.5	8.1	1.6	5.3	...	19.5	5.0
	1932	120.2	17.3	2.4	140.0	0.2	2.8	11.5	1.4	5.5	...	23.1	3.8
	1936	123.4	17.7	2.4	143.5	0.2	2.7	13.7	1.4	5.3	0.5	25.4	8.4
	1937	124.6	18.8	2.5	145.9	0.2	2.7	13.8	1.3	5.3	0.5	25.4	10.7
Gt. Western	1929	119.8	20.5	3.8	144.1	0.9	0.5	20.9	0.2	2.9	0.5	30.0	6.9
	1932	123.7	21.1	4.2	149.0	1.0	0.5	21.1	0.2	3.0	2.3	32.1	13.8
	1936	125.5	21.4	4.3	151.2	1.1	0.4	21.0	0.4	3.0	2.9	33.5	15.0
	1937	125.9	21.6	4.3	151.8	1.2	0.4	21.0	0.4	3.1	2.9	33.6	15.7
L.M.S.	1929	311.4	61.5	10.0	382.9	1.0	3.3	10.3	5.1	14.5	0.2	65.4	20.2
	1932	314.4	60.2	9.9	384.4	1.2	2.9	10.2	5.3	14.1	4.0	68.4	23.3
	1936	317.1	60.8	9.0	386.9	1.4	2.7	10.1	5.0	12.9	4.6	67.5	24.7
	1937	317.5	62.4	9.1	389.0	1.6	2.7	10.2	5.1	12.7	4.6	67.4	26.9
L.N.E.R.	1929	232.9	46.7	5.8	285.5	0.6	2.6	25.0	2.6	11.4	1.5	58.7	15.3
	1932	235.5	46.8	6.0	288.3	0.9	2.8	25.2	2.7	11.0	3.5	61.0	17.7
	1936	236.1	47.1	6.5	289.6	1.3	2.9	26.0	2.7	10.4	4.0	62.1	19.5
	1937	237.0	48.2	6.5	291.7	1.4	2.9	25.0	2.8	10.1	4.0	60.9	20.3

TABLE II.—REVENUES
(Thousand £)

Company	Year	Net Receipts						Rents	Divs. Received††	General Interest	Special Receipts†	Superan. Int. Costs	Total Non-Railway Revenue
		Railway	Road Transport	Steamboats	Docks, etc.	Hotel and Restaurant Cars*	Parcels Collect. & Delivery.						
Southern	1929	4,818.0	1.3	432.2	317.8	19.1	22.4	413.8	...	297.3	...	147.8	1,922.8
	1932	3,651.5	4.5	52.8	262.4	11.4	12.4	461.2	...	231.1	58.8	174.7	1,461.9
	1936	4,782.2	7.0	101.1	357.7	16.8	20.2	452.5	30.7	187.2	107.0	210.4	1,697.0
	1937	4,869.8	6.3	337.5	379.4	29.1	10.6	468.6	31.8	164.0	91.8	217.7	1,942.4
Gt. Western	1929	7,141.5	Dr. 21.2	Dr. 1.2	560.0	61.5	Dr. 268.9	191.1	80.4	833.4	7.7	265.4	1,718.7
	1932	4,021.8	9.3	14.1	145.2	57.6	Dr. 190.1	210.1	114.9	421.9	119.3	335.7	1,162.6
	1936	5,915.3	15.8	17.6	119.7	78.7	Dr. 197.7	217.0	270.7	158.8	220.7	406.0	1,188.0
	1937	6,318.0	13.8	20.0	342.4	40.6	Dr. 240.1	218.7	286.2	208.6	202.0	425.0	1,383.6
L.M.S.	1929	16,025.1	Dr. 5.2	208.2	Dr. 87.9	443.0	Dr. 745.6	884.5	188.2	1,144.1	66.1	1,069.6	2,721.3
	1932	9,306.9	37.4	104.3	Dr. 85.1	281.1	Dr. 451.2	909.4	368.8	702.5	32.8	1,169.0	2,298.0
	1936	13,251.8	67.3	292.6	12.8	389.3	Dr. 408.8	775.4	485.6	385.9	77.2	1,271.1	2,570.8
	1937	13,636.4	69.3	304.3	35.2	353.8	Dr. 462.0	771.6	539.2	344.3	62.5	1,305.0	2,553.9
L.N.E.R.	1929	12,278.5	Dr. 17.2	131.5	198.3	210.9	Dr. 380.7	547.5	29.7	152.8	47.5	333.2	1,678.0
	1932	6,980.9	15.2	Dr. 72.2	63.3	65.4	Dr. 319.5	584.5	174.2	40.3	92.7	375.6	1,114.0
	1936	8,728.5	31.7	20.7	183.6	164.9	Dr. 317.6	523.9	284.2	Dr. 232.2	132.3	397.2	1,377.6
	1937	9,546.2	38.9	49.0	247.9	165.8	Dr. 403.8	504.8	342.7	Dr. 223.5	107.9	416.2	1,546.9

* Including rents from hotels. † Mainly grants by H.M. Treasury under Development Act, 1929. ‡ Excludes payments under A c 10, Abstract E, which have also risen substantially, except on G.W.R. †† Mainly from road transport investments.

buildings and equipment other than rolling stock and workshops. By contrast, the decision of the railways to take an important share in the non-urban road passenger transport of the country has called for only an extra £9.8 millions.

Between the individual companies there are wide differences in the rate of investment. The increase in railway assets for both the Southern and the Great Western has been about 5½ per cent., for the L.M.S. about 1½ per cent. and for the L.N.E.R. about 2½ per cent. In non-railway assets the relative increase by the Southern has been easily the greatest, its proportion of about 30 per cent. being accounted for mainly by the great Southampton Dock development. The Great Western's non-railway investment has risen by about 12 per cent., mainly represented by docks and by road transport shares. For the L.M.S. and the L.N.E.R. the rise has only been about 3 per cent. and 3½ per cent., respectively, representing mainly the purchase of road transport shares. There is thus a marked contrast in the rate both of railway and non-railway investment between the South England systems (S.R. and G.W.R.) and the Northern systems (L.M.S. and L.N.E.R.). Each of the South England systems has, in fact, achieved a measure of success in its own sphere—the Southern being the only company to have topped its 1929 revenues this year and the Great Western the only system to have maintained full trustee status for its stocks. Are we to adjudge this success to be the reward of a bolder investment policy? Or, alternatively, must we conclude that even where circumstances are relatively favourable, as in the South of England, substantial capital investment is still necessary if the railways are to take advantage of that condition? To answer these questions, we may proceed to examine the development of railway and ancillary revenues since 1929. The available figures are set out in Table II. In compiling the figures we have not deducted "Miscellaneous Charges," nor have we attempted to allocate them between the railway and other undertakings. The cost of interest payable by the companies on superannuation, etc., funds (which is much the largest of the miscellaneous charges) has, however, been shown in the table, though not deducted in arriving at the last column.

The Southern is the only company to approach the 1929 net railway receipts. The decline, as compared with 1929, varies on the other lines from under 12 per cent. on the Great Western to over 22 per cent. on the L.N.E.R. Among individual movements the most noteworthy are the rise, in every case, in road transport revenues (though their total is still small) and in dividends received, which are derived mainly from road transport concerns. Other important developments are the rise in docks, hotels and rent revenues for the Southern; the rise in steamboat and rent revenues for the Great Western; the rise in steamboats and docks revenues on the L.M.S.; and the rise in dock revenues on the L.N.E.R. On the other side, the universal fall in general interest receipts (and, for the L.M.S., of rents also) is particularly significant.

When the results of Table II are applied to the capital expenditure of Table I, some unexpected conclusions emerge. In the following table, the return per cent. on capital invested in railway business and in all non-railway business is shown for 1929 and 1937 for each company:—

RETURN ON CAPITAL INVESTMENT

	Southern		Gt. West'n		L.M.S.		L.N.E.R.	
	1929	1937	1929	1937	1929	1937	1929	1937
Net railways receipts as percentage of railway investment	3.5	3.3	4.95	4.15	4.2	3.5	4.3	3.3
Net ancillary and other receipts as percentage of non-railway investment	9.9	7.7	5.75	4.1	4.15	3.75	2.9	2.5

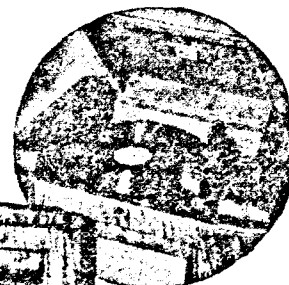
Notes on the above table: Miscellaneous charges are not deducted, so that the net return would be less than the rate shown, but the comparisons and conclusions suggested by the table are not affected. Also, part of the non-railway receipts (notably "general interest" and "special receipts") are not specifically related to the capital expenditures shown in Table I, general interest being derived from investments which appear in the balance sheet, but, naturally, not under capital expenditure; while special receipts are mainly grants from the Treasury towards works undertaken under the 1929 Development Act. Both, however, are best included as non-railway revenue for the present purpose.

It may appear surprising that the rate of return on the railway investment of the L.N.E.R. was, in 1937, about the same as that earned by the Southern, and in 1929 was much greater. In fact, the average return on the Southern's railway investment in the two years is the lowest of any company. The Great Western and L.M.S. maintain a fair balance between the return on their railway and non-railway investment. The difference between the relative prosperity of the Southern and the relative poverty of the L.N.E.R. is determined entirely by the success of their non-railway business. As the non-railway investments of the L.N.E.R. are also relatively greater than those of the Southern (representing 12.1 per cent. of capital receipts, against 9.4 per cent.), the effect of a poor return on those investments is magnified. In passing, the proportion of non-railway capital expenditures to total capital receipts is 10.5 per cent. for the G.W.R. and 6.5 per cent. for the L.M.S.

It would be misleading to read too much into these figures. For example, the relatively small railway return of the Southern does not necessarily afford evidence against electrification, though it may suggest caution in accepting electrification as a panacea for all railway ills. What is important is that the large capital investment of recent years has not sufficed to prevent a decline in either railway or non-railway revenues; and that such economies as reductions in the physical numbers of locomotives and wagons are not reflected, even on the L.M.S., by lower capital expenditure on rolling stock. For a time during the depression, the success of the L.M.S. in economising rolling stock suggested that capital could at least be withdrawn from the railway system to offset reduced railway business. But to carry the increased traffic of 1937 the capital has had to go back. Furthermore, they already have schemes in hand calling for substantial further capital expenditure. On the Southern the estimate totals £2,520,000 for 1938 and £850,000 subsequently; on the Great Western, £1,505,000 and £3,095,000, respectively; on the L.M.S., £3,729,000 and £1,442,000; and on the L.N.E.R., £8,385,000 and £7,791,000. In the next article of this series we propose to consider some of the implications of these figures.

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What Price Gilt-Edged?

THERE are as many factors in the gilt-edged market's outlook as there were ingredients in the Weird Sisters' cauldron. Yet up to six and a half years ago they could generally be summed up under one of two heads: the trade cycle and Government policy.

When Great Britain was on the gold standard, the basis of the national credit structure was determined by the amount of gold which the Bank of England could attract and retain in an absolutely free market. Under these conditions, the normal corrective for a trade recovery which threatened to swell into a boom was a higher Bank rate, whose announcement was the signal for a downturn in gilt-edged and equity values alike. When the Bank rate was reduced again, in the ensuing trade depression, ordinary gilt-edged continued to fall, but Government stocks recovered, with the aid of an influx of temporarily unemployed funds into the gilt-edged market. In the earlier stages of industrial convalescence, firmness in gilt-edged usually overlapped the resumed bull market for ordinary shares; but as revival proceeded, funds temporarily placed in the gilt-edged market as "cloak-room deposits" were progressively withdrawn. Hence the rule that, in depression as in recovery, gilt-edged and equities tended to move in unison in the earlier and in counterpart in the later phases. Under these conditions, the impact of Government policy was limited mainly to the effect of debt creation, retirement or refunding, which changed the volume of gilt-edged securities available in the market. Prices, it is true, were vulnerable to unexpected or unfavourable political news. But the resulting price changes were usually temporary, unless the outcome threatened an increase in Government borrowing, as in the years after July, 1914.

Undoubtedly, Britain's adoption of a "managed" in place of a gold standard currency has profoundly modified the basic conditions of the gilt-edged market. To-day, when immense gold holdings are sterilised in the Exchange Fund, the monetary authorities can exercise considerable control over the gilt-edged market, not merely by their borrowing policy, but also by contracting or expanding the credit base by adjustments in the respective gold holdings of the Exchange Fund and the Bank of England. So important, indeed, is the rôle of the Treasury's policy under present-day conditions that only last week Mr J. M. Keynes explained a considerable fall in gilt-edged values last year chiefly by reference to Government borrowing during the period of a large gold influx into the Exchange Fund. Can we safely assume, therefore, that cyclical economic factors, which played so large a part in determining the course of the market in earlier days, have now been relegated to a minor rôle?

Before attempting to answer this fundamental question, we may review the actual course of an "irredeemable" Government stock like 2½ per cent. Consols, which is shown on the annexed chart from December, 1928, to February, 1938, in terms of the Actuaries' Index number (December 31, 1928 = 100). The chart suggests that between 1929 and 1931, when Britain was still on the gold standard, the curve of Consols prices followed the traditional pattern. Gilt-edged and equity values declined together after Bank rate was raised to 5½ per cent. early in February, and to 6½ per cent. in September, 1929. Subsequently,

however, gilt-edged rose strongly as industrial depression became increasingly severe in 1930, and Bank rate was reduced by successive stages to 2½ per cent. in May, 1931. From the summer of 1931 onwards, however, conditions became increasingly abnormal. The *crise de confiance* before and after sterling left the gold standard, which kept Bank rate at 6 per cent. from September, 1931, to February, 1932, produced a veritable slump in gilt-edged. When the crisis passed, the market came increasingly under the influence of Government policy. The rise in the index from 92.8 near the end of 1931, to 165.3 in December, 1934, covered the period of War Loan conversion, and of Government control of the market for foreign loans and domestic trustee borrowing. The rise in gilt-edged prices was obviously less a cyclical move than a process of readjustment of general interest rates to an entirely new basis. Its progress was undoubtedly influenced by the fact that, between the two dates, the Bank of England's gold holdings (valued at the old gold price of 85s. an ounce) increased by £71½ millions, of which only £15 millions was neutralised by a reduction in the fiduciary issue. During the same period, the ten London clearing-

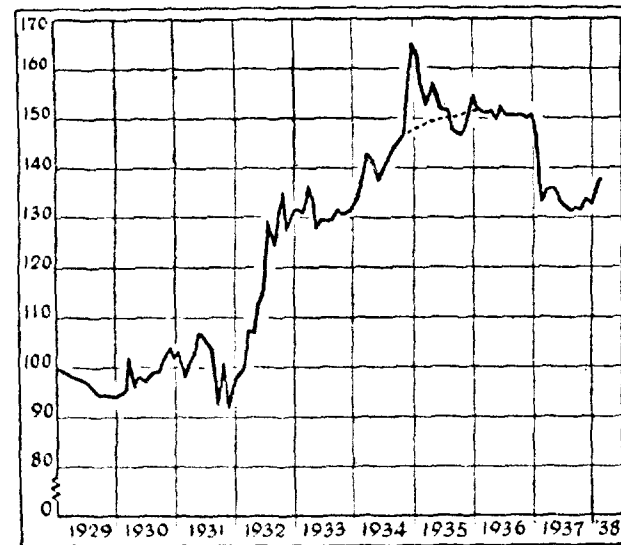
banks increased their cash and balances at the Bank by £31½ millions, their deposits by £234 millions, and their investments by £298 millions.

More recently the process of supporting the market "at the source" has been much less in evidence, and to that extent more "normal" influences have been given time and space in which to operate. If the sudden rise and almost equally sharp fall in Consols in 1934-35 be regarded as a temporary movement, above a trend which followed a course somewhat similar to that shown by the dotted line on our chart, then the first real setback to gilt-edged occurred at the beginning of 1937, when the Consols index fell in a couple of months from 150.9 to

133.4. The timing of this movement is particularly important for investors seeking a clue to the probable course of gilt-edged in the near future. It ante-dated both the Government's issue of £100 millions of National Defence Loan last May and the Exchange Fund's heavy purchases of gold during the gold scare in the summer. But it coincided exactly with a quasi-inflationary rise of prices and other traditional symptoms of a trade boom; and it was accompanied by a downturn in ordinary share prices. Mr Keynes himself declares, in a letter on page 499 of this week's issue of *The Economist*, that a high level of business activity and some expectations of inflation, conjointly with the announcement of the Government's Defence programme, had a determining influence on the gilt-edged market in the early part of last year. Though Bank rate has lost its significance as a divining rod, it is clear enough that a potential bubble was pricked last spring and summer; and gilt-edged have subsequently honoured tradition by ceasing to fall and by showing the beginnings of recovery.

There is undoubtedly force in Mr Keynes's contention (with which we have already expressed our agreement) that the recovery of gilt-edged last year was seriously hampered by the policy of the authorities, who, without making any significant addition to the credit basis, borrowed new money and spent it, not on defence, but on

PRICE OF 2½% CONSOLS
(Actuaries' Index: Dec. 31, 1928=100)



the financing of the Exchange Fund's gold accretions. Here, Mr Keynes raises an issue whose high general importance can hardly be ignored in responsible quarters. His view, however, does not exclude the probability that another factor in the market's behaviour was the discounting of a major change in economic tendencies. The majority of investors now believe that some recession in trade has already begun. If the outlook in the next few months is for a moderate but not a disastrous setback in economic activity, and if the effect of Treasury policy may, for the moment, be left out of account, then the gilt-edged market may have begun a phase during which the trend of prices should, in the light of past experience, be favourable rather than otherwise. On this reasoning, it may not be unduly optimistic to look for a continuance, for the time being, of the perceptible recovery in values which started last November. Unfortunately, however, Treasury policy cannot be omitted from the gilt-edged equation, at a time of national re-armament, when the Government has given notice of its decision to borrow some hundreds of millions of new money.

Now, Government borrowing, for any purpose whatever, is in itself an unfavourable factor for gilt-edged prices. But the authorities have two means of supporting the market if they choose—one direct and the other indirect. Various funds under their control have resources accruing at a rate measured in tens of millions every year. In the last resort, however, support from this quarter is subject to the proviso that the public departments should be regarded as "firm underwriters" of Government issues rather than necessarily permanent investors.

If the digestive capacity of the market proves not

wholly equal to the task imposed on it, will the authorities use their ultimate weapon? Will they transfer gold from the Exchange Fund to the Bank of England, thus producing something like a tenfold increase in the volume of currency and credit and driving the banks (and probably other large-scale institutional investors) afresh into gilt-edged? That, in its plainest terms, is the riddle which today is exercising the whole market. In the absence of such assistance, the outlook for gilt-edged securities is indeterminate, though not necessarily unfavourable; if it be forthcoming, the Government's new financing may not be incompatible with the absence of a further fall—or even with a moderate future rise—in gilt-edged prices. For the last few weeks, the authorities have kept the market guessing over their policy, and at the moment it is not even clear whether they have one or are following a purely opportunist plan. Nevertheless, if the authorities were to decide on a policy of expansion, they would not lack plausible arguments. The present Government is committed not only to the maintenance of cheap money but to the prevention, as far as possible, of a damaging trade depression. An expansion which would have been "inflationary" in 1937 may conceivably be held out as a slump preventative in 1938 or 1939. And in 1940, before the Treasury's new borrowing is likely to have been completed, the problem of converting £366 millions of 4½ per cent. Conversion Loan, 1940-44, will have come on the horizon—to be followed, in 1944, by an opportunity for funding £323 millions of 5 per cent. Conversion Loan. Without presuming to award either praise or blame to a decision which, by all appearances, has not yet been taken, we may hazard a guess that the odds are on a forward policy.

Roosevelt and Reflation

DURING recent weeks there have been signs of a change in American monetary policy. A year ago, the general trend of policy appeared to be, on the whole, deflationary. The legal minimum reserve requirements of member banks in the Federal Reserve system were increased in the middle of 1936 and again, on two occasions, in the spring of 1937. Early last April, President Roosevelt delivered his famous warning that certain commodity prices were dangerously high, and the gold scares followed almost immediately. Subsequently, America has suffered a severe setback in securities, commodities and general business, which has doubtless had its effect in Washington as elsewhere.

The Administration at Washington has now announced that its policy, adopted at the end of 1936, of sterilising new gold imports according to British practice, has been suspended. Gold received by the Treasury, up to a limit of \$100 millions each quarter, is allowed to pass into the internal banking system and so to swell the credit base. This has been followed by a new declaration by President Roosevelt to the effect that the price-level generally is too low. Certain commodities, he believes, are dear, but others are much too cheap, and he hopes by raising them to lever up the price level generally. What this means in practice remains to be seen, but it has been widely interpreted as a reversion to the Administration's former policy of reflation. Both Wall Street and the commodity market have already responded, though to a limited extent.

So far as the gold announcement is concerned, its immediate consequences are likely to be mainly psychological. Foreign capital is on the whole flowing out of American banks and American securities, and the United States' domestic production of gold is about \$50 millions a quarter. But if the belief that the President is about to administer a fresh dose of reflation continues to grow, its effects may be decidedly significant. Can the dose be made really effective? The answer involves an examination of the member banks' excess reserve position. During the year to June, 1937, the raising of legal minimum requirements reduced excess reserves from \$2,591 to \$876 millions. The effects of this reduction, however, were unevenly spread throughout the banking

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system; for the New York City banks were much the most seriously affected. First, their own legal cash requirements were increased. Next, the banks throughout the country, in order to increase their cash reserves, drew on their balances with the New York City banks, who thus lost cash at a time when they needed more of it. Consequently, most of the reduction in excess reserves was concentrated on them, and they proceeded to replenish their cash by realising securities. Largely for this reason member banks' holdings of Government securities fell during the same year from \$9,200 to \$8,400 millions, and most of this realisation came during the first few months of 1937. This, in turn, upset the bond market, whose weakness was one of the immediate causes of last year's general setback.

These recent developments have a double moral. In the first place, they show that in these days, when monetary and banking policy is so largely under Government control, sudden reversals of policy, due to excessive or misjudged large-scale Government intervention, must be looked for. In the second place, and more particularly, they suggest that if President Roosevelt is thinking once more in terms of reflation, the question of legal and excess reserves presents an obvious lever to his hand. He has only to reverse the lever, in order to release a fresh supply of bank credit, for the rejuvenation of the bond market, for new Government financing, or for other purposes.

Finance and Banking

Maria Theresa Thalers.—During the past year the national mints of Great Britain, France and Belgium have coined about 9,000,000 ounces of silver into Maria Theresa thalers. These operations have as yet evoked little general interest, but they have provided the material for some exceptionally bitter complaints from the Italian Government. The Maria Theresa thaler is the eighteenth century Austrian silver coin which, partly by accident and partly by the beauty of its design, gained currency in East African territories, including Abyssinia, and in Arabia during the beginning of the nineteenth century. It has remained the prevailing currency of those territories for about 130 years. To supply this special demand the coins continued until 1935 to be minted in Vienna. When Italy began her invasion of Abyssinia she acquired from the Vienna mint the original matrices and stamping machines for these coins. Her conquest accomplished, Italy began minting these thalers, but she failed to bring the new coins into general circulation because they were made of silver below the traditional 833.33 fineness. Italy then gave up the attempt to mint the silver thalers and began to put into circulation the paper lire which were good enough for the conqueror country. The vanquished, however, showed even greater distrust of paper than of the debased thalers. Within a few months a scarcity of the genuine thalers had become widely apparent, and the premium on them had risen to close on 50 per cent. of their normal exchange value of 2s.

At this point the Royal Mint in London was approached by a London firm with a view to producing the thalers. After all, these circulated in territories other than Abyssinia, which were being greatly inconvenienced by the premium on the coins. In view also of the fact that the conquest of Abyssinia was not recognised by the British Government, the Royal Mint consented. After an interval the Belgian and French mints followed suit. As a result the price of the thalers fell rapidly from their inflated level of over 30d. to around 24d. in the summer of last year. It now stands at about 18d., which little more than covers the cost of the silver content and minting charges. Another result has been the complete failure of Italy's efforts to introduce paper currency in Abyssinia and the consequent loss of the profit which this would have yielded. This interesting episode in elementary monetary mechanics provides an instructive commentary on the Quantity Theory of Money.

It would be well not to read too much into the recent decisions of the American authorities. But if the direction of the prevailing wind has really changed, or is changing, other possibilities, now mainly hypothetical, may assume concrete form. If the President, for example, were to decide to grapple with his internal political worries, he might make his peace with the utilities and with Wall Street, and adopt what Wall Street would call a "reasonable" view on questions such as methods of taxation and labour conditions and costs. Whatever the intrinsic merits of such a peace-making programme, it would give an indubitable stimulus to business, both inside and outside America—particularly if it coincided with some measure of political appeasement in Europe.

There are three possibilities, all of which would provide a stimulus to American economic activity—peace in Europe, reflation in the United States, and a truce between Washington and Wall Street. None can be predicted with confidence, and all involve matters of high controversy. Yet it would be wrong to rule any of them completely out of account. If, by something like a miracle, they were to materialise, either simultaneously or successively, they would, in all probability, be followed by a new phase of recovery, both in the United States and in the outside world. At all events, the business outlook to-day appears to depend largely upon them.

It also shows that when an alternative source for the supply of coin exists, some qualification must be made to Gresham's law that "bad money tends to drive out the good." The opposite has been true in this instance.

Hongkong and Shanghai Banking Corporation.—The maintenance of the Hongkong and Shanghai Banking Corporation's dividend for 1937 at £5 10s. per share prepared the market for satisfactory accounts, since in the present state of Far Eastern affairs the directors would undoubtedly tend to err on the side of conservatism in their dividend policy. The net profit for the year amounted to \$15,432,217, as against \$15,107,175 for 1936. There is no sign in the allocation of this profit or in balance sheet changes of any unfavourable reaction on the bank's business of recent political events in China. As in the preceding year, \$1,000,000 is allocated to the reduction of bank premises account and the carry-forward is raised from \$3,340,790 to \$3,383,005. The balance sheet shows a general expansion which may to some extent be attributed to the sudden increase in the trade of Hongkong following the Japanese invasion of China. The effect of a flight of Chinese capital to the colony may be seen in the increase of current accounts from \$649,329,397 to \$700,263,010. Notes in circulation have risen from \$127,636,280 to \$200,254,180, and among the assets there has been a general expansionist movement.

Foreign Banks in London.—The Central Hanover Bank and Trust Company has this week opened its first foreign branch, and it has chosen London as the centre in which to stage this new departure. Hitherto, the bank has been represented here—as in Paris—by a representative's office. The conversion of this London office into a fully fledged branch may be regarded as a forerunner of developments in the foreign business of this important American bank. It is also significant as an indication that London remains the unquestioned centre from which such development must radiate. Equally instructive is the impending establishment in London of a branch of the Türkiye İş Bankası, which is the most important indigenous industrial bank in Turkey. The bank is of the typical "*banque d'affaires*" type and should provide a direct link between foreign capital and Turkish industry.

MONEY MARKET NOTES

The Money Market

The early March dividend payments amounting to about £10 millions have affected market resources, as may be seen from the Bank return which shows bankers' deposits £10,110,804 higher. There has, however, been no sign of surfeit in the short loan market during the week. Clearing bank money against bills remains in ample supply at $\frac{1}{2}$ per cent., but certain quarters of the market report a steady demand for bond money from outside lenders at $\frac{3}{8}$ per cent. The clearing banks are still keen buyers of bills and have bought Treasury bills ranging up to the March 25th maturities. The market syndicate obtained a 33 per cent. allotment at last Friday's tenders and discount houses have therefore been rather readier sellers of bills than in preceding weeks.

	Mar. 4, 1937	Feb. 24, 1938	Mar. 3, 1938
Bank Rate	2	2	2
London Deposit Rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	1-1*	1-1*	1-1*
Others	8s	12-5s	8s
Discount Rates:			
Treasury bills	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Three months' bank bills	17s-9½	17s-9½	17s-9½

* Viz. $\frac{1}{2}$ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. $\frac{3}{4}$ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

In accordance with usual seasonal trends the amount of Treasury bills issued by tender is declining and is now £100 millions less than it was at the beginning of January. Tap bills from the beginning of the year and up to February 26th fell by £39 millions.

The Bank Return

March dividend payments appear to have been largely financed by Ways and Means advances from the Bank of England, and the latest return shows Government securities up by £7,020,000, while Public deposits have fallen by £5,305,745. The joint impact of these movements on bankers' deposits is somewhat softened by an increase of £3,820,140 in the note circulation, but even so these deposits are £10,110,804

higher on the week at £115,711,224. In the corresponding week of last year Government securities were substantially unchanged, Public departments were £2.2 millions higher and bankers' deposits were down by £6.7 millions, having had to take the whole brunt of the end-of-month rise in the note circulation. The contrast between movements in those two comparable weeks is instructive:—

	Mar. 3, 1937	Feb. 16, 1938	Feb. 23, 1938	Mar. 2, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	461.0	474.1	474.5	478.3
Banking Dept.				
Reserve	53.6	53.0	52.6	48.8
Public Deps.	15.2	15.8	16.7	11.4
Bankers' Deps.	93.8	106.4	105.6	115.7
Other Deps.	37.7	35.5	35.5	36.0
Govt. Secs.	85.1	97.9	97.4	104.4
Discounts and Advances	4.3	6.2	6.5	7.1
Other Secs.	21.9	18.8	19.5	21.0
Proportion	34.5%	33.4%	33.3%	29.9%

If current note circulation be compared with the figures for twelve months ago the gap is steadily narrowing. This is due to the fact that a year ago the hoarding of sterling notes was still powerfully affecting the total circulation. The present circulation is only £17.4 millions higher than it was a year ago. Three months ago the gap was over £34 millions.

The Bullion Market

Hoarding demand for gold has completely subsided and during the latter part of the week the Exchange Account has had to turn buyer of gold in the open market. Thanks to these official purchases the sterling price has been well maintained and has hovered during the week between 139s. 9d. and 139s. 10d. These quotations continue to include substantial premiums over the dollar shipping parity. The Indian Budget made no change in the duty on silver imports and this fact appears to have caused some disappointment among Indian operators. Selling from India consequently appeared towards the end of last week; but the bear position in the market is still too extended to allow such selling to affect the price. By Thursday the cash price had re-

covered to 20½d. from which it had fallen to 20¼d. on Monday. The market is described as steady and as offering no prospects of substantial changes in the near future.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Feb. 25	139 9½	14½pm	159	20½	19½
" 26	139 9½	16 pm	151	20½	19½
" 28	139 9½	15½pm	290	20½	19½
Mar. 1	139 9½	15½pm	615	20½	19½
" 2	139 10	14½pm	215	20½	19½
" 3	139 9	14 pm	215	20½	19½

* Above or below American shipping price.
The New York price of silver remained at 43 cents per ounce -999 fine during the week.

Foreign Exchanges

The week has been exceptionally quiet in the foreign exchange market. The cessation of sales of dollars against purchases of gold has deprived the market of a substantial part of the business which had been occupying it in recent weeks. The dollar has not, however, staged any appreciable recovery following this relief and has remained substantially steady at around \$5.01½ during the week. French francs came on offer on Tuesday and Wednesday following the deadlock between the Senate and the Chamber on the Labour Charter. After weakening to 154½ the rate has come back to around 153½ with the help of a little official support. Control operations have also been apparent in the forward franc market and the discount on three months' francs has been brought back to 4½ francs. Belgas have again been offered to a moderate extent and closed at 29.56½ on Thursday, having touched 29.54 on Tuesday. In every market commercial operations are reported at a minimum, while international movements of capital are also exceptionally small at the moment. The quietude of the London market is, moreover, enhanced by a considerable diversion of business to Continental markets.

INSURANCE NOTES

The Prudential.—The eighty-ninth annual report of the Prudential, which reaches us as we go to press, shows a fresh increase in total assets, at the end of 1937, from £315,923,771 to £330,415,840. Income from all sources rose from £52,889,774 to £54,635,180. In the ordinary branch, the number of life assurance policies issued during the year was 99,337, assuring £32,457,832, and the number of life policies in force at the end of the year was 1,034,049, assuring, with bonus, £265,723,573. The surplus on the branch was £3,672,278 (including £596,428 brought forward), of which £2,729,683 has been allocated as bonus to participating policyholders, at £2 6s. per cent. for whole life and £2 for endowment assurance. In the industrial branch, the number of policies issued during the year was 2,444,651, assuring £66,191,627, and the total number of

policies in force at the end of the year (including 4,590,715 free policies) was 27,938,867. The premiums received were £22,296,696. Of the branch surplus of £6,584,448 (including £588,864 brought forward), some £4,044,192 was allocated as a bonus to participating policyholders at £1 12s. per cent. (£1 per cent. on policies in the State of Eire). The expense ratio in the industrial branch has again been reduced. In 1920 it was 40.5; in 1937, 22.7—a remarkable figure whose achievement redounds to the credit of all concerned. The surplus in the general branch (including £257,590 brought forward) was £539,538. Total dividend for the year on the "A" shares is 19s. 5½d. per cent., free of tax, of which ordinary and industrial branch profits provide 18s. 11d. Dividend on the "B" shares (from general branch profits) is 2s. per share, free of tax. All in all, the report

of this, the largest office, is again an impressive record of progressive achievement. It will be fully analysed in a leading article in next week's issue of *The Economist*.

Britannic Assurance Company.—New sums assured in the ordinary branch in 1937 amounted to £3,594,000 against the record total of £3,865,000 in 1936. In the industrial branch new sums assured fell by £117,000 to £9,769,000. The net rates of interest earned in the ordinary and industrial branches were £4 6s. 8d. per cent. and £4 12s. 4d. per cent., compared with £4 8s. 1d. per cent. and £4 14s. 6d. per cent., respectively, in the previous year. Ordinary branch expenses amounted to £181,000, equal to 13.1 per cent. of the premiums. Considering the small average sum assured this rate is very satis-

factory. In the industrial branch, expenses were actually smaller in amount than in 1936, and represented 31.4 per cent. of the premium income (which expanded by £124,000 to £3,908,000), compared with 33.2 per cent. and 34.4 per cent. in the two previous years and 47.4 per cent. in 1920. In the absence of unforeseen circumstances it seems likely that this year, or 1939, will see the expense ratio below 30 per cent., a level which, only a few years ago, would have been regarded by even the largest industrial offices as almost an unattainable ideal. There is no doubt that the achievements of various insurance offices in this direction in recent years have been remarkable, and to-day, when all relevant circumstances are taken into account, it is probably true to say that industrial insurance is more economically conducted than any other branch.

The results of the usual annual valuation of the Britannic are given below for each of the last two years:—

	1936	1937
Ordinary Branch—		
Surplus earned during year	396,824	412,492
Brought forward	124,311	161,139
	521,135	573,631
Bonuses to policyholders	275,457	285,714
Shareholders' account	34,539	39,185
Investment reserve fund	40,000	40,000
Staff pension fund	10,000	5,000
Contingency fund	90,000	25,000
Carried forward	161,139	178,732
	521,135	573,631
Industrial Branch—		
Surplus earned during year	674,592	697,745
Brought forward	140,081	158,173
	814,673	855,918
Bonuses to policyholders	241,500	267,500
Shareholders' account	265,000	240,000
Investment reserve fund	60,000	60,000
Staff pension fund	95,000	95,000
Carried forward	158,173	193,418
	814,673	855,918

The basis of valuation was the same as in 1936, 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.

In the industrial branch bonus additions will be made to premium-paying policies becoming claims by death or maturity before March 31, 1939. Such bonus additions will vary from 5 per cent. on the sum assured for a policy ten years in force, to 20 per cent. for policies twenty-five years in force or longer. Total assets increased from £28,159,000 to £30,103,000. Mortgages and loans amounted to £4,792,000, compared with £4,421,000, but there was little change in British Government securities or in Colonial and foreign government securities. Debentures, at £2,864,000, were smaller by £148,000, but preference stocks increased from £2,456,000 to £2,585,000, while ordinary stock holdings increased by £1,082,000 to £5,059,000. Investment and other reserve funds total £2,200,000, against £2,000,000 in 1936. After providing for the dividend, again at 50 per cent. free of tax, and providing the sum of £20,000 for National Defence Contribution, there is a profit and loss balance of £140,000.

Provident Mutual Life Association.—The annual accounts of this association and the chairman's speech are of more than ordinary interest. A large proportion of the business transacted is in broad occupational groups—for example, transport workers—under special block-collecting arrangements, which enable wage earners to enjoy conditions of insurance equal to those procurable by the better-to-do classes under ordinary life assurance. In 1937, 29,058 policies were issued for the record amount of £3,127,000, giving an average sum assured of £107; the previous year's total was 23,920 policies for £2,662,000. Although investments are not written up or down annually to accord with market values, the chairman reveals their aggregate market values in the course of his speech. The 1937 accounts give particulars of the quinquennial valuation of liabilities and distribution of surplus. Death claims were some £2,000 smaller at £191,000 and surrender values fell substantially from £103,000 to £70,000; the net rate of interest on the life assurance fund was £4 9s. 2d. per cent., against £4 9s. 6d. per cent. in 1936. The net depreciation of the investments appears to have been £864,000, equal to £6.9 per cent. of the assets at the end of the year; this result must be considered, in all the circumstances, to be favourable. The book value of the assets increased from £11,915,000 to £12,521,000. There was no particularly noteworthy change in the distribution of the investments, and the investment reserve remains unaltered at £1,000,000.

To the actuary of the Association, Mr C. R. V. Coutts, belongs the distinction of having first advocated—some thirty years ago—the “bonus reserve method of valuation,” which has in the last few years been adopted by certain first-class offices. Now that an up-to-date assurance mortality table has been published which closely corresponds with the experience of his own office, Mr Coutts has abandoned the use of the familiar OM 3 per cent. net premium method in favour of a bonus reserve valuation. For mortality he has used the A24/29 table, with interest 4 per cent. for with-profits policies, and “adequate provision” for future expenses. The future rates of bonus assumed in the valuation were those declared at the last distribution of profits as at December 31, 1932, namely, 40s. per cent. per annum for whole life assurances (increased to 45s. per cent. for attained ages not less than 65) and 35s. per cent. per annum for endowment assurances; these various rates are calculated on the sum assured.

The effect of the change in method is to strengthen reserves, as compared with the OM 3 per cent. value, by £280,000, and the results of the last two years are given below:—

	1936-37	1937-38
Trading profit	1,395,455	1,439,314
Profit on securities	—	450,000
Brought forward	171,309	210,268
	1,566,764	2,099,582
Allocations:—		
To Policyholders	941,496	1,101,062
“ Staff pensions fund	25,000	50,000
“ Investment reserve fund	390,000	450,000
“ Strengthening reserves	—	280,000
“ Carry forward	210,268	218,520
	1,566,764	2,099,582

The rates of bonus declared are 5s. per cent. per annum in excess of the above rates reserved for in the valuation, and are as follows:—45s. per cent. per annum for whole life assurances (increased to 50s. per cent. for attained ages not less than 65) and 40s. per cent. per annum for endowment assurances, these rates being calculated on the sum assured. This extra 5s. per cent. per annum is referred to as a special additional bonus, and it is stated to have been given in consideration of the fact that the average rate of interest earned in the quinquennium on the life assurance fund has been considerably in excess of the 4 per cent. assumed in the valuation. The smaller distribution in 1932 was made at a time when, owing to the economic crisis, there were violent fluctuations in the values of securities, and it was considered expedient to withhold trading surplus which would otherwise have been available for distribution. It is particularly pointed out in the actuary's report that the basic rates of bonus assumed “may be expected to fluctuate on one side or other of the basic rate according as the experience of the association has, during the period under review, been more or less favourable.” The capital position is strong; on December 31st last the investment reserve fund together with the carry forward and the excess of market values over book values of investments aggregated £1,886,520, representing 15.1 per cent. of the total assets.

Clerical, Medical and General.—New sums assured in 1937, at £3,239,000 (including four group life assurances for £387,000), were 14 per cent. in excess of the 1936 total, which was a year of record production. The average sum assured per policy of new business, excluding group assurance policies, was £908 compared with £875 in 1936. The net rate of interest fell by 2s. 9d. per cent. to £3 19s. 6d. per cent., compared with the rate of 2½ per cent. used in estimating the liabilities. Death claims were £440,000, against £374,000, and surrender values increased from £124,000 to £170,000. Annual premiums amounted to £945,000, against £904,000. Assets increased from £14,908,000 to £15,654,000. Mortgages of all kinds, which at the end of 1935 were £4,655,000, expanded further from £5,055,000 to £6,311,000; loans on medical practices amounted to £686,000, compared with £480,000 in the previous year and £66,000 in 1935, the year in which the present scheme was adopted by the company.

In approved cases a loan is made upon the security of the practice coupled with a guarantee bond issued by the Employers' Liability Assurance Corporation (of which the company holds 50,000 shares). A life policy is effected with the company for the amount of the loan. By the use of its special “supplementary units” plan of assurance not only is the cost kept at a minimum, but the doctor has the right when the loan is repaid to convert the units into whole life assurance or an endowment assurance policy, irrespective of the then state of his health. The company is in a very favourable position to make a success of this scheme

on account of its close relations with the medical profession. British Government securities, which account for only 4 per cent. of the total assets, fell from £794,000 to £655,000 and Colonial and foreign government securities were £313,000 smaller at £1,392,000. Debentures also fell from £2,219,000 to £2,030,000. Practically the whole of the ordinary stocks held refer to the shares of subsidiary companies, and there is little change in total book values. Freehold premises increased from £1,397,000 to £1,555,000. No Stock Exchange securities stand in the balance sheet either above cost price or middle market price on December 31, 1937, less accrued interest. The book values of other than marketable securities have been taken very conservatively.

United Kingdom Provident Institution.—New sums assured last year were a record and amounted to £5,023,000, compared with £4,621,000 in 1936. The net rate of interest earned on the life assurance fund rose by 2s. 1d. to £4 5s. 7d. per cent. Death claims were £38,000 greater at £729,000, but the mortality expected seems to have been satisfactory, as the number of claims was only 81.2 per cent. and the aggregate amount paid was 86.2 per cent. of that expected by the A1924/29 Table. It is the practice of this society to give higher bonuses in its temperance branch than in the general branch. In the temperance branch the number of claims was 77.3 per cent., and in the general branch was 87.4 per cent. of the expected; on

this occasion, however, the general branch experience was more favourable, the amount paid in claims being 81.6 per cent. of the expected against 91.9 per cent. in the temperance branch. There was a substantial reduction in surrender value payments from £234,000 to £198,000. Total assets increased from £24,594,000 to £25,472,000, and some interesting changes occurred in the distribution of the investments. Loans and mortgages increased from £5,763,000 to £6,646,000, but British Government securities fell by £634,000 to £2,948,000. Colonial and foreign government securities total £2,123,000, against £1,816,000. Debenture stocks fell sharply from £2,826,000 to £2,147,000. Preference stocks showed little change at £2,169,000 and ordinary stocks rose by over £1,000,000 to £3,366,000. The investment reserve remains unaltered at £1,000,000.

National Provident Institution.—Following the record new business sums assured of £1,882,000 in 1936, there was a further rapid expansion last year to £2,126,000. The net rate of interest fell by 2s. 3d. per cent. to £4 3s. per cent. Death claims amounted to £292,000, showing a reduction of £47,000 compared with 1936. The claims intimated in the last five years represented 85 per cent. of the expected by the A1924/29 Table. Total expenses of management, including commission but excluding special valuation expenses, amount to 13.6 per cent. of the premium income. Total assets increased

from £12,547,000 to £12,909,000. Increases were shown in loans and mortgages from £3,088,000 to £3,257,000, in debenture stocks from £3,078,000 to £3,254,000, in preference stocks from £787,000 to £850,000, and in ordinary stocks from £667,000 to £825,000. Decreases of £184,000 and £141,000 respectively were shown in British Government and in Colonial and foreign government securities, at £1,746,000 and £855,000.

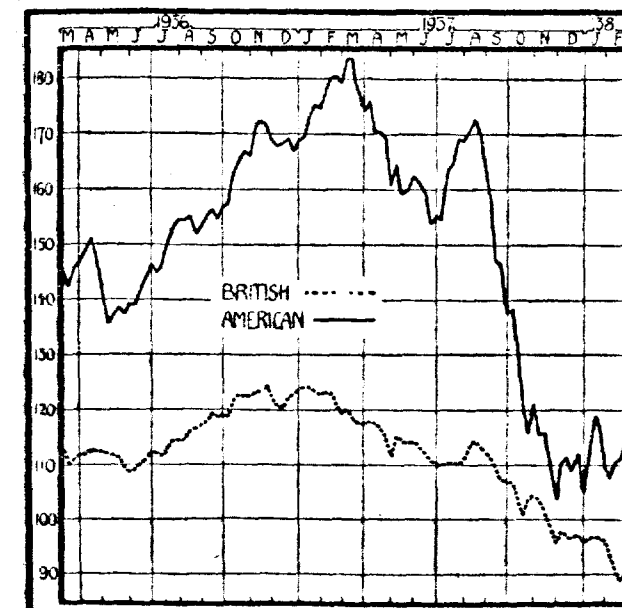
Scottish Widows' Fund.—For many years the new business of this society has regularly reached a new high level. In 1937 a fresh record was created, when new sums assured exceeded the £5,000,000 mark at £5,048,000. Death claims fell by £93,000 to £1,145,000, and surrenders were also somewhat smaller at £184,000. The net rate of interest earned was 1s. 3d. per cent. less at £4 4s. 10d. per cent. Total assets increased from £34,328,000 to £34,894,000. Stock Exchange securities, which exceed £28 millions, stand in the balance sheet at or under their market values on December 31, 1937. Loans on property are practically unchanged at £1,340,000, but loans on public rates increased from £1,489,000 to £1,926,000. On the other hand, policy loans fell by £135,000 to £1,595,000. There was no marked change of any kind in the distribution of the investments among the various headings. The next quinquennial investigation takes place at the close of this year, and by all indications the results will be very satisfactory.

Investment

Course of Share Values.—A month ago, we suggested that the inability of the London market for industrial ordinary shares to stage a convincing revival, despite the

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS

(July 1, 1935=100)
British: “Financial News” Index of 30 Ordinary Shares
American: “Standard Statistics” Index of 50 Common Stocks



comfortable words of Ministers and bank chairmen, was not a hopeful sign for renewed investment interest. The conservatism of our view was speedily vindicated, for

early in February *The Financial News* index broke through the low point of last November, and the fall was not arrested until the index figure had fallen from 94.2 on February 1st to 86.9 on February 17th. During this period, the politicians had things much their own way. There was not even a modest recovery in values (which has now raised the index to 89.9) until the market had digested the implications of Herr Hitler's changes in the German Army and Foreign Office and of his renewed fraternal interest in Austrian affairs, and until the resignation of Mr Eden was revealed as involving no split in the British Cabinet. Comparison of London's experience last month with that of New York, indeed, affords striking evidence of the advantages of relative “isolation” and the width of the Atlantic. Prices on Wall Street continued to rise last month, while London prices were falling. The considerations which favourably affected American sentiment are distinctly hypothetical; and realisation of this fact may be reflected in the relatively small volume of dealings in New York. For index number theorists, however, the position is beginning to hold out definite interest. By contrast with London, which is still in the process of making new “lows,” New York has been passing, since last November, through a phase in which each intermediate high and low point has tended to be slightly above its predecessor. If the tendency continues, chart-buying may have an appreciable effect on prices.

Foreign Bond Movements.—Despite the intrusion of politics in the bond market last month, the index of 109 foreign bond prices computed by Municipal and General Securities Company showed a minor improvement, from 79.3 to 79.5 (average January-June, 1934 = 100). A sharp

fall in Austrian and Czechoslovakian bonds was responsible for the decline in the European section of the index from 97.9 to 96.2, but an appreciable recovery was recorded in Far Eastern issues. Details of the component indices are given below:—

AVERAGE JANUARY-JUNE, 1934 = 100.

End of Month	Europe	Near & Far East	Egypt	South and Central America		Complete Index	Unfaulted Bonds	Defaulted Bonds
				States	Provinces			
1937	(31)	(31)	(4)	(35)	(11)	(46)	(112)	(58)
January	103.6	116.2	100.6	128.5	131.7	129.3	117.0	107.3
February	(30)	(30)	(4)	(35)	(11)	(46)	(111)	(57)
March	102.9	120.0	99.6	131.8	131.8	131.8	119.0	108.1
April	(29)	(29)	(4)	(35)	(11)	(46)	(110)	(56)
May	100.3	120.8	97.8	126.2	120.1	124.7	115.7	106.7
June	100.9	120.2	97.1	124.7	122.7	124.3	115.4	106.6
July	101.6	123.1	98.3	124.3	120.7	123.4	116.2	108.0
August	101.3	125.5	98.1	124.8	118.2	123.2	116.6	109.0
September	105.9	117.6	97.9	127.8	117.5	125.3	116.7	108.3
October	103.1	95.3	98.5	122.4	116.4	121.4	107.7	99.1
November	101.9	87.2	99.5	116.1	111.8	115.0	102.4	85.9
December	(28)	(28)	(4)	(35)	(11)	(46)	(109)	(54)
1938	99.0	88.1	98.3	105.1	108.2	105.8	98.5	85.5
January	97.7	81.6	97.9	82.4	74.2	80.4	85.5	88.6
February	98.4	81.6	98.6	82.6	75.0	80.7	85.3	86.6
March	97.9	71.7	97.8	75.5	67.1	73.4	79.3	80.2
April	96.2	74.7	97.6	75.4	63.8	72.4	79.5	82.7

N.B.—Figures in brackets denote number of bonds included.

South American provincial issues were further depressed, and their fall is also evident in the defaulted bond index. Defaulted issues, however, improved by 2½ points over the month.

Capital Issues in February.—Activity in the new issue market last month was restricted, but public offers involved over £16 millions of new money, a total which is much higher than either a month or a year ago. This achievement, however, was entirely due to active corporation of borrowing which accounted for over £11 millions. The following table gives our usual analysis of new money subscribed in recent months:—

(000's omitted) Excluding Conversions

Monthly Average 1937	United Kingdom	British Possessions	Foreign Countries	Total
Old basis	£18,603	£1,842	£525	£20,970
New basis	32,296	5,283	592	38,171
Monthly Total				
(Old Basis)				
Dec., 1936	Dr. 50	18,588	2,173	20,764
Dec., 1937	Dr. 350	9,806	2,744	17,050
Jan., 1937	300	23,361	1,214	24,875
Jan., 1938	200	4,197	Nil	4,397
Feb., 1937	150	7,998	1,242	9,390
Feb., 1938	150	12,001	4,095	16,246
(New Basis)				
Dec., 1936	Dr. 50	101,663	5,519	111,220
Dec., 1937	Dr. 350	12,855	2,744	20,099
Jan., 1937	300	32,778	5,061	38,235
Jan., 1938	200	10,547	1,320	12,097
Feb., 1937	150	26,416	13,714	41,337
Feb., 1938	150	13,900	5,422	19,472

Other issues exceeding £1,000,000 included offers of London Power 3½ per cent. debentures and of Associated British Picture Corporation ordinary shares. The small industrial company has recently been a rare visitor to the new capital market.

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Electricity Reports

Lancashire Electric Results.—An increase of over 20 per cent. in sales by the Lancashire Electric Power Company is remarkable for so large and old-established an undertaking. The average price received, however, shows a considerable reduction. According to the chairman's speech on Thursday, reductions in charges made in July, 1936, applied in the first full year, were reflected in a reduction in the average price for domestic consumption from 1.92d. to 1.81d. for 1937. The following analysis reveals a substantial increase in profits:—

	1935	1936	1937
Parliamentary Company			
Units sold to general consumers (millions)	330	370	449
Increase %	9.3	12.1	21.4
Units sold to C.E.B. (millions)	167	184	342
Receipts (excluding C.E.B.)	850,095	946,559	1,071,741
Receipts per unit sold	619d.	615d.	574d.
Trading profit	382,892	423,065	501,797
Income tax	20,643	25,797	31,808
Depreciation, and amounts (+ or -) adjusted on carry forward	105,147	114,037	179,212
Balance	257,102	283,231	290,777

	1935	1936	1937
Holding Company			
Net profit	263,564	291,381	298,634
Debt service	61,596	60,341	60,103
Fixed preference div.	88,535	87,879	87,004
Earnings for part. pref. and ord.	113,433	142,661	151,527
Dividends	100,756	118,188	150,000
Ord. stock earned %	8.4	9.0	7.6
Ord. stock div. %	7½	7½	7½
To reserve	...	40,000	...
Carried forward	21,168	5,641	7,169

It is evident from these figures that the greater part of the increase in trading profit has been applied to strengthening the depreciation allocation. Total provisions for depreciation of the subsidiary companies, plus the sums applied to debenture redemption fund and undistributed profits by the parent company for 1937, slightly exceeded £190,000. This sum is close to the depreciation requirements computed on the basis of our standard scale. Applying this standard basis, last year's earnings were almost precisely equivalent to the 7½ per cent. ordinary dividend paid. True ordinary earnings, in effect, did not shrink from 9 per cent. to 7½ per cent., as the figures at first sight suggest, but rose rather from a "true" 6½ per cent. to 7½ per cent. The £1 ordinary stock units stand at 35s. to yield £4 8s. 3d. per cent.

Midland Counties Electric.—The trading profits of the Midland Counties Electric subsidiaries showed a further substantial increase last year from £664,703 to £767,352. Precise comparison, however, is affected by the acquisition, during 1937, of controlling interests in Tamworth District Electric and Mansfield District Traction. An issue of £1,000,000 4½ per cent. preference shares was also made during the year. Our table shows, however, that the 8 per cent. ordinary dividend was covered by earnings of 9.8 per cent., against 9.2 per cent. in 1936:—

	1935	1936	1937
Trading profit of subsidiaries	628,101	664,703	767,352
Depreciation reserves	281,647	306,955	377,116
Revenue paid to parent company	347,641	353,660	390,236
Net earnings of parent company	332,600	337,480	374,183
Debt service and other interest	31,000	34,197	41,793
Preference dividends	93,000	91,500	111,919
Ordinary capital:—			
Earned	208,600	211,783	220,471
Paid	174,375	183,000	180,000
Earned %	9.0	9.2	9.8
Paid %	7½	8	8
To reserve	32,665	25,000	37,125
Carried forward	7,864	11,647	14,993

The group's ability to reserve almost half of its trading profit—the precise figure is over 49 per cent.—for depre-

ciation is to be envied. It is true that a proportion—it is not known how much—of the company's properties consists of traction undertakings, for which a higher rate of depreciation is appropriate; but there can be little doubt that the depreciation provision is more generous than the majority of companies in the industry would regard as necessary. It is clear, indeed, that the company is highly prosperous. If depreciation took only 40 per cent. of the trading profit, instead of 50 per cent., the earnings shown would be equivalent to nearly 14 per cent. on the ordinary capital, and on this hypothetical basis the ordinary shares would show an earnings yield of over 7 per cent. at the current price of 37s. 6d.

Northampton Electric Light.—As the following table shows, Northampton Electric recorded a further expansion in sales and profits in 1937. Commenting on the results a year ago, we suggested that a reduction of prices might be near at hand, but apparently this has not yet materialised. According to the latest records, the flat-rate lighting price in Northampton is 5d. a unit, which appears high compared with the prices usually charged in towns of similar characteristics. Our analysis shows that the 10 per cent. ordinary dividend was covered by earnings of no less than 17.2 per cent.:—

	1935	1936	1937
Units sold (excluding sales to C.E.B.) in millions	65.9	75.6	85.5
Increase %	12	14½	13
Revenue (excluding bulk supplies)	283,050	320,645	350,201
Net profit	182,890	205,145	252,811
Depreciation	58,068	70,727	93,724
Debt service, etc.	18,319	19,831	22,386
Preference dividends	2,625	2,625	2,625
Ordinary shares:—			
Earned	103,878	111,962	134,076
Paid	72,500	87,000	87,000
Earned %	14.6	13.7	17.2
Paid %	10	10	10
Additional depreciation	10,000	10,500	16,000
General reserve	10,000	15,000	20,000
Written off	...	...	2,865
Carried forward	15,030	18,445*	26,656

* After crediting £3,953 income tax.

On an earnings basis, the ordinary shares of the company at the current price of 46s. 3d. compare very favourably with the majority of electric supply undertakings. In view of the preceding comment, investors may consider that a conservative valuation is probably justified. The position of the company is not, of course, comparable with that of typical power companies, for it has no powers in perpetuity such as power companies hold under their Acts of Parliament, and the most lucrative part of its area is probably the town of Northampton itself, which is supplied under Orders dated 1890 and 1904. These Orders give the local authority power to purchase the physical assets of the undertaking without compensation for goodwill at no distant date, and it is not impossible, therefore, that when the promised reorganisation of electricity distribution occurs, the shareholders may find that the present generous level of profits cannot be fully maintained.

Company Notes

Imperial Chemical Management.—On Tuesday it was announced, on behalf of Imperial Chemical Industries, that a scheme which had been under consideration for some time was being put into force. As a result, the functions of sole managing director, hitherto exercised by Lord McGowan, will in future be undertaken by a management board composed of executive and non-executive directors, under Lord McGowan's chairmanship. The announcement was certainly not unexpected by the market, and its contents were, as a whole, less detailed than had been looked for in some quarters. Its chief interest hinges on the position accorded by the market to the I.C.I., ever since its formation at the end of 1926, as

the leading exemplar of large-scale rationalised enterprise. To what lengths, in such an organisation, should centralisation of control be carried? The company itself has, in fact, secured efficiency and, in recent years, a rising annual profit, from a process of departmentalisation of its numerous branches; but control of finance, in particular, "at the top," has continued to call for the qualities of a super-man. Despite its size, the I.C.I. is not the largest British "trading" organisation; the London, Midland and Scottish Railway, for example, has a larger capital, and the Halifax Building Society has higher total assets. But neither of these organisations transacts as varied a form of business as that of the I.C.I. And one of the first acts of Sir Josiah Stamp, on becoming head of the L.M.S., was to devolve important executive responsibilities on various officers known as Vice-Presidents. To mention an even more distinguished precedent, it is nearly a century since a British Prime Minister finally decided that to maintain intimate touch with the detailed work of Government Departments was a task beyond human power. Government by committee necessarily has its disadvantages, but at least it reduces the risk that an individual, however gifted and knowledgeable, may err, in all good faith, in his judgment of present events or future tendencies. For some time past, I.C.I. ordinary stock has been a falling market, and the units fell a further 6d. to 30s. on Wednesday after the announcement, and were uneasily maintained on Thursday. The issue of the report for 1937, in due course, will reveal how far the market is correct in its supposition that a satisfactory trading experience has been accompanied by some net depreciation in the value of the investment portfolio, due in part to the fall in American security values last year.

Courtaulds' Report.—The preliminary statement of profits (discussed in *The Economist* of February 19th) prepared Courtaulds' stockholders for a modest increase in earnings and for an unencouraging report. Trading profits have increased from £3,144,921 (on a comparative basis) to £3,430,204. These figures are struck after charging depreciation and excise duty, and include dividends from the American company which in the aggregate exceed the profits earned during 1937. The bulk of the increase in profits, however, has been diverted to increased taxation and N.D.C., which absorbed £1,029,760, compared with £821,389 in 1936. The report describes the present business outlook with characteristic candour. English manufacturing business last year was slightly better in volume and profits than in 1936, but "all sections are depressed by the present stagnation pervading the whole textile industry." In the United States, business was brisk for the first eight months of 1937, but conditions rapidly deteriorated, and "the outlook for 1938 is not encouraging." Canadian business tended to decline at the end of last year, and while an improvement was recorded in Europe, the company obtains a direct financial return only from Italy. The balance sheet, as usual, shows enormous strength. Properties and plant now stand in the books at a net total of £9,461,155, compared with £8,235,299 at the end of 1936. In consequence, a reduction in the book value of gilt-edged and other securities is recorded, from £15,355,897 to £14,271,052, compared with a market value of £15,453,412. The capital expenditure is associated with the completion of the Preston rayon factory. It will be interesting to have the chairman's views regarding the progress of this and other factory extensions.

The OCEAN

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FOR ALL CLASSES OF INSURANCE

An interesting point emerges from the changed presentation of the accounts. By comparing the 1936 profit figures as published, with those presented for comparison with the 1937 results, it is possible to infer that excise duty for the calendar year 1936 amounted to £1,363,228. This figure provides a basis for a rough estimate of the proportion of total artificial silk output produced by Courtaulds during that year. The net excise receipts for the year to March, 1937, amounted to £2,125,944, after deducting drawbacks. It is necessary, therefore, to assume that there was relatively small change in conditions between the first quarters of 1936 and 1937, and further, that Courtaulds enjoys roughly the same proportion of export business as the rest of the industry. On these hypotheses, it may be calculated that the company's proportion of total artificial silk production in 1936 was of the order of two-thirds. The calculation is affected by changes in silk duties in December, 1936, which released "staple fibre" from liability to excise, but it demonstrates to the Courtaulds stockholder that the company has firmly established its leadership.

* * *

London Brick Meeting.—Sir P. Malcolm Stewart assumed the mantle of a less confident prophet at the London Brick meeting last Tuesday. Stockholders may have felt the better able to receive his candid caution regarding the current year after hearing the account of a remarkable recovery in business in 1937. The current year has begun well—presumably the comparison is affected by sub-normal demand early last year—but the chairman emphasised that it is early in the year to make a forecast, and that the company has a colossal production to market. There is, apparently, good reason to suppose that the company will maintain its turnover (in this connection the recent building plans figures are a helpful pointer), but costs are still rising, and the company's policy is opposed to higher prices, which must inevitably increase building costs. In these circumstances, Sir Malcolm was as frank as a chairman could well be when he turned to the question of dividend policy. In recent years London Brick has paid three 5 per cent. interim dividends, and stockholders have naturally set up the presumption, usually justified in the event, that the final dividend would not be less than this amount. The chairman is hopeful that the regular 5 per cent. interim dividends will be maintained, but stockholders are invited to regard a final dividend of the same rate as "a matter of hopeful expectation, rather than as an assured certainty." Thoughtful stockholders will appreciate the frankness of the chairman on this occasion; they have the plainest indication that, although the long-term basis of London Brick is sound—for it sells a wide range of products on a national and not a local scale—immediate dividend prospects are limited.

* * *

Enfield Cable Finances.—A 60 per cent. capital bonus, coupled with the maintenance of the 25 per cent. dividend on Enfield Cable ordinary shares, was a rather unfortunate precursor of an 8½ per cent. drop in total profits. The ordinary shares, which jumped sharply on the bonus news, fell by no less than 12s. 6d. on the report, and have subsequently fallen to the lower level of 9s. 3d. Such wide fluctuations are not usual in Enfield Cable shares, and they might have been softened by giving some indication of profits when the bonus was announced last week. It appears that the reduction in profits is due, not to smaller turnover, but to lower selling prices. No reference, however, is made to costs. Since one-third of the total sales in the previous year was to export markets, it may be inferred that competition overseas has been more severe. The drop in profits, in any case, is not serious, but as the accompanying table shows ordinary earnings are nearly £30,000 lower, owing mainly to a provision of £7,000 for N.D.C. and higher depreciation.

	Years ended December 31		
	1935	1936	1937
Total profit	141,915	223,395	203,944
Depreciation	12,345	15,875	19,449
Tax, N.D.C. and fees.....	1,456	7,000	13,667
Preference dividend	15,000	15,000	15,000
Ordinary shares :—			
Earned.....	113,114	185,520	155,828
Paid	100,000	125,000	125,000
Earned %	29.2	40.9	33.2
Paid %	25†	25	25*
Reserve	10,000	80,000	25,000
Profit on inv. realisation.....	1,442	4,311	Dr. 1,626
Carry forward	29,906	14,737	18,940

† Also capital bonus of 25 per cent.
* And capital bonus of 60 per cent.

In terms of the newly increased capital, last year's earnings represent only 20.8 per cent., and the report specifically states that the percentage rate of dividend will be altered in future years. While the nominal capital may more nearly reflect the value of the assets employed in future, therefore, the bonus does not enhance the earnings position one whit. Assuming that profits are maintained and divided in the same proportion between dividends and reserves, the "notional" 1938 dividend may be calculated at 15½ per cent. At the current price of 91s. 3d., or 55s. ex dividend and rights, the new shares would yield £5 13s. per cent. on this basis.

* * *

Pennsylvania Railroad Revenues.—The depression in railroad stocks is no respecter of merit, and Pennsylvania Railroad common shares, which reached \$50½ last year, have since fallen to \$22½. Advance particulars from the annual report show that the line was affected by the withdrawal of the emergency freight charges (which were equivalent to a loss of \$15 millions in gross and net revenues compared with 1936) and by a substantial increase in operating expenses. Total operating revenues increased by some \$14,508,320 to \$455,933,509, but operating costs increased by no less than \$23,873,592 to \$337,961,293, owing to higher wages and materials costs, and to the increased volume of traffic. Net revenue from railway operations fell by some \$9,365,272 to \$117,972,216 and the surplus available for common dividends was reduced by \$12,265,179 to \$19,134,172. Dividends of \$1.25 were paid last year, compared with \$1 for 1936.

* * *

Olympia Setback.—The steady fall in the 5s. ordinary shares of Olympia, Limited, correctly discounted a serious setback in profits last year. Income has fallen from £150,373 in 1936 (excluding investment profits) to £101,552, and the ordinary dividend, which had been maintained at 10 per cent. for seven successive years, is passed. Net profits, before charging special expenditure on decorations and renewals, amount to £39,770, against £81,346, and the preference dividend is, in fact, short-earned by some £4,731. The main reason for this reverse is the transfer of the Motor Show from Olympia to Earl's Court, and no suitable tenant has been found in replacement. Again, the Daily Mail Ideal Home Exhibition will be held at Olympia this year, but will be transferred in future years. The problem facing the management is evident; heavy continuous overhead expenses mean that the loss of a single exhibition may seriously affect revenue. The directors, apparently, consider that London now has more accommodation than the existing exhibitions require. Accordingly, they are revising their former policy, and propose to take part in the promotion of exhibitions. A subsidiary is being formed to assist in the organisation of trade exhibitions, and the first, arranged in conjunction with Odham's Press, is to be held in November. Much will depend on the success of these ventures, and the current price of 2s. 3d. for the 5s. ordinary shares shows that the market maintains some reserve towards the company's immediate dividend prospects.

THE PENNSYLVANIA RAILROAD

SUMMARY OF ANNUAL REPORT FOR 1937

THE 91st Annual Report of the Pennsylvania Railroad Company covering operations for 1937 will be presented to the stockholders at the annual meeting on April 12, 1938. Total operating revenues increased over 1936 by \$14,508,320 or 3.3%. Operating expenses increased \$23,873,592 (due principally to higher wage scales, larger expenditures for maintenance, higher costs of materials and supplies and greater expenses incident to increased business). Net income was \$27,278,638, as compared with \$38,742,091 in 1936. Surplus was equal to 2.9% upon the outstanding Capital Stock as compared with 4.8% in 1936. Surplus per share (par \$50) was \$1.45 as compared with \$2.38 in 1936.

OPERATING RESULTS

	1937	Comparison with 1936 Increase or Decrease
TOTAL OPERATING REVENUES were.....	\$455,933,509	I \$14,508,320
TOTAL OPERATING EXPENSES were.....	337,961,293	I 23,873,592
LEAVING NET REVENUE FROM RAILWAY OPERATIONS of.....	117,972,216	D 9,365,272
TAXES amounted to.....	39,332,751	I 4,618,602
HIRE OF EQUIPMENT and JOINT FACILITY RENTS were.....	5,638,538	D 2,804,208
LEAVING NET RAILWAY OPERATING INCOME of.....	73,000,927	D 11,179,666
INCOME FROM INVESTMENTS AND OTHER SOURCES amounted to.....	37,559,227	I 1,439,694
MAKING GROSS INCOME of.....	110,560,154	D 9,739,972
RENTAL FOR LEASED LINES, INTEREST ON THE COM- PANY'S DEBT AND OTHER CHARGES amounted to...	83,281,516	I 1,723,481
LEAVING NET INCOME of.....	27,278,638	D 11,463,453
APPROPRIATIONS TO SINKING AND OTHER FUNDS, etc....	8,144,466	I 801,726
SURPLUS (Equal to 2.9% on Capital Stock).....	19,134,172	D 12,265,179

Dividends aggregating 2½% (\$1.25 per share) were paid during the year and charged against 1937 income. Both gross and net income were adversely affected to the extent of about \$15,000,000, as compared with 1936, by the elimination of the so-called emergency charges on freight traffic.

The Pennsylvania Railroad invites the active interest of its stockholders and bondholders in getting people to travel and ship via The Pennsylvania Railroad.

M. W. CLEMENT, *President.*

THE PENNSYLVANIA RAILROAD

SHIP AND TRAVEL VIA PENNSYLVANIA

*Stockholders can obtain copies of the Annual Report from
J. Taney Willcox, Secretary, Broad Street Station Building, Philadelphia, Pa.*

London Store Results.—The preliminary statement of A. W. Gamage and Company indicates an improvement in trading which the market received with satisfaction. The ordinary capital was increased from £400,000 to £500,000 last year, but the 15 per cent. dividend is maintained and net profits have increased by £5,162 to £110,761 before tax. Apparently the distribution is still well covered by earnings, but the margin must be somewhat diminished, since the ordinary dividend now requires £75,000 gross against £60,000. During eight months of the year, the business had the use of the proceeds of the ordinary share issue amounting to £275,000, less expenses. This issue was made to safeguard cash resources rather than for extension, since the company finances its growing instalment business internally. The full report of Harrods confirms the satisfactory impression made by the profits statement. Total profits of £2,712,962 are £103,582 (or 4 per cent.) higher, but earnings for the ordinary stocks, at £488,002 (before charging £40,967 to staff funds) are £11,518 lower, owing to the provision for N.D.C. and to higher charges under several expense items. The book value of the D. H. Evans holding is increased by £600,388, with a contra entry increasing the general reserve. These shares have hitherto stood neither at true cost nor at intrinsic values in the Harrods balance sheet, and the increase from £581,502 to £1,181,890 represents the addition of a premium of £2 per share, which is put forward as a conservative estimate of the potential premium on the Harrods shares issued as consideration in 1928. In other respects, the balance sheet is little changed. The strong liquid position, however, is further improved, surplus liquid assets amounting to £1,066,000 against £986,000. General, rather than detailed, conclusions from the Selfridge report were discussed by Mr H. Gordon Selfridge at last Monday's meeting. Non-recurring expenses and a higher pay-roll more than offset the increase in trading profit, but it was stressed that the considerable expenditure on the Coronation display was undertaken with open eyes, though the expense exceeded estimate. The autumn's business, it seems, was disappointing, and though investors will agree that 1937 was exceptional, no new factors are evident which encourage greater optimism regarding the current year.

Tanganyika Concessions Scheme.—The reconstruction scheme foreshadowed by the board at the end of January proves to be a complicated measure, but the company's position is equally complicated. In the first place, the African Railway Finance Company has to be put in regular funds to serve its debentures, whose proceeds were employed in the completion of the Benguela Railway. At present, African Railway Finance holds 1,087,875 6 per cent. "B" preference shares of Tanganyika Concessions—its only asset—and has no income. These shares will be replaced by £1,373,100 of 2 per cent. Notes, redeemable as the sinking fund payments on the outstanding £1,373,100 2 per cent. debentures fall due. In consequence, the redemption of the African Railway Finance debentures will in future rank as a capital charge in "Tanks" books. The second step is to eliminate the existing debit balance (which includes the irrecoverable advances to African Railway Finance) and to reorganise the capital structure. These effective changes are summarised in the following table:—

Existing Capital	New Capital
10% pref. 26,394	Cum. part. pref. ... 2,305,783
6% "B" pref. ... 3,340,870†	Ordinary (10s.) ... 3,139,678
Ordinary (£1) ... 6,279,356	New shares
Unissued 353,380*	(unissued) 4,554,539
£10,000,000	£10,000,000

* To be cancelled. † Of which £1,061,481 held by African Railway Finance to be cancelled.

Holders of 10 per cent. preference shares will lose their special rights and dividend arrears, but will receive, in effect, two new cumulative participating preference shares, which each rank for 4 per cent. cumulative and 2 per cent. non-cumulative preferential dividend, together with partici-

pating rights up to a further 4 per cent., making a total potential rate of 10 per cent. Existing public "B" preference shareholders, whose 6 per cent. dividend is now two years in arrear, are invited to exchange into the new preference capital on a share for share basis, while their arrears and rights of conversion into ordinary shares will be cancelled. Finally, the ordinary capital is written down by one-half, and the company will have £4,554,539 of unissued capital in reserve.

Preference shareholders will probably feel that their sacrifice of arrears has been equitably compensated under the scheme. It covers all depreciation on the company's investments, and the Benguela Railway share and debenture holdings will be reduced from £6,571,620 to approximately £2,250,000. Consequently, the directors anticipate the payment of a dividend on the new preference capital for the seven months to July 31st next. They do not, however, give any indication of potential profits in the future, and it is on this point that the preference shareholders may feel the need for enlightenment. The 10 per cent. preference shareholders have 55 per cent. of dividend arrears, and if the maximum participating dividend was paid, their claims would not be met for 5½ years. The "B" preference shareholders sacrifice 12 per cent. in arrears, and 2 per cent. in cumulative rights, in return for potential 10 per cent. payments. The ordinary shareholders, clearly, will not object to a scheme which merely reduces their nominal capital and enables them to participate in profits at a much earlier point.

Mexican Oil Wages.—Mexican Eagle shares fell further from 8s. 7½d. to 7s. 10½d. on Wednesday, following the dismissal by the Supreme Court of Mexico of the foreign oil companies' appeal to set aside the wages award. It will be recalled that, in December, the oil companies disputed the basis of the Arbitration Board's findings. The award contemplated that the oil companies could "afford" 26 million pesos per annum. In fact, their average profits were stated to amount to 22½ million pesos for the three years to December, 1936, and it was further stated that the full award, including such singular benefactions as 80 per cent. retirement pensions, and four to six weeks' holiday with pay, would involve not less than 64 million pesos. In the light of these statements, the companies' rejoinder to the Supreme Court's decision is easily understood. The Supreme Court's refusal to grant the injunction will have "serious consequences for the companies' employees and those dependent on the industry." In the last resort, the Mexican Government is largely dependent on the industry—indeed, it was remarkable last year how quickly the strike was settled as soon as an internal shortage of petroleum supplies became apparent. The Government, however, appears rather to be devoted to the policy of slow strangulation, coupled with a willingness to grant further oil concessions to existing and new companies which, in the circumstances, is scarcely explicable. Indeed, the whole affair is in the Mexican tradition. Investors would be as unwise to expect any relief for the oil companies as to hope for the debt settlement for which they have waited for years. Recent suggestions from Mexico City that an early settlement was in prospect have been doubtfully received in London, which knows that optimism in the matter of Mexican finance rarely pays.

Other Company Results.—Apart from the results discussed in preceding notes, some of the more important reports are discussed on page 519 under the heading "Shorter Comments." In all, some 45 companies are included in this week's analysis of profit and loss accounts on page 540.

Company Meetings of the Week.—Reports of company meetings commence at page 527 of this issue. The remarks of Sir P. Malcolm Stewart at the London

Brick meeting are discussed on page 512. At the *Scottish Widows'* meetings, Sir Ian F. C. Bolton referred hopefully to the prospective surplus when the quinquennial valuation is made at the end of this year. Mr Francis E. J. Smith discussed the investment policy of the *Clerical, Medical and General* office, and declared that when investment yields were low, the management sought—successfully last year—good mortgages, and preferred short-dated securities. The chairman of *British Assets Trust* expressed the hope that the increased dividend would be maintained, but found it difficult to make a reliable forecast of future earnings. At the *Illustrated Newspapers* meeting, Lord Southwood expressed satisfaction that sales and advertisement revenue had been well maintained in spite of the constant production of new publications. The directors are

considering the advisability of exceptional expenditure on a publicity campaign. Mr H. Gordon Selfridge's comments upon the year's working of *Selfridge and Company* are referred to in a Note on page 514. An address prepared by the late Sir James Crichton-Browne was read to *Bovril, Limited*, shareholders by Lord Luke, who referred to Sir James' valuable services rendered to the company during thirty years. At the *Anglo-French Exploration* meeting, Mr F. A. Robinson discussed the effect of taxation on the opening of new mines, which was essential if gold output was to be maintained. Mr George Balfour, at the *Lancashire Electric Light and Power* meeting reported that the company was receiving as many applications for supplies and connecting as many new consumers as a year ago, while output showed comparable increase.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
MARCH 8 MARCH 10

AFTER last week's smart recovery, markets have again relapsed into quiet and indifferent trading. The volume of turnover for the greater part of the week has been wholly sub-normal, and it has affected the gilt-edged market no less than industrials. The Defence white paper and the estimates have failed to stimulate interest in industrials, but they produced a sharp setback in the Funds on Thursday.

The *gilt-edged market*, in fact, had already lost part of its recent strength at the opening, and even a small volume of selling sufficed to depress quotations fractionally. The significant exception was National Defence Bonds, which rose further to a new high level of 109½ on Tuesday. Old Consols showed a particularly heavy fall on Thursday, when Local Loans were again depressed. Home corporation crips were naturally affected, and the Birmingham issue fell to a small discount in mid-week.

Far Eastern bonds recovered appreciably, the China 1913 issue being helped by the annual drawing, while Japanese issues responded readily to buying in a market short of stock. A rally in Austrian and Czech bonds was also reported, but an early improvement in Brazilian issues was not held.

Home rails became idle, and prices declined fractionally. The traffics disappointed the market, and Great Western ordinary, in particular, fell 1½ on Wednesday, and again on Thursday.

Movements in the *industrial market* were generally downward, but usually of small dimensions. The demand for steel shares abated, and advances were limited to shares in the news, like Projectile and Engineering. Coal shares were also slightly easier. In the electrical equipment market, the sharp fall in Enfield Cable (discussed on page 512) was outstanding. Engineering shares showed a few exceptional advances, such as Westinghouse Brake, but like motor issues they generally moved lower. The Air estimates did not stimulate particular interest in aircraft shares. Textile issues remained neglected, and Courtaulds again fell below 40s. following the report. Shipping shares received little support. Among the miscellaneous industrials, I.C.I. showed a net fall on

the statement (see page 511), while London Brick were 2s. lower on Wednesday, following the meeting (discussed on page 512).

In sympathy with the easier trend on Wall Street, *oil shares* sagged early in the week. There was little business passing, but quotations were sensitive to small sales. Mexican Eagles were not especially depressed by the Supreme Court's decision on the labour award, for the result had already been discounted. The *rubber market* was stagnant and prices changed only fractionally. While investors did not fear further declines, they were not tempted to increase their holdings, and the volume of orders was hardly sufficient to test prices. On Monday conditions in the *tea share market* were brighter, but the improvement did not last.

In the mining market the week was even more than usually idle. *Kaffirs* were thoroughly somnolent, remaining indifferent to the Rand returns for February and to the start of dealings in the new Grootvlei shares. There was a little Cape enquiry for Venterspost, and later some Paris support for dividend payers. West Africans eased from sheer neglect. Rhodesian copper shares continued dull, but prices were fairly steady. Base metals shared in the general apathy.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corres. Day 1937	Security Indices
			30 ord. shares* 20 fixed int.†
Feb. 25	6,800	12,795	91.7 130.4
Feb. 28	7,185	14,490	91.8 130.4
Mar. 1	6,790	11,445	91.2 130.3
Mar. 2	7,390	11,945	90.9 130.1
Mar. 3	7,670	12,020	89.9 129.8
1938 High...	...	...	97.2 131.0
Low...	...	...	Jan. 12 Feb. 4
			86.9 129.2
			Feb. 17 Jan. 3

* Approx. total recorded in S.E. List. † 1928 = 100. * July 1, 1935 = 100.

ACTUARIES' INVESTMENT INDEX

By Tuesday last (March 1st), the Actuaries' index of 151 industrial equity prices had recovered to 70.3, compared with 69.4 a week ago, but was still lower than a month ago, when the index stood at 72.5. The corresponding average yields are 5.16, 5.22 and 4.93 per cent., the percentage having risen above 5 for the first time on February 8th. We give in next column a selection of the separate indices.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Feb. 1, 1938	Feb. 22, 1938	Mar. 1, 1938	
Insurance (10)...	120.1	118.1	119.3	121.5
Building mats. (6)...	83.6	82.3	84.4	87.1
Coal (9)...	99.0	94.1	97.5	106.7
Elec. mfg. (12)...	127.5	119.7	121.4	129.7
Iron & steel (17)...	62.4	59.8	60.8	66.4
Home rails (4)...	68.8	61.9	61.0	71.0
Stores, etc. (18)...	64.6	61.0	62.3	66.4

Group	Yields %			Prices 1938 Low
	Feb. 1, 1938	Feb. 22, 1938	Mar. 1, 1938	
Insurance	3.49	3.59	3.56	118.1
Building mats. ...	6.98	6.86	6.70	82.3
Coal	5.17	5.51	5.42	94.1
Elec. manuf.	4.48	5.32	5.25	119.7
Iron and steel ...	6.50	6.82	6.70	59.1
Home rails	3.08	5.25	5.35	61.0
Stores, etc.	4.61	4.83	4.74	61.0

New York

By the end of last week it was evident that Wall Street had lost its impetus, and while there was a slight attempt to put stocks higher on Tuesday this week, the meagre volume of business was evidence enough of lack of speculative interest. In a week, market sentiment has swung round to asking whether the present level of stocks can be maintained without a definite sign of business recovery. At present this is lacking. *Iron Age* again estimates steel output at 30 per cent. of capacity, but suggests that demand conditions are slightly better. No special selling pressure has been seen in the stock market, but lack of resistance brought falls of \$1 or more in such stocks as U.S. Steel, Bethlehem and American Smelting in mid-week. Nor is the market expecting great benefits from the Tax Bill, which is now being discussed in House Committee.

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):—

	WEEKLY AVERAGES				
	1938	1938	1938	1938	1938
	Low Feb. 2	High Jan. 12	Feb. 16, 1938	Feb. 23, 1938	Mar. 2, 1938
347 Ind's. ...	93.0	101.5	94.4	100.7	98.2
32 Rails	27.5	31.4	28.0	30.2	29.4
40 Utilities ...	69.8	78.8	70.2	73.4	71.7
419 Stocks ...	78.9	86.4	79.6	84.7	82.7
Av. yield %* ...	8.35	5.70	8.05	5.79	5.70
	High	Low			

* 50 Common Stocks. † February 9. (Continued on page 518)

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1937		Prices, Year 1938 Jan. 1 to Mar. 2, inclusive		Name of Security	Price, Mar. 2, 1938	Change since Feb. 23, 1938	Yield Mar. 2, 1938	Prices, Year 1938 Jan. 1 to Mar. 2, inclusive		Name of Security	Price, Mar. 2, 1938	Change since Feb. 23, 1938	Yield Mar. 2, 1938
High- est	Low- est	High- est	Low- est					High- est	Low- est					(a) %	(b) %	(c) %
British Funds													
84 1/2	73 1/2	70 1/2	74 1/2	Consols 2 1/2 (1957-70)	77 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Com. Bk. of Aus. 10-1/2	12 1/2	- 1/2	4 1/2
113	105 1/2	113 1/2	109 1/2	Do. 4 1/2 (1957-70)	110 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Do. 4 1/2 (1957-70)	12 1/2	- 1/2	4 1/2
101 1/2	94 1/2	99 1/2	97 3/4	Conv. 2 1/2, 1944-49	98 1/2	- 1/2	4 1/2	113 1/2	126 1/2	En. S. & Aust. 4 1/2 3p.	87 1/2	- 1/2	4 1/2
103 1/2	97 1/2	102 1/2	100 1/2	Do. 3 1/2, 1948-53	101	- 1/2	4 1/2	113 1/2	126 1/2	Hambros 10, 4 1/2 3p.	104	- 1/2	4 1/2
106 1/2	99	104 1/2	102	Do. 3 1/2, after 1961	103 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Hong. and S. 8 1/2 3p.	104	- 1/2	4 1/2
108	105	106 1/2	106 1/2	Do. 3 1/2, 1940-44	106 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Martins 4 1/2, 4 1/2 3p.	60 1/2	- 1/2	4 1/2
97 1/2	111 1/4	115 1/2	114 1/2	Do. 5 1/2, 1941-64	115 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Midland 4 1/2, 4 1/2 3p.	85 1/2	- 1/2	4 1/2
89 1/2	89	91 1/2	89 1/2	Fund. 2 1/2, 1952-57	96 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Nat. Dis. 4 1/2, 4 1/2 3p.	6	- 1/2	4 1/2
96 1/2	89 1/2	97 1/2	95	Fund. 2 1/2, 1952-57	96 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Nat. of Egypt 4 1/2 3p.	38 1/2	- 1/2	4 1/2
101 1/2	92 1/2	99 1/2	97 1/2	Fund. 3, 1959-69	99	- 1/2	4 1/2	113 1/2	126 1/2	N. Prov. 4 1/2, 4 1/2 3p.	40 1/2	- 1/2	4 1/2
116 1/2	109	114 1/2	112 1/2	Fund. 4, 1960-99	114 1/2	- 1/2	4 1/2	113 1/2	126 1/2	Roy. Bk. of Scotland	15 1/2	- 1/2	4 1/2
99 1/2	96	100 1/2	99 1/2	Nat. D. 2, 1944-48	100	- 1/2	4 1/2	113 1/2	126 1/2	Union Dis. 4 1/2	47 1/2	- 1/2	4 1/2
114 1/2	107 1/2	112 1/2	110 1/2	Victory Bonds 4	110 1/2	- 1/2	4 1/2	113 1/2	126 1/2	West. 4 1/2, 4 1/2	96 1/2	- 1/2	4 1/2
105 1/2	99 1/2	103 1/2	101 1/2	Wai. L. 4, at 1952	103	- 1/2	4 1/2	113 1/2	126 1/2				
96 1/2	84 1/2	90 1/2	87 1/2	Local Loans 3	88 1/2	- 1/2	4 1/2	113 1/2	126 1/2				
102	99 1/2	100 1/2	100 1/2	Austria 5, 1933-5	101	- 1/2	4 1/2	113 1/2	126 1/2				
72	62	67 1/2	66 1/2	India 2 1/2	66 1/2	- 1/2	4 1/2	113 1/2	126 1/2				
85 1/4	74 1/4	81	78 1/4	Do. 3 1/2	79 1/2	- 1/2	4 1/2	113 1/2	126 1/2				
98 1/2	87	94	91 1/2	Do. 3 1/2	92 1/2	- 1/2	4 1/2	113 1/2	126 1/2				
119 1/2	112 1/4	116 1/2	114 1/4	Do. 4 1/2, 1958-68	116 1/2	- 1/2	4 1/2	113 1/2	126 1/2				
Dom. & Col. Govts.													
100 1/2	105	108 1/2	107	Austr. 5, 1945-75	108	- 1/2	4 1/2	113 1/2	126 1/2				
101 1/2	105 1/2	104 1/2	102 1/2	Canada 4 1/2, 1940-60	103 1/2	- 1/2	4 1/2	113 1/2	126 1/2				
110	114 1/2	114 1/2	113	Chile 5, 1950-60	114	- 1/2	4 1/2	113 1/2	126 1/2				
110	104 1/2	108	106	N. Zealand 5, 1946	108	- 1/2	4 1/2	113 1/2	126 1/2				
107 1/2	103 1/2	107 1/2	104 1/2	Queens. 5, 1940-60	104 1/2	- 1/2	4 1/2	113 1/2	126 1/2				
114 1/2	110 1/2	112 1/2	112 1/2	S. Africa 5, 1945-75	112	- 1/2	4 1/2	113 1/2	126 1/2				
Foreign Governments													
103	93	96 1/2	90	Arg. 4 1/2, 1924-34	92 1/2	+ 1 1/2	4 17 3/4	106 1/2	103 1/2				
105 1/2	97 1/4	102	75	Austria 7 1/2, 1957-67	77 1/2	+ 1	9 2 1/2	103 1/2	94 1/2				
84 1/4	89	90	70	Belg. 4 1/2, 1934-59	77 1/2	- 1/2	6 10 0	106 1/2	16 1/2				
102 1/2	95 1/2	99	95	Belg. 4 1/2, red. by 1970	98 1/2	+ 1 1/2	4 2 2	87 1/2	78 1/2				
37 1/4	24 1/2	33 1/2	31 1/2	Bulgaria 7 1/2, 1954-64	33 1/2	- 1/2	7 9 3m	83 1/2	7 2 1/2				
89 1/2	37	37 1/2	24	Brazil 5, 1914	29 1/2	+ 1	Nil						
28 1/2	15	19 1/2	17 1/2	Chile 6, 1929-29	18 1/2	- 1/2	4 6 0	267	250 1/2				
95 1/4	54 1/2	60 1/2	40 1/2	China 5, 1912	50 1/2	+ 3	9 18 0	63 1/2	9 1 1/2				
101 1/2	59	62	43	Do. 5, 1913	58 1/2	- 1/2	8 12 0	233	218				
108 1/2	101 1/2	108 1/2	102 1/2	Czechoslovakia 8 1/2	102 1/2	- 1/2	3 0 6	75	67				
100	92	98	94	Denmark 3 1/2	96 1/2	+ 1	3 17 0	137 1/2	131 1/2				
106 1/2	100 1/2	103	101 1/2	Egypt United 4 1/2	102 1/2	- 1/2	5 5 0	254	220				
18 1/2	11	13	11	French 4 1/2 (British)	11	- 1/2	12 1 3	275 1/2	262				
66	52 1/2	60	53 1/2	Ger. 7, Dawes Ln.	58	- 1/2	12 6 16	44	153				
49 1/4	35	45 1/2	39 1/2	Do. 5 1/2, Young Ln.	33 1/2	- 1/2	7 2 6	252 1/2	237				
40 1/4	30	34	31	Greek 6 1/2, Stab. Ln.	35	+ 1	6 16 4	154	135				
88 1/4	53	60	34	Hungary 7 1/2, 1936-65	60 1/2	+ 5	9 3 9 1/2	251 1/2	237 1/2				
94 1/4	57 1/2	64 1/2	43	Do. 6 1/2, 1924 red. 1959	61 1/2	+ 4	9 7 3/4	5	- 3 1/2				
123 1/4	110 1/2	124	115	Norwegian 4, 1911	119	- 1/2	3 7 6	218	190				
61 1/2	40 1/4	47 1/2	36 1/2	Peru 7 1/2, 1922	42 1/2	- 1/2	11 6 0	221	199				
83	56	72	61 1/2	Poland 7 1/2	63 1/2	+ 1	8 13 3 1/2	193	174				
20 1/2	13	15	13	Roman. 4, Con. 1922	14 1/2	- 1/2	11 6 0	193	174				
96 1/2	88 1/4	92	81 1/2	U.K. & Arg. 5, 1924-34	83	- 1/2	3 12 3	11 9	8				
Financial Stocks													
118	111 1/2	115 1/2	112 1/2	Barclays 5, 1946-50	112 1/2	- 1/2	3 4 0	23 1/2	29				
118 1/2	112 1/4	117	114 1/2	Bristol 5 1/2, 1948-58	115	- 1/2	3 4 5	16 10 1/2	15 9				
95 1/4	82 1/2	87 1/2	85 1/4	L.C.C. 3 1/2	87	- 1/2	3 9 0	33 1/2	28 1/2				
101	93	97 1/2	93 1/2	Liverpool 3 1/2, 1951-64	96 1/2	- 1/2	3 5 0	21	19 1/2				
104 1/2	100 1/2	108 1/2	103	Midx. 3 1/2, 1957-62	103 1/2	+ 3 1/4	3 5 9	25 10 1/2	21				
Public Boards													
114 1/2	112	2 1/2	2 1/2	C. Elec. 5 1/2, 1950-70	113	- 1/2	3 12 9	129	126				
119 1/2	112	2 1/4	2 1/4	Lon. Pass. Transport	118 1/2	- 1/2	3 13 6	80 1/2	79 1/2				
129 1/4	127 1/2	2 1/2	2 1/2	Do. 5 1/2, 1950-70	128 1/2	- 1/2	3 14 0	120 1/2	120 1/2				
123 1/2	120 1/2	2 1/2	2 1/2	Do. 5 1/2, 1950-70	121 1/2	- 1/2	3 14 0	113 1/2	106 1/2				
91 1/2	89 1/2	2 1/2	2 1/2	Do. 5 1/2, 1950-70	83 1/2	+ 1 1/2	5 1 10	43	39 1/2				
118	116	2 1/2	2 1/2	Met. W.B. "B" 3 1/2	90	- 1/2	3 6 3	93	86 1/2				
65	56 1/4	1 1/2	1 1/2	P. of Lon. 5 1/2, 50-70	118	- 1/2	3 3 4	72 1/2	69 1/2				
45 1/2	2 1/2	Nil	Nil	G.W. Ord.	56 1/2	- 1 1/2	7 1 7	10 1/2	10 1/2				
3 1/2	Nil	Nil	Nil	L. & N.E.R. 1 1/2	3 1/2	- 1/2	4 30	27 1/2	24 1/2				
97 1/2	92 1/2	11 1/2	3 1/2	Do. 5 1/2, 1951-65	93 1/2	- 1/2	5 12 3	79 1/2	73 1/2				
27 1/2	21 1/4	1 1/2	1 1/2	Do. 4 1/2, 1951-65	22 1/2	- 1/2	7 19 1	3	3				
68 1/4	60 1/4	1 1/2	3 1/2	Do. 4 1/2, 1st Pl.	61 1/2	- 1/2	6 11 3	24 1/2	22 1/2				
30 1/2	21 1/2	1 1/2	1 1/2	L.M.S. Ord.	21 1/2	- 1/2	6 17 11	44	40 1/2				
70 1/4	60 1/2	4 1/2	4 1/2	Do. 4 1/2, 1923	61 1/2	- 1/2	6 11 2	9 1/2	6 1/2				
82 1/4	76 1/2	2 1/2	2 1/2	Do. 4 1/2, 1923	77 1/2	- 1 1/2	5 11 1	46 1/2	41 1/2				
41 1/2	38 1/2	1 1/2	1 1/2	Southern Def. Ord.	10 1/2	- 1/2	7 11 11	36 1/2	32 1/2				
115 1/2	113	2 1/2	2 1/2	Do. 5 1/2, 1923	78 1/2	- 1/2	6 9 2	36 1/2	32 1/2				
14	10 1/2	Nil	Nil	Do. 5 1/2, 1923	113 1/2	- 1/2	11 1/2	8 1/2	8 1/2				
6 1/2	4 1/4	Nil	Nil	Antipatera Ord.	11 1/2	- 1/2	Nil	11 10 1/2	9 1/2				
17	12 1/2	Nil	Nil	B.A. & Pac. Ord.	5 1/2	- 1/2	Nil	87 1/2	81 1/2				
13 1/2	7 1/4	Nil	Nil	B.A. & G. Ord.	13	- 1/2	Nil	50 1/2	40 1/2				
11 1/4	8 1/4	Nil	Nil	B.A. & W. Ord.	16 1/2	- 1/2	Nil	65 1/2	61 1/2				
8 1/2	6 1/4	Nil	Nil	C. Arg. Ord.	9 1/2	- 1/							

(Continued from page 515)

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

Feb. 24	Feb. 25	Feb. 26	Feb. 28	Mar. 1	Mar. 2
113.2	113.7	113.4	111.6	112.9	111.7

High: 116.9 January 11th. Low: 101.3 February 3, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Feb. 24	720	6,210	144
Feb. 25	900	6,900	129
Feb. 26	400	3,400	49
Feb. 28	500	4,910	112
Mar. 1	500	4,540	89
Mar. 2	410	4,890	89

* Two-hour session.

New York Prices

Close Latest	Close Latest
Feb. Mar.	Feb. Mar.
24. 3.	24. 3.
1938 1938	1938 1938

1. Rails & Transport	4. Manufacturing
Achison ... 337 3/4	Briggs ... 23 1/2
Balt. & Ohio ... 10 9/16	Chrysler ... 57 1/2
B.M. & O. ... 10 3/4	Elec. Autolite ... 19 1/4
Can. Pac. ... 7 3/4	Gen. Motors ... 36 1/4
Ches. & Ohio ... 36 3/4	Hudson Mtr. ... 8 3/4
C.N. Ry. Pl. ... 21 1/2	Nash Kelvint ... 9 3/4
Illinois Cent. ... 11 1/2	Packard Mtr. ... 4 1/4
N.Y. Central ... 18 3/4	Bendix Avtn. ... 13 1/2
Northern Pac. ... 12 1/2	Boeing Airplan ... 30 1/2
Pennsylv. R. ... 23 1/2	Douglas Air. ... 41 1/4
Southern Pac. ... 19 1/2	United Aircraft ... 24 1/2
Southern Ry. ... 12 1/2	Air Reduction ... 16 1/2
Union Pac. ... 79 7/8	Allied Chem. ... 169 1/2
Greyhound ... 10 1/2	Col. Carbon ... 71 1/2
	Dupont ... 121 1/2
	Un. Carbide ... 78 1/2
	U.S. Ind. Alc. ... 19 1/2
	Allis Chalmers ... 45 1/2
	Gen. Electric ... 41 1/2
	West. Elec. ... 94 1/2
	American Can ... 89 1/2
	Adams Express ... 21 1/2
	Caterpillar ... 49 1/2
	Cont. Can. ... 43 1/2
	Ingersoll Rand ... 79 1/2
	Int. Harvester ... 67 1/2
	Johns. Manville ... 70 1/2
	Arm. Radiator ... 13 1/2
	Cor. Pkgs. ... 64 1/2
	J.C. Case & Co. ... 93 1/2
	Glidden ... 23 1/2
	G.A.M. Trans. ... 42 1/2
	Celanese of A. ... 16 1/2
	Ind. Rayon ... 21 1/2
	Colgate Palm. ... 9 1/2
	Eastm'n Kod. ... 158 1/2
	Goette ... 10 1/2
	Lambert Co. ... 11 1/2
	Loews ... 50 1/2
	20th Cen. Fox ... 22 1/2

3. Extractive and Metal	5. Retail Trade, &c.
Am. Rol. Mill ... 20 1/2	Mont. Ward ... 36 1/4
Beth. Steel ... 58 1/2	J.C. Penney ... 72 1/2
Beth. Steel P. ... 95 1/2	Sears Roebuck ... 63 1/2
Republic St. ... 18 1/2	United Drug ... 7 1/2
U.S. Steel ... 55 1/2	Walgreen ... 18 1/2
U.S. Steel P. ... 107 1/2	Woolworth ... 43 1/2
Alaska Treas. ... 11 1/2	Borden ... 17 1/2
Am. Metal ... 31 1/2	Gen. Foods ... 31 1/2
Am. Smelting ... 52 1/2	Kroger Grey. ... 15 1/2
Anacosta ... 31 1/2	Nat. Biscuit ... 19 1/2
Bohlin Alum. ... 27 1/2	Nat. Dairy ... 14 1/2
Cerro de Pas. ... 42 1/2	Stand. Brands ... 8 1/2
Int. Nickel ... 51 1/2	Am. Tob. B. ... 65 1/2
Kennecott ... 40 1/2	Lorillard ... 10 1/2
Patino Mines ... 11 1/2	Keyn. Tob. B. ... 39 1/2
Tex. Glt. Sul. ... 32 1/2	Nat. Distillers ... 21 1/2
U.S. Smeit. ... 69 1/2	Schenley Dis. ... 24 1/2
Vanadium ... 18 1/2	
Atlantic Reig. ... 23 1/2	
Phillips Petr. ... 39 1/2	
Shell Union ... 98 1/2	
Shell Un. Pl. ... 98 1/2	
Socony Vac. ... 15 1/2	
Stan. Oil Cal. ... 33 1/2	
Stan. Oil N.J. ... 53 1/2	
Texas Corp. ... 43 1/2	

Paris

The Bourse last month was again in uncertain mood, and responded in listless fashion to political developments at home and abroad. During the first ten days, occasional good sessions brought some support for local issues and sporadic interest in gold mines. Renten, however, weakened on news of the one milliard francs 6 per cent. loan at 94. An improvement then followed on the rally in the franc, the closing of the lists for the new loan, and some-

what better foreign news. But a series of particularly dull sessions set in, and even internationals failed to respond to the easier franc. Strike threats, and the report of yet another Treasury bond issue for 3 milliards 5/2 per cent. bonds at 94 encouraged the depression. The immediate response to Mr Eden's unexpected resignation was unfavourable, and the month ended in depressed and apathetic mood, with home politics the dominating factor, focussed on the conflict between Chamber and Senate on the Labour Bill.

Berlin

Home and international political developments in February had no visible influence on the Bourse. Shares were generally dull and the price level changed little, but fixed-interest securities were consistently strong. Selling for foreign account caused a decline in the whole list at first, but a general recovery followed, in which steel, the leading chemical and most textile issues shared. In the third week, trading declined and at times even first-class corporations were not quoted. Steel, chemical, and electrical issues, however, were favoured. Trading then became cheerful, but substantial rises were confined to special groups, such as chemicals. Commercial banks remained firm during the month and responded to the publication of the Commerz- und Privatbank report. Reichsbank recovered after a sharp drop in the middle of the month. Liner shipping companies weakened. Buyers of Reichsmark bonds were rationed and numerous mortgage-bank municipal loans reached par. The German section of Young Loan advanced. The official shares index (1924-26 = 100) for January was 113.84, against 111.30 for December; bonds, 99.81, against 99.68.

Amsterdam

February was an unexciting month, but sagging prices were later followed by an unobtrusive recovery, and on balance the month ended with a small all-round improvement. Business was at first featureless, except for an occasional response to improvement on Wall Street. The firmer trend of commodity prices and talks of inflation from the U.S.A. gave an appreciable impetus to the Bourse. Tin shares rose on the quota cut, with Billiton Tin especially prominent, and proved resistant at times when the general drift of the market was downwards. Rubber shares came in for attention on the renewal of restriction. There was a fairly satisfactory undertone at the close.

Feb. 24	Mar. 2	Feb. 24	Mar. 2
21 1/2%	Dutch 86	89 1/2	A. K. U. ... 37 1/2
5 1/2%	Ger. ... 24 1/4	26 1/2	Ford Motor ... 277 1/2
Philips Lp. ... 304	308 1/2	Debi B. To. ... 239 1/2	254 1/2
Neth. Ship ... 116 1/2	120 1/2	Ryl. Dutch ... 359 1/2	360
Lever Bros. ... 147 1/2	148 1/2	Hand. Am. ... 434 1/4	453 1/4

* Without transfer certificate.

Canada

The tone of the Canadian stock markets since the middle of January has been sluggish, with a small volume of trading. There is a lack of confidence in the immediate future. February proved uninteresting, with little change on balance. In mid-month junior gold stocks and base-metals were supported and moderate gains were general. These stocks gradually lost ground and attention was turned to utilities and rail equipment stocks, but business remained on a small scale, and the month ended quietly. Construction, equipment and liquor stocks have received better support than others, but power and newsprint issues remain out of favour. Investors at present have the greatest faith in gold stocks. Government bonds are firm and prices have advanced slightly, but there is still a very cool response to speculative issues. The recently formed Lake Sulphite Company has been forced into liquidation, largely through its inability to market a projected issue of first mortgage bonds. For the week ending February 3rd the Investors' Index of the Bureau of Statistics was 105.9, against 107.8 for the previous week and 139 a year ago. The index of long-term Dominion bonds for the week ending February 3rd was scarcely changed at 116.2.

Feb. 24	Mar. 2	Feb. 24	Mar. 2
1938	1938	1938	1938
Bell Tel. ... 163	161 1/2	Dom. Glass ... 100	100
Can. Car. ... 9 1/2	10	Int. Petrol ... 30	30 1/2
Do. pref. ... 20 1/2	22	Brazil Trac. ... 11 1/2	10 1/2
Power Corp. ... 13 1/4	14	Brit. Col. ... 32 1/2	31
Dome Mines ... 58 1/2	56 1/2	Do. "A" ... 41 1/2	41
Hollinger ... 13 1/2	13 1/2	Do. "B" ... 10 1/2	10 1/2
McIntyre ... 44 1/4	41 1/4	Can. Cement ... 10 1/2	10 1/2
B. of Canada ... 59	59	Int. Nickel ... 48 1/2	50 1/2
B. of Mont. ... 1202	200	Massey Harris ... 64 1/2	7
Bk. of Nova ... 300	298	Quebec Pow. ... 17	16
Scotia ... 167	162	Shawinigan ... 19	21
R. Bk. of Can. ... 184 1/2	177 1/2	Water ... 63	62 1/2
C. Bk. of ... 167	162	Canada ... 63	62 1/2
Can. Pac. ... 8 1/2	9		
Cock. Plow ... 8 1/2	9		

Capital Issues

The new issue market this week has found something of its old form. South Shields has offered £1 million of 3 1/2 per cent. stock, 1955-58, at 98, an operation which is first in a sequence of conversions of existing 6 per cent. stocks due this year. Since the Plymouth scrip stood at 1/2 discount on the eve of the offer, an eager response from cash applicants was not anticipated. An offer for sale of 500,000 6 per cent. £1 preference shares at 20s. 6d. and 1,000,000 5s. ordinary shares (at 50 per cent. premium) on behalf of A. C. Cossor is the largest industrial issue for some time. The ordinary shares offer a high yield, based on the directors' estimate that profits should reach £200,000 in the company's first financial year. The issuing house has purchased the ordinary shares at par, and issue expenses apparently absorb some 2s. 1d. of the premium. Net assets (excluding trade marks and goodwill) amount to £716,522. On the basis of the offer prices, the market

capitalisation of the concern amounts to £1,262,500. The offer of 5s. ordinary shares in Alliance Box at 100 per cent. premium shows that profits increased sharply during the latest half-year. The shares carry the right to a prospective 15 per cent. dividend in respect of the year to March next. The company is evidently expanding, though it is still relatively small for general investment interest. Associated London Properties have issued a further £180,000 of 5 per cent. "B" debenture stock at par. The existing stock stood at a premium of 2 points before the issue, which was thus assured of a ready response. The prospectus shows that the stock, which is a second charge, is covered on the capital value and revenue of flats and business premises. Statements for information only cover debenture issues by South Metropolitan and Wandsworth and District Gas, while Welwyn Commercial Buildings preference issue is of a private character.

CAPITAL ISSUE TOTALS

Week ending	Nominal	Con-	New
March 5	Capital	versions	Money
To the Public ...	2,098,750	980,000	1,238,000
To Shareholders ...	2,399,124	...	2,399,124
By S.E. Introduction ...	250,000	...	253,750
By Permission to Deal ...	107,209	...	107,014
Sav. Certs. w.e. Feb. 26	100,000	...	...

Year to date	Including	Excluding
	Conversions	Conversions
1938 (New Basis) ...	47,516,469	35,713,867
1937 (New Basis) ...	118,542,773	88,018,351
1938 (Old Basis) ...	36,282,194	24,477,697
1937 (Old Basis) ...	64,229,314	55,429,832

Year to date	U.K.	Brit. Emp.	Foreign
		exc. U.K.	Countries
1938 (New Basis) ...	26,543,301	6,741,337	2,429,229
1937 (New Basis) ...	65,242,887	21,622,364	1,153,140
1938 (Old Basis) ...	17,983,098	4,005,475	2,399,124
1937 (Old Basis) ...	32,495,666	2,934,166	Nil

Year to date	Deb.	Pre.	Ord.
1938 (New Basis) ...	18,077,754	2,977,971	14,658,142
1937 (New Basis) ...	23,329,657	8,697,130	55,991,674
1938 (Old Basis) ...	13,850,777	1,885,722	8,741,198
1937 (Old Basis) ...	17,281,933	4,365,057	13,782,862

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Associated London Properties.—Issue of £180,000 5 per cent. "B" mortgage debenture stock at par. Part of £420,000 total; secured (subject to prior charges of £1,469,726) by specific charge on properties of £2,553,600. Redeemable at 102 1/2 in January, 1976, by cumulative sinking fund from 1939, or from 1945 on notice. Proceeds for balance purchase price of 16 properties (Great Westminster House, St. Ermin's, etc.) which form security. Anticipated income, £163,647. Remainder of company's properties valued at £829,300, with income of £70,171. Interest on prior charges, £66,711; sinking fund instalments, £9,250. List closed 9.5 a.m. March 2nd. About four times oversubscribed.

CONVERSIONS AND REPAYMENTS

South Shields Corporation.—Issue of £1 million 3 1/2 per cent. stock at 98, offered in conversion to holders of £1 million 6 per cent. stock, 1938-48. A trustee stock. Redeemable at par March, 1958, or from 1955 on notice. Holders converting receive £2 cash per £100. Census population, 113,455; rateable value, £546,930; rates, 14s.; net debt, £2,950,500 (of which £446,000

productive and £1,440,000 housing). Revenue, £1,129,000 (32 per cent. from rates).

BY OFFER FOR SALE

Alliance Box Company.—Offer for sale of 195,000 5s. ordinary shares at 10s. Fibre board container makers, of Warrington and Partington. Net assets, £145,972. Profits, after depreciation, before interest and fees, years to March 31: 1936, £31,912; 1937, £35,631; 6 months to September 30th, £29,249. Preference dividend, £7,500. Standard Industrial Trust take issue at 8s. and expenses (or 9s. 2 1/2d.), and take at 22s. 6d. any of 60,000 new 7 1/2 per cent. preference shares not taken by members. Lists closed 9.10 a.m. March 1st. Underwriters will have to take up about 40 per cent. of the issue.

A. C. Cossor, Limited.—Offer for sale of 500,000 6 per cent. cumulative £1 preference shares at 20s. 6d. and 1,000,000 5s. ordinary shares at 7s. 6d. Makers of scientific and electrical apparatus and appliances. Net assets (of company and subsidiary), £716,522. Combined profits, after depreciation, years to March 31: 1935, £214,141; 1936, £204,410; 1937, £208,826; for six months to September 30, roughly £51,732 (after sales policy reorganisation). Net cost of offer to Ridgford Trust, about £1 per preference and 7s. 1d. per ordinary share.

STOCK EXCHANGE INTRODUCTIONS

Wandsworth and District Gas Company.—Issue of £400,000 3 1/2 per cent. debenture stock, which Messrs Seymour, Pierce and Company take at 100 1/2 net. Redeemable at par July, 1968, or from 1963 on notice. Interest ranks *pari passu* with that on existing debenture stocks.

South Metropolitan Gas Company.—Issue of £600,000 3 1/2 per cent. stock which Messrs Seymour, Pierce and Company take at 100 1/2 net. Redeemable at par August, 1968, or from 1963 on notice. Interest ranks with existing debenture stocks.

PRIVATE PLACINGS

Konversionskasse für Deutscher Auslandsschulden.—Issue of 4 per cent. Sterling Bonds, Fifth Series; guaranteed by German Reich. Redeemable at par January, 1948. Bonds issued for same nominal amount of interest instalments and similar recurring payments in respect of which payment has been made in Reichsmarks to the Konversionskasse. This issue made in respect of interest due or paid January-June, 1938.

United Kingdom Gas Corporation.—This Corporation has placed privately 20,569 4 per cent. first redeemable cumulative £1 preference shares.

SALES BY TENDER

West Hampshire Water Company.—Offer for sale by tender of £20,000 4 per cent. perpetual debenture stock (a trustee stock) at 106 minimum and 1,000 £10 "B" ordinary shares (7 per cent. maximum dividend, paid for last 11 years) at £17 minimum. Revenue from water rates, etc., year to June 30, 1937, £46,022; net revenue, £26,149; available for ordinary, £13,221.

Rickmansworth and Uxbridge Valley Water Company.—Issue by

tender of 15,000 £10 4 1/2 per cent. preference shares at a minimum of £12.

Colne Valley Water Company.—Tenders are invited up to March 18, 1938, for £122,000 7 per cent. "E" ordinary stock, at a minimum price of £163 per £100, yielding at that price £4 5s. 11d. per cent. To rank for dividend up to 7 per cent. with all existing ordinary stocks. Net income for 1937, after interest, preference and existing ordinary dividends, £58,206. Supplies Harrow, Wembley, etc. (90 square miles). Estimated population, 528,000. Water rental in 1937, £359,184.

BONUS SHARES

Projectile and Engineering.—This company proposes to capitalise £50,000 (put to reserve out of the past year's profits), and to distribute as a bonus one new 10s. ordinary share for every five held. The bonus shares do not participate in final dividend of 7 1/2 per cent. and cash bonus of 5 per cent., both less tax, now recommended, but will rank for any distribution in respect of the current year.

ISSUES TO SHAREHOLDERS ONLY

Welwyn Commercial Buildings.—Prospectus circulated only to existing stock and shareholders in company and associated companies, etc. Issue at par of 120,000 5 1/2 per cent. cumulative £1 preference shares. Dividend guaranteed by Welwyn Garden City. To repay bonds and loans. Excess of revenue over expenditure, years to September 30: 1935, £6,397; 1936, £8,919; 1937, £13,799. Net assets, £127,991. Company formerly an Industrial and Provident Society.

SHORTER COMMENTS

Company Results of the Week.—Slightly increased profits have been earned by TAYLOR, WALKER AND COMPANY who again pay 10 per cent. Considerable progress has been made by JAMES BOOTH AND COMPANY, the brassfounders, whose net earnings of £100,903 are £11,000 higher. The Gateshead firm of CLARKE, CHAPMAN AND COMPANY pay 10 per cent. against 8 per cent., and net profits, at £90,838, are £24,000 higher. D. NAPIER AND SON have converted a loss of £23,834 into a profit of £65,047 (before depreciation), but have not yet resumed dividends on the 8 per cent. non-cumulative preference or on the ordinary shares. The accounts of PETER ROBINSON, LTD., reflect the reorganisation of last year. Trading profits are higher, but the amount earned for dividends is reduced owing to the new debenture service. WILLIAM WHITELEY, LTD., have made trading profits of £122,064 against £138,188, and an increased sum is receivable under the Selfridge guarantee. I. AND R. MORLEY, LTD., maintain the 5 per cent. dividend, net profits being 21 per cent. higher at £116,095. WOLSEY, LTD., profits are some £6,000 higher at £78,263, despite the fall in wool prices and consequent writing down of stocks. It has been decided in future to charge advertising expenditure against the year's revenue. H.P. SAUCE, LTD., have earned £209,212 against £207,203. The policy of making numerous extensions and improvements to plant has benefited MONSANTO CHEMICALS, whose net profits of £132,802 are 15 per cent. higher, and who are resuming ordinary dividends. ASSOCIATED DYERS AND CLEANERS also have resumed dividends, following the capital reconstruction last year, and trading profits are nearly £10,000 higher at £60,716.

Industry and Trade

Economic Progress in Scotland.—Every year the Clydesdale Bank publishes an excellent *Survey of Economic Conditions in Scotland*. The opening article of the latest issue attempts to measure the extent of the progress achieved during 1937 and to assess the prospects for the future. An index of business activity, prepared by the bank on somewhat similar lines to that of *The Economist* for Great Britain as a whole, shows that Scotland suffered more acutely than the rest of the United Kingdom from the depression of the early thirties. Up to 1935 recovery in Scotland was more limited than in England, but during the past two years this disadvantage has been reversed and Scotland has now made up most of the leeway lost during the depression. The estimated number of insured workpeople in employment in Scotland rose from 1,141,000 in mid-1936 to 1,203,000 a year later, compared with a depression "low" of 981,000 in 1932. The Scottish employment position, however, is characterised by a curious paradox. For, whereas the recovery of business has been seriously hampered in certain directions by shortages of skilled labour, the problem of unemployment remains acute. The number of unemployed workpeople still on the registers at the end of last year was no less than 270,000, or 17.6 per cent. of the insured population, against 12.2 per cent. for the United Kingdom. "This 'hard core' of workers too old for transfer, or young people who have never been in regular work, presents the central problem of long-term readjustment in Scotland's economic life."

A characteristic of recovery North of the Tweed is the large part played by the re-armament programme. "It would," so the writer of the survey suggests, "be almost

true to say that what building was to English recovery, re-armament has been to Scottish." This is of considerable importance for any assessment of future prospects. Here the author is moderately optimistic. It is true, he suggests, that a setback to British business as a whole might be expected to have unfavourable repercussions in Scotland, but this may be counterbalanced by two other factors: no sharp diminution in building activity appears likely in the near future, and the full effects of Government work have not yet been felt. But while the immediate outlook is not unfavourable, the present modest level of prosperity may prove ephemeral unless every opportunity is seized to broaden the basis of the country's economic activity and to render it more adaptable to the changing demands of modern markets.

Coal Exports.—In the last two years the export trade in British coal has notably recovered, as the result of world economic revival, general re-armament activity, the resumption of Italian purchases, and the negotiation of trade agreements with Continental countries. Exports (excluding bunkers) amounted in 1937 to 40,352,288 tons, compared with 34,519,384 tons in 1936. This figure compared unfavourably, however, with the 60,266,618 tons exported in 1929; and the greater progress (compared with the pre-depression period) which has been achieved by important foreign exporters is noteworthy. German exports of coal amounted to 43,176,000 tons in eleven months of 1937, compared with 42,210,000 tons in the whole of 1936 and only 26,400,000 tons in 1929. Polish exports have not yet regained the 1929 level of 13,800,000 tons, but, at

11,599,000 tons in eleven months of 1937, show considerably greater recovery than has taken place in British shipments. Re-armament and domestic scarcity in France and Belgium have stimulated British exports of coal in recent months, but shipments in January were below the level of January, 1937, and although collieries have satisfactory export orders for the next few weeks, there has been a disappointing falling away in forward contracts for later dates. A similar slackening of German exports in recent months is reported by our Berlin correspondent on page 497. The unusual prosperity lately experienced by the coal industry is not likely to be drastically impaired in the near future, but the latest developments suggest that appreciable further advance is unlikely; and in the export section a further decline may be expected.

Freight Rates Fall Again.—After a steadier tendency in January, tramp shipping freight rates resumed their downward movement last month, a reflection of the shrinkage of international trade. *The Economist* index of freight rates declined by 5.5 per cent. between January and February. Moreover, the index for last month is the lowest since November, 1936, and shows a fall of 30 per cent. from the highest level reached in September last year.

The Economist INDEX OF FREIGHT RATES
(1898-1913=100)

	Average, 1913	Feb., 1937	Nov., 1937	Dec., 1937	Jan., 1938	Feb., 1938
European waters.....	110.0	144.0	164.2	140.8	124.6	117.6
North America.....	113.1	116.6	130.2	118.0	118.5	109.3
South America.....	123.4	124.0	125.0	109.4	110.6	122.4
India.....	106.3	148.9	161.9	141.2	142.6	130.3
Far East and Pacific.....	117.4	132.2	149.1	127.1	128.6	120.4
Australia.....	127.9	140.5	146.3	121.7	130.0	113.4
Total.....	116.3	134.3	146.1	126.4	125.8	118.9
1913 = 100.....	100.0	115.5	125.6	108.6	107.9	102.1

With the exception of South American trade, freight rates declined between January and February on all the principal shipping routes:—

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade.....	108.6	- 5.4	South America:—		
Bay—outwards.....	104.6	-16.5	Outwards.....	91.6	+ 23.0
Bay—homewards.....	164.5	- 6.5	Homewards.....	153.2	+ 0.6
Mediterranean:—			India—outwards.....	105.3	- 4.5
Outwards.....	81.7	- 1.5	India—homewards.....	155.3	-20.1
Homewards.....	137.5	- 7.2	Far East, etc.....	120.4	- 8.2
North America.....	109.3	- 9.2	Australia.....	113.4	-16.6

As there are no indications of an expansion of international trade in the near future, the prospects for an early and sustained improvement in freight rates are not very bright, especially as the world's carrying capacity is again increasing as a result of the orders placed during the period of rising rates in 1936-37.

Cotton Yarn Price-Fixing.—The Committees which control the legalised price agreements in the American section of the cotton industry decided this week that the old basis should be maintained without any change. In this movement for minimum prices a weak point has been medium counts in mule twist, and recently an attempt has been made to put into force a legalised price agreement in this section. Mr Frank Platt, managing director of the Lancashire Cotton Corporation, announced that proposals had been made to 33 firms. Of the 23 firms which have replied, 22 intimated their agreement with the proposal and undertook to sign a legal agreement. The present position under which some yarns are under a minimum price agreement, while in other counts and qualities there is a free market, has given rise to some striking irregularities. Since the end of last year,

for example, the price of 36's American mule twist has fallen by ½d. per lb., while the price of 36's American ring beams, which are under a minimum price agreement, has advanced by ½d. per lb. During this period raw cotton prices in Liverpool have risen nearly 0.4d. per lb. The result is that whereas producers of ring beams have maintained their margin, that of mule twist spinners has fallen by about 1d. per lb.

Recession in Linens.—Among the industries which have been adversely affected by a declining export demand recently, linen has been a notable sufferer. The reversal of its fortunes is the more obvious in view of its comparatively favourable history since 1929. Compared, for instance, with the cotton and woollen textile industries, linen has made considerable progress since the slump years. Whereas exports of linen yarns and manufactures last year were still above the 1929 level, overseas sales of cotton and woollen manufactures were heavily reduced compared with that year. Exports of cotton piece goods of all kinds fell from 3,671,586 thousand square yards in 1929 to 1,921,918 thousands in 1937; exports of woollen tissues dropped from 108,186 to 79,837 thousand square yards, while shipments of worsted tissues declined from 47,281 to 42,998 thousands. Overseas sales of flax and linens in recent years have been as follows:—

	Flax and hemp yarns Cwt	Linen and hemp piece goods Thousand sq. yds.
1929.....	90,184	71,540
1932.....	61,854	65,890
1934.....	88,302	77,596
1935.....	86,097	77,163
1936.....	97,358	88,728
1937.....	92,877	83,143
January, 1937.....	8,528	9,398
January, 1938.....	5,847	5,834

Thus the setback which was already noticeable in the annual totals for 1937 was sharply accentuated after the turn of the year. The drop in exports last January, compared with January, 1937, was almost entirely accounted for by declining shipments to countries outside the Empire—and especially to the United States. Almost 30 per cent. of the industry's insured workpeople were registered as unemployed in January, an increase of 14.2 per cent. over the corresponding month last year. Unless business activity in the United States and other overseas countries shows an early improvement, the outlook for the linen industry cannot be regarded as encouraging.

Progress in Retail Trade.—The gradual expansion in the value of retail sales in Great Britain, which was a feature of last year, was still in evidence after Christmas.

SHORTER COMMENTS

(Continued from p. 519)

Gallaher Profits.—Net Profits, £430,859, an increase of £31,749. Final dividend, 15 per cent., making 22½ per cent. as before; but bonus is increased from 2 per cent. to 5 per cent. Shareholders are offered 129,360 new shares at £2 per share, in proportion of one for ten held.

Associated Portland Cement.—Final dividend, 15 per cent., making 22½ per cent. (same). Carry forward increased by £9,228.

British Portland Cement.—Final dividend, 15 per cent., making 22½ per cent. (same). Carry forward increased by £3,772.

Moss' Empires.—Gross profits for 1937 were £174,630 (against £168,519). Debenture interest absorbs £23,614 (£23,839). Income tax £18,959 (£6,850). N.I.C. £3,750 (nil). Fees and expenses £5,969 (£5,824); other charges £7,052 (£7,260); depreciation £23,957 (£24,531). Ordinary dividend 10 per cent. Carry forward £28,555, as against £19,775.

Canadian Celanese.—Report for 1937 shows net profits of \$1,489,102, as compared with \$1,519,503 for 1936. To interest on income funding rights and sinking fund \$122,400; to special reserve account, \$100,000; this leaves balance of \$1,266,702, transferred to earned surplus account. Appropriated from capital surplus account, \$140,068, which was transferred to reserve for amortisation of patents, etc.

Short Brothers (Rochester and Bedford), Ltd., and Pobjoy Airmotors and Aircraft, Ltd.—The offer to exchange one ordinary share in Short Brothers for twelve shares in Pobjoy has been accepted by a sufficient number of Pobjoy shareholders to give Short Brothers 82 per cent. of the ordinary shares of Pobjoy.

Cannon Brewery.—New profits for 1937, £312,035, or £2,666 more. Deferred ordinary dividend 10 per cent., as before. To property and contingency reserve

£100,000, as before. Carry forward raised from £213,230 to £217,265.

H.P. Sauce.—Net profit for 1937 shows a rise of £2,208 at £209,211. Ordinary dividend remains at 30 per cent. To reserve, £40,000, as before. To staff pension account £7,500, against nil. Carry forward raised from £74,640 to £76,132.

Clarke, Chapman and Company.—Net profits (after charges and tax and £13,609, against £12,946 for depreciation) are £77,228 for 1937, against £53,867. Ordinary dividend raised from 8 to 10 per cent. To reserve £20,000, against £10,000. Carry forward raised from £13,207 to £19,889.

D. Napier and Son.—Trading profit for year to September 30, 1937, amounted to £58,172, compared with a loss of £24,902. Carry forward raised from £88,051 to £99,534. The regular payment is made on the 7½ per cent. cumulative £1 preference shares, but there is again no dividend on the 8 per cent. non-cumulative £1 preference or ordinary shares. Stock, etc., rose from £343,915 to £429,901. Plant and machinery are up from £186,828 to £246,586 and cash from £28,383 to £87,184.

Lewis's Investment Trust.—Profit for year ended February 28, 1938, was £290,237 (against £275,859). After 7 per cent. preference dividend, allocations are proposed of: £10,000 to general reserve; £15,000 to 4 per cent. note redemption reserve account; £8,535 to 5 per cent. debenture stock redemption reserve account; and 17½ per cent. (less tax) ordinary share dividend (same), leaving £40,147 (against £25,164) to be carried forward.

Abbey Road Building Society.—Report for 1937 shows that 10,380 advances were made of £6,756,952 (against £7,506,680). Profit, after expenses, interest and taxes, £1,529,540 (£1,507,038); dividend, £1,278,703 (£1,239,533); to reserve funds, £218,662 (£272,673). Shareholders and depositors, 273,164 (271,201); liability to them, £47,460,974 (£45,478,305). Total assets, £50,295,517 (£48,034,710), of which

85,849 mortgages represent £41,156,167 (against 78,175 mortgages of £42,715,954). Reserve funds and carry-forward, £2,552,900 (£2,320,723).

Greyhound Racing Association Trust.—The directors, in order to avoid any misunderstandings which may have arisen as a result of notices in the Press to the effect that a debenture for £250,000 has been issued, announce that the debenture was issued to cover advances from the company's bankers which had been made before the issue of new ordinary shares. Part of the proceeds of the new issue, which was fully subscribed, will be used to liquidate advances made on the security of this debenture.

British Home Stores.—Preliminary figures show net profit for 1937 of £96,316 after depreciation but before tax (a decrease of £3,832). To: Income tax account, £27,857 (£20,095); general reserve, £10,000; to fixed assets contingencies, £4,000 (same); other contingencies, £1,000 (nil). Ordinary dividend 33½ per cent., absorbing £33,750, against £45,000 taken by last year's capital bonus of 50 per cent. Carry-forward reduced from £13,202 to £11,737.

Cable and Wireless West Indies Services.—The business of Cable and Wireless, Ltd., in the West Indies, previously conducted by several companies, is being consolidated in the hands of the wholly-owned subsidiary, the West India and Panama Telegraph Company, Ltd. The name of the latter company has been changed to Cable and Wireless (West Indies), Ltd.

Anglo-Portuguese Colonial and Overseas Bank.—Net profits for year to January 31, 1938 (after bad debts, tax and N.D.C.) are £16,076, which are added to the balance of £49,505 brought in; carried forward, £65,581. Total assets stand at £3,258,575 (against £2,872,387) of which cash in U.K. £590,214 (£378,528), bills discounted £874,025 (£712,589), and investments £540,497 (£277,932). Current and deposit accounts stand at £1,261,680 (£985,217).

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quieter, mainly because most consumers have large stocks on hand. Sheet makers are steadily employed, the bookings for black sheets being particularly good. The market for galvanised sheets is now less satisfactory owing to the small volume of export business. There is no decline in the home demand. Fabricators are all very busy and are absorbing large tonnages of finished material.

★

Cardiff.—The depression in the tinplate industry is becoming accentuated. Production has fallen to 50.96 per cent. of capacity under the pooling scheme. Under the pressure of last year's exceptionally active demand restrictions on output were removed, but they have now been restored, and from the beginning of March to May 28th production has been fixed at 60 per cent. of nominal capacity. Minimum prices are unaltered. Exports of tinplates from Swansea last week totalled 5,005 tons, compared with 5,133 tons the previous week, and 6,308 tons a year ago. The slump in tinplates is reacting unfavourably on the production of both pig iron and steel ingots. Operations have already ceased at a number of steel furnaces, and it is feared that one or two of the blast furnaces may have to be blown out.

Textiles

Cotton (Manchester).—Spinners and manufacturers have again found progress difficult and firms whose sales have equalled production have been quite exceptional. The limited amount of export trade is a serious factor. Although stocks in some quarters have moved a little more freely, supplies remain large. The upward movement in raw cotton prices has been checked. With regard to the acreage under cotton for the new season in the United States, a referendum of farmers is now being taken, and if two-thirds of the growers agree to the Government proposals, the officials will work out maximum allotments for each State and each individual farmer. During the first six months of this season, cotton consumption in the United States was 3,085,000 bales, a decline of 22 per cent. on the corresponding period in the previous season.

According to some reports, delivery instructions in American yarns have been slightly better, but new business has been restricted. A little more activity has shown itself in Egyptian qualities, chiefly for the Continent. The cloth market is dragging. Very few manufacturers have secured orders for anything more than retail lots. Only miscellaneous transactions have been reported.

RAW COTTON delivered to Spinners
(Thousand bales)

Variety	Week ended		Total Deliveries	
	Feb. 18, 1938	Feb. 24, 1938	Aug. 1, 1937-1938	Aug. 1, 1937-1938
American	20.8	31.0	708	767.8
Brazilian	4.6	3.4	214	191.8
Peruvian, etc.	2.0	1.7	93	77.8
Egyptian	11.8	9.3	212	209.0
Sudan Sakel	1.8	2.2	89	95.5
East Indian	15.0	3.4	243	190.8
Other countries	2.0	2.5	103	112.3
Total	58.0	53.5	1,702	1,647.0

for the several markets in India. Fancies have attracted some attention for Singapore and South America. Limited quantities of light bleachers have been booked for Egypt and standard makes have been wanted for the Dominions. The improvement in the home trade has been maintained.

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Wool (Bradford).—The more extended call for raw wool at slightly firmer prices has strengthened the hands of topmakers and spinners, who for months have experienced the utmost difficulty in selling their products at a margin of profit. Any improvement in merinos is covered by ½d. to 1d. per lb., with crossbreds about steady, topmakers stating that they have sold a little more freely. There is keenness to operate overseas on the part of nearly all sections of the trade. During the last week Japan has bought a little more freely than in the earlier part of the selling season in Australia.

The home woollen and worsted trades are not experiencing any real improvement. Many mills are working short time and there is a pronounced paucity of new orders for yarns and pieces, particularly for the latter. New export orders are scarce, and spinners and manufacturers must look chiefly to the home trade as the outlet for their products. Wool is selling as freely as can be expected, and current prices are in line with what can be realised for either the partly or fully manufactured article.

THE COMMODITY MARKETS

THERE were indications this week that the stimulus given to commodity prices by President Roosevelt's exhortations has spent itself, for it was not followed by an improvement in consumption.

Consumers have shown no anxiety to cover their requirements farther ahead. Thus the prices of copper, tin, lead and spelter were marked down. Rubber prices also gave way on the lack of buyers' interest, and raw cotton, similarly, was cheaper. Wheat and raw sugar, on the other hand, are scarcely changed in price on the week. Among provisions, bacon was dearer, but egg prices continued their seasonal downward trend.

In the United States, Moody's daily index of the prices of staple commodities (December 31, 1931 = 100) declined slightly during the week ended last Wednesday, from 151.2 to 151.0. A month ago the index stood at 148.6 and a year ago at 210.8.

Metals

Copper.—The doubts expressed a week ago regarding the sharp advance in copper prices have been amply justified; for the cash price at the close on Wednesday, although above the lowest, showed a net loss of £1 18s. 9d. per ton on the week. The slowing down of demand in the United States and the irregularity of Wall Street caused consumers to exercise reserve. The statistical position remains favourable and consumers are by no means well

stocked; but in the absence of a sustained improvement in the United States, the outlook must be regarded with caution. According to precedent the next month should be the most active period of the year on European metal markets, while April should witness the beginnings of a seasonal slackening of forward business. Hence, if no improvement in demand occurs during March the next few months may well prove a critical period for the copper market.

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Tin.—Mainly in consequence of lower purchases in the United States, most market quotations have declined, and the cash price showed a net loss of £3 15s. on the week. Moreover, the gradual increase in home warehouse stocks is discouraging buyers on this side of the Atlantic; the tendency has been accentuated by a decline in British and Continental tinplate activity—an unusual development at this season. Meanwhile, the February statistics revealed a considerable fall in stocks. The visible supply at the end of February, according to Messrs A. Strauss and Co., amounted to 21,225 tons, a fall of 2,029 tons on the month. But since the Arnhem carry-over advanced by 253 to 2,256 tons, the net decline in world stocks was 1,776 tons. New supplies rose last month by only 280 tons to 7,705 tons, whereas deliveries still amounted to 8,251 tons, against 10,157 tons in January. The deliveries figure was, however, the lowest for some years and the market was not impressed by the fall in stocks, since it is convinced that invisible stocks have risen substantially of late. It is thought, therefore, that any major improvement in prices would be followed immediately by an increase in supplies.

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Lead and Spelter.—Despite a fair demand from the building industry, the cash price of lead declined by 16s. 3d., while spelter lost £1. Demand for spelter has been shrinking owing to the decline in the activity of the galvanising industry. Both metals can be regarded as cheap; but the possibility of a further fall in prices cannot be ignored. Production is still well in excess of current consumption, while prospects for the conclusion of producers' agreements are insignificant.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
February 18.....	3,100	400	1,859	1,700
" 21.....	1,500	575	1,000	800
" 22.....	2,900	675	2,650	1,300
" 23.....	2,100	700	1,800	2,150
" 24.....	2,700	425	1,300	1,650
" 25.....	1,550	500	1,900	900
" 28.....	1,050	350	1,150	275
March 1.....	1,950	525	1,150	950
" 2.....	2,100	180	350	1,200

U.K. STOCKS

	Feb. 19, 1938	Feb. 26, 1938
Copper (Br. official w/houses):		
Refined	8,487	7,979
Rough	22,225	22,696
Tin (London and Liverpool)...	3,330	3,472

Grains

Business in wheat has been quiet, but prices remain steady. The official estimate of the Argentine wheat crop has

been reduced by about 1,000,000 quarters, but on the other hand the United States winter wheat belt has been experiencing favourable weather. Meanwhile, an improved demand for Australian wheat has been evident this week.

Little fresh business in home milled flour has been transacted this week and imported descriptions also remain a quiet market. Demand for maize continues dull and prices have shown a sagging tendency. Prices of imported feeding barley have been well maintained, although business has been quiet.

WORLD SHIPMENTS OF WHEAT AND FLOUR
('000 Quarters)

	Week ended		Season to	
	Feb. 19, 1938	Feb. 26, 1938	Feb. 25, 1937	Feb. 26, 1938
From—				
N. America.....	544	450	18,279	14,474
Argentina and Uruguay.....	435	413	10,786	4,519
Australia.....	451	486	6,767	6,972
Russia.....	96	133	6,725	4,880
Danube and dist.....	37	37	948	1,019
India.....	29	33	929	425
Other Countries.....				
Total	1,535	1,568	44,465	36,544
To—				
U.K.....	317	304	11,419	9,660
" Orders.....	383	412	10,654	7,544
France.....	13	88	804	532
Belgium.....	123	65	2,924	3,429
Holland.....	41	73	1,118	2,125
Italy.....	34	26	3,608	666
Greece.....	101	25	1,251	1,172
Scandinavia.....	45	108	1,119	1,007
Austria, etc.....	31	53	1,226	1,279
Other European Countries.....	625	254	621	2,467
Ex-European Countries.....	222	160	9,647	6,663
Total	1,535	1,568	44,465	36,544

SALES OF BRITISH CEREALS

	Week ended	
	Feb. 19, 1938	Feb. 26, 1938
Wheat	312,479	281,106
Barley	93,466	76,919
Oats	51,239	53,708

Other Foods

Provisions and Meat.—On the London Provision Exchange during the past week bacon was firm, with all the principal descriptions higher in price. Hams were also dearer. Colonial makes of butter were rather dearer, but Danish declined. Cheese was generally unchanged. The seasonal decline in egg prices was continued this week, and demand was quiet. At Smithfield Argentine beef and New Zealand lamb were both cheaper, but English mutton was slightly dearer. Other price changes were few.

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Colonial Produce.—Markets have been generally featureless during the past week. The market in Accra cocoas

was quiet, and prices were unchanged. Spot coffee prices were steady, and raw sugar was about unchanged in price. At this week's auctions Indian teas were in good demand, but an easier tendency was again in evidence, particularly for low medium kinds. Ceylon grades encountered good competition; teas up to 1s. 3d. per lb. were steady, while good medium and fine kinds sold well at rather dearer rates.

★

Fruit.—Business at Covent Garden was fair during the past week, says *The Fruitgrower*. Demand for dessert lines improved with the better weather. Inquiry for apples was moderate, with substantial quantities of new season apples from South Africa. South African grapes were a prominent feature and sold well, but prices declined owing to the heavy supplies. The trade in pears has been moderately good, while peaches and nectarines met a steady sale. Oranges were cheaper owing to a less active demand, while lemons were slow and cheaper. Grapefruit were a limited trade, but supplies were smaller.

OTHER FOODS: STATISTICS

	Week ended	
	Feb. 19, 1938	Feb. 26, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,728	13,604
Canadian	7,048	7,420
Dutch	1,921	1,921
Lithuanian	1,129	1,003
Polish	2,907	2,925
Cocoa:		
Movements in Lond. (bags):		
Landed	3,025	6,260
D/d for home consumption	4,980	7,439
Exports	75	110
Stocks, end of week	107,433	106,144
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	238	1
" D/d for home consn.	97	29
" Exports	2,323	2,295
" Stocks, end of week	8,703	4,833
Central and S. American:		
Landed	1,481	1,945
D/d for home consumption	1,098	834
Exports	70,185	72,239
Stocks, end of week	9,193	24,626
Other kinds—Landed	3,739	4,169
" D/d for home consn.	1,335	516
" Exports	78,915	98,856
" Stocks end of week		
MEAT:		
Supplies at Smithfield (tons):		
Total	9,284	8,963
Beef and veal	4,967	4,749
Mutton and lamb	2,713	2,650
Pork and bacon	942	834
Poultry, etc.	662	730
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	4	4
" Delivered	2	2
" Stocks, end of week	1,955	1,951
White—Landed	13	23
" Delivered	30	78
" Stocks, end of week	10,893	10,838
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	26,005	24,094
Deliveries	14,276	14,858
Stocks, end of week	289,711	298,947
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	45,496	45,139
S. India	4,397	5,656
Ceylon	19,389	19,398
Java	3,719	3,386
Sumatra	646	481
Africa	1,467	4,839
Total	75,114	78,899

* Weeks ended Feb. 17 and Feb. 24 respectively.

Vegetables.—The Covent Garden report of *The Fruitgrower* states that all kitchen vegetables were in good demand during the past week. Fair supplies of asparagus met a steady sale, and house-grown beans held their price. Lettuce, endive and Canary tomatoes met a better inquiry, and cucumbers were more abundant. All kitchen greenstuff sold rather better, cauliflowers being in short supply and consequently dearer. Washed carrots sold better, and good onions were firm in price. New potatoes met a better inquiry. The call for old potatoes showed some improvement, but ample supplies prevented any marked rise in prices.

Miscellaneous Commodities

Oilseeds and Oils.—Markets are very quiet. Fairly substantial arrivals of linseed in the past few days have enabled mills to operate again to meet cake and oil contracts. Shipments last week were small, Argentina exporting only 14,000 tons and India 3,000 tons. The quantity on passage to Europe has thus been reduced to 149,900 tons, against 186,600 tons in the previous week. In the first eight weeks of the year Argentina has shipped 344,800 tons, against 427,000 tons during the corresponding period last year, and India has exported 17,400 tons, against 16,000 tons. The Argentine Board of Agriculture announced last week that the exportable surplus of Plate seed was 951,000 tons. Shipments to the United States and Canada have fallen off, but this is regarded as only temporary, as American requirements are far from being met and the domestic crop is about exhausted. Cottonseed is fairly steady, but there is little demand and prices are slightly lower on the week. Vegetable oils generally are quiet, and demand restricted. Trade in oil-cakes is about normal for the season and prices of home-made are maintained.

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Rubber.—The firmer tone noted a week ago has given place to an easier tendency and most of last week's gain has been lost. Meanwhile, it was reported this week that Mr J. G. Hay's negotiations in Siam have been successful and that that country will continue to adhere to the restriction scheme. No further details are yet available.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Feb. 19, 1938	Feb. 26, 1938
Landed	3,664	3,782
Delivered	1,004	923
Stocks, end of week	68,366	71,225

AMERICAN WHOLESALE PRICES

	Feb. 23, 1938		Mar. 2, 1938			Feb. 23, 1938		Mar. 2, 1938	
	Cents	Cents	Cents	Cents		Cents	Cents	Cents	Cents
GRAINS (per bushel):									
Wheat, Chicago, May	94½	93¼	94½	93¼					
Maize, Chicago, May	60	59½	60	59½					
Oats, Chicago, May	31¼	30¾	31¼	30¾					
Rye, Chicago, May	76	74½	76	74½					
Barley, Winnipeg, May	65½	64½	65½	64½					
METALS (per lb.):									
Copper, N.Y., Domestic spot	10.02½	9.72½	10.02½	9.72½					
Producers' export	10.30	10.00	10.30	10.00					
METALS (per lb.)—cont.									
Tin, N.Y., Straits spot	42.62½	42.00	42.62½	42.00					
Lead, N.Y., Spot	4.50	4.50	4.50	4.50					
Spelter, East St. Louis, spot	4.75	4.75	4.75	4.75					
MISCELLANEOUS (per lb.):									
Cocoa, N.Y., Accra, March	6.28	5.87	6.28	5.87					
Coffee, N.Y., No. 7	5¼	5¼	5¼	5¼					
Sinco, No. 4	7¼	7¼	7¼	7¼					
Cotton, N.Y., Am. mid., spot	9.37	9.24	9.37	9.24					
MISCELLANEOUS (per lb.)—cont.									
Cotton, Am. Mid., Mar.	9.27	9.15	9.27	9.15					
Lard, Chicago, Mar.	9.10	8.82½	9.10	8.82½					
Petroleum, Mid-cont.									
53 deg. to 55 deg. at well, per barrel		116		116					
Rubber, N.Y., smk. sheet spot		14½		14½					
Do. Do. Apr.		14½		14½					
Sugar, N.Y., Cuban Cent., 96 deg. spot		3.15		3.15					

BRITISH WHOLESALE PRICES

	Feb. 23, 1938	Mar. 2, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	57 6	57 6
Eng. Gaz. av., per cwt.	8 2	8 0
Liv. March, per cental	7 5	7 5
Flour, per 280 lbs.—		
Strait, d/d London	35 6	35 6
Manitoba, ex store	39 0	38 0
Barley, Eng. Gaz. av.	12 9	12 4
Oats	8 6	8 5
Maize, La Plata, landed, 480 lb.	33 0	32 9
Rice, No. 2 Burma, per cwt.	8 1½	8 0
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 10	4 10
Argentine chilled hinds	4 8	4 4
Mutton, per 8 lbs.—		
English wethers	5 8	5 8
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	5 0	4 8
Pork, English, per 8 lbs.	6 8	6 10
BACON (per cwt.)—		
English	98 0	102 0
Danish	95 0	99 0
Dutch	92 0	96 0
Irish	100 0	104 0
HAMS (per cwt.)—		
Canadian	94 0	96 0
United States	88 0	88 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	114 0	115 0
New Zealand	114 0	117 0
Danish	127 0	125 0
CHEESE (per cwt.)—		
Canadian	75 0	75 0
New Zealand	67 6	67 6
English Cheddars	96 0	96 0
Dutch	61 0	62 0
COCOA (per cwt.)—		
Accra, f.f.	31 6	31 6
Trinidad	43 0	43 0
Grenada	45 0	45 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	31 6	31 0
Costa Rica, medium to good	75 0	75 0
Kenya, medium	45 0	45 0
EGGS (per 120)—		
English (15-15½ lb.)	12 6	11 3
Danish (15½ lb.)	11 9	10 3
FRUIT—		
Oranges, Jaffa	8 6	9 6
" Brazilian	15 6	17 0
Lemons, Malaga	10 0	10 0
" Sicilian	14 0	13 0
Apples, Amer. (var.)	14 0	10 0
" (var.)	8 0	7 0
Grapes, Almeria	11 0	11 0
Grapefruit, Jaffa	10 9	10 0
LARD (per cwt.)—		
Irish, finest bladders	64 0	64 0
U.S.	50 0	53 6
PEPPER, per lb.—		
Black Lampong (in Bond)	0 2½	0 2½
White Muntok	0 4	0 4½
POTATOES (per cwt.)—		
King Edward	6 0	6 0
SUGAR (per cwt.)—		
Centrifugal, 96% prpt. shipm.	5 4½	5 4½
Refined—London		
Yellow Crystals	18 9	18 9
Cubes	23 0	23 0

* February 17 and 24 respectively.
and do not include the Government tax.

	Feb. 23, 1938	Mar. 2, 1938
SUGAR (per cwt.)—cont.		
Crushed	21 3	21 3
Granulated	19 10½	19 10½
Home Grown	19 0	19 0
TEA (Auction Average) (per lb.)—		
N. India	14 09	13 89
S. India	14 82	14 91
Ceylon	16 78	16 61
Java	12 57	12 32
Sumatra	11 71	11 45
Alfred	12 81	12 69
Total	14 68	14 45
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine	0 8	0 8
Rhodesian stemmed and unstemmed	0 9	0 9
Nyasaland stemmed and unstemmed	0 7	0 7
East Indian stemmed and unstemmed	0 7	0 7
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	5 25	5 12
" Sakelaris, F.C.F.	8 64	8 56
" Giza, F.C.F.	7 84	7 61
Yarns, 32's Twist	10½	10½
" 40's Twist	10½	10½
" 60's Twist (Egyptian)	18	18
Cloth, 32 in. Printers, 116 yds.	18 5	18 3
" 36 in. Shirtings, 75 yds.	25 0	24 9
" 38 in. ditto, 38 yds.	10 7	10 6½
" 39 in. ditto, 37½ yds.	9 7	9 6½
FLAX (per ton)—		
Livonian ZK	69 10	69 0
Pernau HD	70 0	70 0
Slanetz Medium, 1st sort	85 0	85 0
HEMP (per ton)—		
Italian PC	71 0	71 0
Manilla, Feb.-Apr. "32"	26 0	26 0
JUTE (per ton)—		
Native 1st mks., c.i.f. H.A.R.B.	18/12/6	18/15/0
Danish 2, 3 c.i.f. Dundee, Feb.-Mar.	17/12/6	17/15/0
SISAL, African, Mar.-May.	17 10	17 10
SILK (per lb.)—		
Japan	6 9	6 9
Italian, raw, fr. Milan	6 9	6 9
WOOL (per lb.)—		
English, Southdown, greasy	16	16
" Lincoln hog, washed	14	14
Queensland, sed. super combg.	24	24
N.S.W. greasy, super combg.	13	13
N.Z. greasy, full-bred 50-50	12	12
Tops—		
Merinos 70's average	28	29
" 64's "	23	26½
Crossbred 48's	15½	15
" 40's "	15	14½
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	21 6	21 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d.d.	109 0	109 0
Bars, Middlesbrough	205 0	205 0
Steel rails, heavy	202 6	202 6
Timplates	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	42 3 9	40 5 0
Three months	42 6 3	40 10 0
Tin—		
Standard cash	190 0 0	186 10 0
London town	190 10 0	186 12 6
Three months	190 0 0	186 0 0
Lead, soft foreign—		
Cash	16 2 6	15 6 3
English, pig	16 3 9	15 7 6
Spelter, G.O.B.—		
Spot	15 7 6	14 7 6
Aluminium, ingots and bars	100 0 0	100 0 0
" rolling billets	102 0 0	102 0 0
Nickel, home and export	180 0 0	180 0 0
Antimony, Chinese	67 0 0	67 0 0
Wolfram, Chinese	77 0 0	76 0 0
Platinum, refined	7 10 0	7 10 0
Quicksilver	12 17 0	12 15 0

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—

COMPANY MEETINGS

LONDON BRICK COMPANY, LIMITED

TRADE MAINTAINED DESPITE EARLY DIFFICULTIES

RECORD DELIVERIES

WIDER AREA OF DISTRIBUTION

CURRENT YEAR'S OUTLOOK

SIR P. MALCOLM STEWART ON BUILDING POSITION

The thirty-eighth ordinary general meeting of the London Brick Company, Limited, was held, on the 1st instant, at the Connaught Rooms, Great Queen Street, London, W.C.

Sir P. Malcolm Stewart, Bart., O.B.E., LL.D., J.P., chairman of the company, presided.

Mr A. Guthrie Stewart, one of the secretaries, read the notice convening the meeting, and Mr F. H. Parrott, F.C.A., representing the auditors (Messrs Derbyshire and Company), read the report of his firm.

The Chairman said:—Ladies and Gentlemen,—I presume it is your wish to take the report and accounts as read. (Agreed.)

If you will refer to the debit side of the balance sheet you will notice that the issued ordinary stock now stands at £2,000,000, the addition of £200,000 during the year being in respect of ordinary shares issued as fully paid in accordance with the resolution passed at the last ordinary general meeting of the company.

Sundry creditors and accrued charges at £234,416 show a decrease of £16,017, which calls for no particular comment. The reserve for taxation and contingencies at £325,000 has been increased by £5,000. It should be noted that the current legal liability for income tax and N.D.C. is included in sundry creditors.

THE ASSETS

On referring to the credit side of the balance sheet you will observe that the fixed assets now stand at £2,160,000, a net increase of £60,000, after additions to capital amounting to £210,000 and writing off £150,000 for depreciation. Stocks in trade are increased by £25,190, due to the increased quantity and higher prices of stocks of general stores and fuel necessitated by the company's augmented production. Sundry debtors and advance payments are up by £59,330 owing to deliveries towards the end of the year being well maintained.

Liquid investments at £574,122, and investments in British Government securities and cash at bankers at £201,733, together totalling £775,855, are down by £186,248 on the previous year. It should be noted that the market value of all our investments at December 31st was higher than the figure at which they appear in the balance sheet, and this is the case to-day.

Turning to the profit and loss account you will see that the profit from trading amounts to £563,477, an increase over last year of £5,708. Interest and dividends on investments at £25,840 are lower by £7,454. The total revenue of the company at £589,654 is down by £1,915. The sum of £150,000 has been set aside for depreciation and utilised in writing down the works assets. After providing for the dividend on the 8 per cent. preference stock the profits earned enable the directors to recommend a final dividend on the ordinary stock of 5 per cent., less tax, making 20 per cent. for the year. The sum of £4,489 remains to be added to the carry-forward, which will then stand at £80,000.

BUILDING TRADE CONDITIONS

During the past year our sales executive encountered difficulties of a character not experienced for many years. They centred round the early months, when we suffered a long run of climatic conditions unfavourable to building operations, and were faced with a marked decline in the demand for building bricks. It became impossible to determine how far the shrinkage of demand was due to abnormal weather conditions and how far to actual falling off in demand. Nevertheless, we continued on full production in the belief that an increased demand would eventuate. Meanwhile stocks accumulated heavily.

However, our courage was rewarded. The demand came, but too late to clear stocks as rapidly as we should have liked. Not until

June did our sales satisfactorily expand. In that month and in the month of July we made monthly deliveries exceeding 160,000,000. Thereafter trade was well maintained, and despite the poor trade in the early months we closed the year with record deliveries. The increased volume of sales was successfully effected through the considerable widening of the area of distribution made necessary by the changing location of building activity, there being increased building in the Midlands and the North in which we have participated. This involved the production of a larger percentage of 3-in. bricks, 2½ in. being normal for the requirements of London and the South.

There is no doubt that house building in London and in the South has been slowly falling off, but this was partially offset by an increase of larger building operations in this area. Massive blocks of flats and office buildings are being constructed in areas previously occupied by placid private dwelling houses. Many businesses not primarily concerned with finance, banking or the traffic in and out of the docks are moving to offices in the West End. One heaves a sigh as the old landmarks pass, but commerce must be served; we are mainly an industrial nation.

EXTENSION OF ACTIVITIES

These are the circumstances which have compelled us to increase the area over which our products are distributed. Despite the larger turnover, the cost of production and rail and transport charges was materially higher, and continues to advance. Nevertheless, we persist in our policy of keeping down the price of our products to the consumer, and thus make an effort to thwart the tendency of rising prices, which must discourage building operations.

The extension of our activities may sometimes have unfortunate reactions on local works. But the expansion of our sales is a primary requirement for the maintenance of efficient production, the attainment of which every manufacturer should fight for relentlessly, not merely to increase profits for profits' sake, but because of the enhanced opportunities afforded of improving the welfare of employees and staff who help to procure it.

With regard to some of the smaller local brickworks affected, it should be remembered that their resuscitation was only due to the abnormal demand intensified by the Government assistance given to make good the considerable arrears in house building. It must have been apparent to those with experience and knowledge of the trade that the activities of such works would inevitably be affected should the strong demand ease off for our products in our immediate home markets. While the influence of our sales policy has for many years restrained excessive prices, we always endeavour to fix fair prices.

SPECIALISED PRODUCTS

During the past year we not only achieved records for common building bricks, but also for all the specialised products of the company. Since we introduced our rustic facing bricks twelve years ago 600 millions have been sold, and to meet the present demand which comes from all parts of the country and for all types of building, we are manufacturing 3 millions per week.

Last year I told you of the proposal to make a sand-faced facing brick under our own patented process. We had been experimenting with this for some years past. This brick has now been introduced to the market and has had a most favourable reception. For a facing brick of pleasing colour and texture at a low price there is evidence of a good demand.

Our cellular brick makes steady headway; sold at the same price as common pressed bricks, it offers wonderful value. Its qualities of lightness, strength, and insulation from heat and cold are being growingly appreciated by engineers who have important work to

carry out, and we are gratified that our cellular bricks have been specified for certain portions of the new Scottish Government buildings in Edinburgh, by the L.C.C. for the new headquarters of the London Fire Brigade, and for other important work.

It is thus seen that our sales department during the past year has achieved excellent results despite the difficulties encountered in the spring. For these results our thanks are due to Mr Worboys, Colonel Rowe, and our competent staffs in London, Birmingham and elsewhere.

RECONSTRUCTION AND EXTENSIONS

Last year witnessed the completion of several important items of our considerable programme of reconstruction and extension. At Stewarby we benefited from the additional production arising from the recently completed reconstruction and extensions. The additions to our model village there are also proving advantageous. At Calvert we recently finished reconstructions bringing these works up to a productive capacity of 200 millions per annum.

We are indebted to our chief engineer, Mr Ratcliffe, and his staff, who have been working for many years past under high pressure in order to increase our productive capacity and so secure an adequate supply of British bricks to meet the unprecedented demand experienced during recent years. Thus we have during the year successfully further expanded our productive capacity, which to-day is 1,750 millions. To-day the productive capacity of the country is sufficient to meet all requirements. At the moment we are busy with kiln reconstruction at Arlesley and the concentration of additional plant for the production of hollow flooring, partition blocks, and agricultural drain pipes. The excellent quality of the products manufactured at Arlesley by our own design of plant has created the good demand which calls for this extension, the increased output from which we hope will be available next May.

ADDITIONS TO MOTOR FLEET

During the year we have added considerably to our motor transport fleet, which we established in order that we might give the best possible service to our customers, particularly through prompt delivery to site. Customers are increasingly calling for this facility. An interesting development is the establishment of local railheads and motor-truck depots from which our locally established transport delivers into the surrounding area. This co-operation between the railway company and ourselves has proved successful and will, we trust, be extended. We endeavour to make our motor vehicles an excellent advertisement for the company and its products. Every care is being taken to ensure that they are well turned out, and, what is more important, that they are considerably driven on the road. We have been gratified to receive a number of spontaneous tributes from road users as to the high standard of driving of our transport staff, who through their care and courtesy contribute to safety on the roads.

PROFIT-SHARING BONUS SCHEME

Stockholders have been informed from time to time of our Employees' Profit-sharing Bonus Scheme, which has been in force for some twelve years. One of the merits of the scheme is its simplicity. The rate of dividend on the national bonus shares is the same as that paid to ordinary stockholders. Ordinary dividends represent the surplus profit available for distribution after the prior requirements of the business have been satisfied. Now, last year we distributed £200,000 in ordinary shares as a bonus to our ordinary stockholders. This meant that £200,000 of accumulated profit, which it had hitherto been deemed necessary to retain in the business was released.

We feel an adjustment should be made since our employees contributed to the earning of this profit, and in view of the fact that its distribution affects their interest in the profit-sharing bonus scheme. We are, therefore, adding to the bonus payment which they would have received one-ninth of the same, this being the proportion by which the stockholders' interest in the ordinary capital of the company has been increased through the free issue of the ordinary shares. I am confident you will approve of the action we have taken in this matter.

OUTLOOK FOR CURRENT YEAR

I will now comment on the prospects for the current year, and in doing so must at the outset refer again to the somewhat changed circumstances of trading experienced in the last year. These make me feel it is not possible to give you quite the same confident forecast that I have made, fortunately correctly, for many years past. There is another factor which influences me. For the past thirteen years the average annual dividend on the ordinary shares or stock

has been rather over 20 per cent., and in recent years we have regularly paid three interim dividends of 5 per cent. and a final dividend of not less than 5 per cent. I am conscious that many of our stockholders, receiving such interim dividends punctually, regard them as a sure indication of a final dividend of not less than 5 per cent. Their outlook has become one of expectation of a certainty, and frankly I shall be happier should we maintain 5 per cent. interim dividends, as I hope we shall do, if stockholders would regard the payment of a final dividend of 5 per cent. as a matter of hopeful expectation rather than as an assured certainty. I avail myself of this opportunity of speaking frankly on the subject and am most anxious you should not misunderstand me.

I am not pessimistic about the prospects of the year; indeed, helped by favourable weather and the efforts of our sales department, we have for the first two months obtained definitely better results than for the corresponding period last year, and there is to-day a reasonable prospect that we shall maintain our turnover. It must, however, be remembered that it is early in the year to make a forecast, and we have a colossal production to market. Therefore I am not in quite the same position to make the confident forecast of previous years, but have decided it is necessary to be candidly cautious, and if careful attention is paid to what I have outlined I believe you will not be disappointed with the results which we shall submit to you when, all being well, we meet next year.

SERVICES OF MR WORBOYS

I would like to say that it gave me much gratification in March last to recommend to the board that Mr A. T. Worboys, who is well known to many of you, should be appointed deputy chairman. There is a touch of romance about Mr Worboys' association with the business. He came into it when a lad, has served it faithfully for 37 years, and has rendered it valuable service. To-day we are benefiting from his hard work and long experience.

I would again express the thanks of the board, and I am sure of the stockholders, to the staff and all employees for their support and co-operation without which our successful year's results could not have been achieved.

The chairman concluded by moving the adoption of the report and accounts, and called upon Mr Worboys to second the motion.

Mr Arthur T. Worboys (deputy chairman).—Before seconding the resolution, may I be allowed to thank the chairman for his appreciation of my services? I have always been very happy in my association with all my colleagues, and I can only say that in my new position as deputy chairman of the company it will be my earnest endeavour to follow worthily in the footsteps of those who have gone before me. I now beg to second the resolution put by the chairman.

The resolution was carried unanimously.

The retiring director, Mr Malcolm Stewart, was re-elected; and Messrs. Derbyshire and Company having been re-appointed auditors, a hearty vote of thanks to the chairman, directors and staff concluded the proceedings.

THE SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

NEW BUSINESS OVER £5,000,000

SIR IAN BOLTON'S STATEMENT

The one hundred and twenty-fourth stated annual meeting of The Scottish Widows' Fund and Life Assurance Society was held, on Tuesday, the 1st instant, in the Society's Head Office, Edinburgh.

Sir Ian F. C. Bolton, Bart., C.A. (chairman of the Ordinary Court of Directors), presided.

In moving the adoption of the report and accounts, the Chairman said: You will see from the report that last year the society's new business exceeded £5,000,000 both before and after deducting the amounts reassured with other offices under specially large policies. This is the first time in our history that the net figure has passed the five million mark, and so a fresh record has been set up.

In these days we are accustomed to read of records being achieved in many spheres of human activity. Sometimes we may doubt whether this or that record has been worth striving for, but about the value of the society's record new business there can be no doubt. It means the extension of life assurance to an increasing number of people who have not hitherto enjoyed its benefits; not the least of these is the peace of mind which comes from the knowledge that safe provision has been made for dependants.

REVENUE ACCOUNT

I now refer to the principal items in the revenue account, dealing first with the income. The new annual premiums were considerably in excess of the renewal premiums which went off in respect of claims and surrenders, and our total premium income, which now exceeds £2,000,000, was about £65,000 greater than in 1936. Interest income, both gross and net, was increased, and the gross rate of interest earned on our larger funds was only 4d. less than in the preceding year, a result which you will agree is most satisfactory in view of the low interest yield which is available on new investments.

The income tax payable was larger mainly on account of the increase in the rate of income tax which was made at the last Budget, with the result that the net rate of interest of £4 4s. 10d. per cent. was lower than in 1936. In these days a net interest yield on the funds as a whole of almost 4½ per cent., after deduction of income tax, cannot but be gratifying to our members.

On the other side of the account our death claims were lower. This is an item which necessarily varies a good deal from year to year, but owing to the careful selection of lives the amount is always well within that for which provision is made in our calculations. Claims by maturity were again larger as the natural consequence of the increase in endowment assurance business which has been taking place for many years. Surrenders, I am glad to say, were again reduced and have now reached a lower level than we have seen for about ten years. Expenses and commission together were slightly increased, but, owing to the higher premium revenue, the ratio of expenses to premium income was reduced from 14.31 per cent. to 14 per cent., a movement in the right direction.

INCREASE IN FUNDS

The funds have increased during the year by nearly £700,000. The balance sheet shows how the assets are invested and calls for little comment, the most important change being further increases in "Loans on Parochial and other Public Rates" and "Municipal and County Securities in the United Kingdom."

Unsettled conditions during the past year both at home and abroad have resulted in depreciation of practically all Stock Exchange securities, but the society's position remains immensely strong. Although the fall in values has encroached upon the margin between the market values of our Stock Exchange securities and the values at which they stand in the balance sheet, this margin is still very substantial and enables us to face the future with confidence unimpaired.

In conclusion, I would remind you that we are now in bonus year, at the end of which our quinquennial valuation and distribution of surplus fall to be made, and we look forward to being able to present to you next year another successful report not only for the year, but also for the quinquennial period.

The directors' report and the accounts as audited were adopted unanimously.

SELFRIDGE AND COMPANY, LIMITED

INCREASED GROSS PROFIT

The thirtieth annual ordinary general meeting of Selfridge and Company, Limited, was held, on the 28th ultimo, at the company's store, Oxford Street, London, Mr H. Gordon Selfridge (chairman and managing director) presiding.

The Chairman, in the course of his speech, said:—One year ago we were able to announce a record figure for profits, while this year, notwithstanding a handsome increase over last year in both annual returns and gross profit, our net result is less than 1936's figure by £37,000. The reason for this is that certain large non-recurring expenses have been charged up in full this year, plus the fact that our pay-roll is higher and the item of expense called labour is greater throughout the entire business.

The largest single item of expense in the non-recurring list is, of course, that of Coronation decorations—a feature which won the applause of millions of people during the months from May until well in the autumn of the Coronation year of 1937.

We did it all with our eyes open. We were never carried off our feet and, now that the ceremonies of that great year are matters of history, we find ourselves not regretting the expense, but proud instead of our contribution to London's fine efforts.

But the autumn's business did much to upset our calculations and, had the last six months shown the same rate of progress as the first, we should have easily met all of these extra expenses and again published a record balance sheet. If—If—September, October, November and even December had been kinder in weather

and general world conditions we would have handsomely topped the half-million mark in net profit. The abnormally warm weather of these months must take the blame, so let it go at that.

In a broad-gauge view of this business I feel that it is perhaps more beautifully in hand than ever. Our returns are continually increasing.

The absence of the same profit as last year, plus the increase in taxes, which includes the National Defence Contribution, affects chiefly and, I may almost say, only the trust ordinary shareholders, and, as over nine-tenths of these are owned by my son and myself, we are the chief losers—if losers is the proper word.

While the net profits are a little less than a year ago, we feel that the business as an institution or enterprise is of greater value than ever—of greater value because it has built itself into even a stronger, happier, great place in the public mind and has cemented to itself a greater number of friends.

So, while I am receiving no dividends on the ordinary shares this year, by my words just spoken you see I feel richer in the possession of those shares than I did last year.

Turning to the balance sheet, I find little to add to my speech. You will notice that we have already begun to pay off the 4 per cent. mortgage debenture stock, and each year hereafter will assist in this direction until it is eliminated from the sheet.

As you realise, we always give (in red ink on one side) the corresponding figures for the previous year. Small changes only appear, the chief one being the increase in income tax and National Defence Contribution from £35,700 to £80,000—a great pull upon our profits. But, never mind, each one must do his share, and we never wish to be relieved of our fair proportion of the expenses of this intelligently and honestly administered country.

The report and accounts were unanimously adopted.

BRITISH ASSETS TRUST LIMITED

INCREASED INCOME AND DIVIDEND

MR A. W. ROBERTSON DURHAM'S ADDRESS

The fortieth ordinary general meeting of the British Assets Trust, Limited, was held in Edinburgh on Wednesday, March 2nd, Mr A. W. Robertson Durham, chairman of the company, presiding.

In moving the adoption of the report and accounts, the Chairman said: A print of the report and accounts for the year ended January 15, 1938, has been in your hands for some days and, with your approval, I propose to hold these as read.

You will see from the accounts that the gross income for the year amounted to £344,531 as against a figure of £309,925 for the previous year, which shows an improvement of approximately £34,606. After deducting management and other expenses, income tax and N.D.C., as well as debenture interest and preference dividends, there remains £55,444 available for the ordinary stock as against £32,082 last year, and we are glad to be able to recommend a dividend for the year of 10 per cent. on this stock—an increase of 2½ per cent. As stated in the report, further sums, amounting to £21,169, were received in respect of arrears of dividends relating to previous years and other revenue which appeared to be of a non-recurring nature, such as special and extra dividends declared as a result of the Undistributed Profits Tax in U.S.A., underwriting commissions, etc.

INCOME RESERVE FUND

Last year the directors decided to open an income reserve fund, and transferred sums thereto amounting to £75,000. This year, as shown in the balance sheet, we have increased this fund to £120,000 by the transfer of a further £45,000, consisting of the £21,169 referred to above and £23,831 from the profit and loss account leaving £46,511 to be carried forward as against £50,625 brought in. This fund is invested in a separate account in short-dated Government and other high-class securities of a similar nature for the purpose, so far as is possible, of avoiding depreciation, and keeping the fund readily available to maintain the dividend during times of depression.

On the payments side of the accounts, the management expenses show an increase of approximately £1,000, chiefly owing to the fact that our New York office, established at the end of 1936, has been in operation for a full year. Taxation is up by £14,000 owing to the larger amount of income falling under assessment, the higher rate of income tax as compared with last year, and the National Defence Contribution.

In view of the uncertain outlook and the fact that security prices especially in this country were still at a comparatively high level,

we considered it advisable during the year to reduce our short-term indebtedness, and to enable us to do this we have substantially reduced some of our holdings, especially in industrial ordinary shares.

This has been reflected in the balance sheet and you will see that the investments, after deduction of the capital reserve fund and contingent fund, amount to £6,899,149, showing a decrease of approximately £407,000 as compared with last year. As stated in the report, the market value of these investments as at January 15, 1938, shows a depreciation of 8.72 per cent. on the balance sheet figure, and we have also given there a statement showing the distribution of the investments.

On the liabilities side of the balance sheet you will notice that the deposits and loans have been reduced by about £276,000, and the terminable debentures by £108,000. The sundry creditors are about £120,000 lower than last year, whilst sundry debtors show a fall of approximately £70,000 and cash has increased by £20,000.

FUTURE PROSPECTS

Although our income has shown a satisfactory increase, the past year was disappointing in many respects. The year opened at home and in the United States on a high level of industrial activity and general confidence in the future. However, in the spring, a series of setbacks occurred on both sides of the Atlantic, including the gold scare, the N.D.C. in this country, labour troubles and political uncertainty in the United States and a general fall in commodity prices throughout the world, which led to a break in prices of securities and a consequent sharp contraction in the value of our investments. In the United States hopes of an early revival are at present obscured by the apparent deadlock between business and the Government, and, it is practically certain that industrial profits will be lower during the current year than they were in 1937, and that our income from the United States will show a considerable decline. As regards the outlook in this country confidence has been impaired and there has been a considerable fall in security values. However, as the dividends we shall receive from our home investments during the current year are mainly in respect of the trading year 1937, when business generally was at a high level, we do not expect to suffer any very serious decline in this part of our income.

We hope that we shall be able to maintain the increased dividend now proposed, but it is exceedingly difficult at the present time to make any reliable estimate of future earnings.

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.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

CONTINUED PROGRESS

RECORD NEW BUSINESS FOR FOURTH SUCCESSIVE YEAR

The one hundred and fourteenth annual general meeting of the Clerical, Medical and General Life Assurance Society was held, on the 3rd instant, at the Society's office, 15 St. James's Square, London, S.W.1, Mr Francis E. J. Smith (the chairman) presiding.

In moving the adoption of the report the Chairman said that the report showed that the year 1937 had been one of steady progress in the Society's affairs. The results included a record expansion of business, favourable mortality experience and substantial increases in premium income and funds.

NEW BUSINESS RESULTS

It would be seen that an appreciable amount of group life assurance had been completed. That class of business was transacted last year, for the first time, in connection with a large staff scheme, which was very welcome. Even if the group life figure were excluded, the total of the ordinary new business represented, for the fourth successive year, a fresh high record for the Society.

He welcomed the opportunity of expressing the gratitude of the directors to all their agents in England and Scotland and to their friends, The Employers' Liability Assurance Corporation, for their help and support, without which they could not have accomplished such results. He looked forward with confidence to a continuance of active support from all their friends, including policyholders both old and new, so that 1938 might see past achievements eclipsed.

An expanding new business was welcome evidence of vitality, but

it was not, and could not be, the conclusive test of well-being or strength. Another significant index was afforded by the growth of the premium income, and it was highly satisfactory to note that during 1937 the premium income, after excluding single premiums, had risen by over £40,000, a record increase in the history of the Society. Including single premiums, which, at £72,371, were not unduly large, the premium income for the first time exceeded the figure of one million pounds.

THE SOCIETY'S ASSETS

The chief change in the Society's assets was the substantial increase in mortgages and loans and the considerable decrease in the total of Stock Exchange securities. That change gave effect to an investment principle which had proved of value to them more than once in their history, namely, that when the prices of investments on the Stock Exchange were high, and yields correspondingly low, they sought good mortgages, and, during 1937, he was glad to say, their search in that direction had not been in vain.

The total of mortgages and loans in this country had risen during the year by over 1½ millions to very nearly 6 million pounds. The directors were satisfied that in every case the capital was secure, and the usual high standard of interest collection had been fully maintained.

As regards the Stock Exchange investments, amounting to over £4,800,000, no individual security stood either above its cost price or above its middle market price less accrued interest on December 31, 1937. That sounded a very simple statement to make, but it was important to note that such a basis of valuation implied, broadly speaking, the salutary principle of "writing down but not up." In total, the resulting book values were materially lower than the market values, and the aggregate difference, or appreciation, being excluded from their accounts, constituted a substantial reserve margin held against possible future shrinkage of capital values.

Their property holdings remained practically unchanged, at about 2½ millions, and, as it was their practice to take credit only for a moderate rate of interest and to apply the balance towards reduction of book values, those book values rested upon conservative bases.

INVESTMENT POLICY

In matters of investment policy their preference continued to be for the short-dated type of security, as they took the view that the slight loss of yield thereby incurred was more than compensated by the greater stability of capital secured and by the opportunity afforded of taking prompt advantage of any rise that might take place in interest rates.

He hoped that the 1937 net interest yield of £3 19s. 2d. per cent. would be regarded as satisfactory, especially in relationship to the net rate of 2½ per cent., upon which their actuarial reserves were based in respect of every life assurance and annuity contract upon the books of the Society. A large margin of net interest—nearly 1½ per cent.—thus existed as the foundation of their interest profits, and the Actuary told him that the surplus required for the next quinquennial bonus, to be declared three years hence, was accruing at a very satisfactory rate.

THE RESERVE STRENGTH OF THE SOCIETY

The Society to-day continued to grow in vigour and in health. The present position was that, in addition to their abundant 2½ per cent. reserves and over and above the hidden reserves implied by conservative book values, there existed a large amount of free available surplus, which consisted of the £686,000 carried forward after the bonus two years ago, and was increased by the good earnings of the two years which had since elapsed.

With such reserve strength and earning powers, they were in a position not only to assure their existing policyholders that they had no cause to worry, but also to continue to invite, with all confidence, the help of agents and friends in spreading wider and wider the scope of the Society's business.

Their friends and connections would find in the prospectus attractive and up-to-date forms of policy, and those who knew the Society's policies best would be the first to agree that they had two particularly fine tables to offer—the Prime Cost and Supplementary Units, which, in combination, should prove invincible. These two forms of policy had proved their success and were thoroughly maintaining it.

In conclusion he wished to express the directors' appreciation of the excellent work done during the past busy year by the officials and staff of the Society. The results before the meeting were the best tribute to their ability, and the directors had every confidence that success would be maintained and, indeed, increased. He added a special word in respect of the general manager, Mr Rowell, whose services continued to be of the greatest value and help to the directors.

ILLUSTRATED NEWSPAPERS, LIMITED

CONTINUED SUCCESS

The twelfth annual general meeting of Illustrated Newspapers, Limited, was held, on the 2nd instant, at the Connaught Rooms, London.

The Lord Southwood, the chairman, in the course of his speech, said: The net trading profit, including dividends received from investments and bank and loan interest, amounts to the sum of £196,169, as compared with £182,070 last year, an increase of £14,098. There is a balance of £124,797, to which must be added a sum brought forward from the past year of £96,879, leaving an available balance of £221,677, as compared with £193,742 last year. There has already been paid a full year's preference dividend, less tax. Out of the remaining sum of £126,389 your directors have, after very careful consideration, deemed it wise and prudent to recommend a transfer of the sum of £50,000 to a reserve for preference dividends, and so protect the equity of the ordinary shareholders. I am sure the ordinary shareholders will approve the wisdom of this course.

During the coming year it is the intention of your directors to consider the advisability of incurring exceptional expenditure upon some form of publicity campaign, with the object of developing and building up of the company's various publications. In this event they will resolve to appropriate, say, a sum of £20,000 out of the balance now carried forward on the profit and loss account, which sum will be expended as and when the directors think desirable, and for the purpose they have in mind.

With this company's accounts you will have received a balance sheet and profit and loss account of The Illustrated London News and Sketch, Limited, for the year ended November 30, 1937, and you will notice that the net profits of that company also show an appreciable increase over last year, with the result that that company is able to increase its dividend. This benefits this company to a considerable extent, inasmuch as we hold approximately 94½ per cent. of the share capital, and we shall be able to bring into our accounts this year a sum in excess of that received last year. The net amount we shall receive after tax is £58,240 0s. 11d., which, added to the amount carried forward on our balance sheet, more than covers our preference dividend for 1938, which I think the shareholders will agree is a satisfactory position.

SUCCESS OF CORONATION NUMBERS

We have, of course, during the past two years been greatly benefited from national events, which have enabled the company to publish a number of special issues, which have naturally added considerably to the profits. Perhaps one might specially mention the special numbers published by *The Illustrated London News*. I am sure you will agree that those productions are equal to anything of a like nature that has ever been produced. The sales of *The Illustrated London News* Coronation Number reached a very large figure indeed, and, I think I am right in saying, constituted a record even for *The Illustrated London News*. (Hear, hear.) All our other papers produced special numbers in connection with the Coronation, which were equally deserving of praise. The editors, as well as the printing and process departments, deserve the highest tribute.

I am glad to be in a position to report that the sales of our publications and the advertisement revenue have been well maintained in the year under review, which is very gratifying in view of the fact that new publications are constantly being produced and competing with us in a greater or less degree.

VALUE TO ADVERTISERS

Too much stress cannot be put upon the value of our papers to advertisers, which, as the shareholders know, are *The Illustrated London News*, *The Sphere*, *The Tatler*, *Skech*, *Bystander*, *Illustrated Sporting and Dramatic News* and the monthly magazine *Britannia and Eve*. These papers have the very highest reputation. Indeed, I think that all our papers are universally recognised as national institutions. They are universally popular and their life an exceptionally long one, passing, as we know they do, from hand to hand all over the world, thereby having what must be an enormous reader circulation.

It is unfortunate that in the present year we have, as you know, to face very much increased costs in paper and printing. Some portion of this I hope we shall be able to recover, but you will, I know, realise that in the case of our publications it is quite impossible for us to make any increase in the selling price. At the same time, it is imperative that we maintain our high standard of production. The shareholders may rest assured that intensified efforts are at all times being made to improve the business of the company.

The report and accounts were unanimously adopted.

BOVRIL LIMITED

LORD LUKE'S TRIBUTE TO THE LATE SIR JAMES CRICHTON-BROWNE

Before proceeding with the business of the forty-first annual general meeting held, on the 28th ultimo, in London, the Lord Luke, K.B.E., chairman, said he would like to speak of the loss the company and indeed the country had sustained in the death of Sir James Crichton-Browne. Sir James joined the Bovril board in 1908; he was then 67 years of age, but during the last thirty years he was always alert, interested and really helpful. It would be impossible to exaggerate the value of his services to the company, or the admiration his qualities of mind and character had inspired in his fellow directors.

Outstanding as he was in medical and scientific achievements, that side of his character was at least equalled by his amazingly wide range of general knowledge, his old-world courtesy and kindness, and his strong sense of devotion to duty.

SATISFACTORY YEAR

The chairman then went on to review the accounts of a very satisfactory year, during which sales had gone up considerably both at home and abroad.

In the profit and loss account, "Gross Profit on Trading, less Advertisements" was £54,577 up, at £416,525, that was after the deduction of a larger sum than usual spent on advertising.

The interim dividends on the pre-preference, preference, ordinary and deferred shares, paid last August, absorbed £101,875. After paying the balance dividends on the prior issues, there was £176,364 left. After providing for a carry-forward slightly less than that brought in, it was proposed to pay a final dividend on the deferred shares of 4 per cent., and to carry to reserve £65,000; in other words, on the year the deferred would receive £65,000, and the replacement to reserve would be a similar sum.

Referring again to Sir James Crichton-Browne, the chairman said that at the age of 97 Sir James showed very little diminution of his mental powers. The last thing he did, handicapped as he was by illness, was to prepare the address he proposed to deliver to the shareholders. This it would be his (Lord Luke's) privilege to read to the meeting.

In the address he had prepared, Sir James recalled how in 1897 the great Russian physiologist, Pavlov, had shown that the administration of meat extracts to dogs stimulated the mucosa of their stomachs and produced a copious secretion of gastric juice.

REMARKABLE EXPERIMENTS

It had been inferred, the address continued, that in human beings these extracts similarly increased the gastric flow, but no scientific proof of this had, until quite recently, been adduced. But during last year, by a remarkable series of experiments at King's College, London, Dr Boon had demonstrated that meat extracts in varying degrees had the same effect in stimulating the gastric secretion in human beings that they had in dogs and other animals. This was a fact of first rate importance.

A wide range of typical food products was investigated, and it was found that of these Bovril was the most potent and rapid stimulant of the gastric mucosa. It seemed to Sir James of great importance that this means of stimulating the gastric secretion should be more widely known. Following acute illness there was generally a depression of gastric secretion and the gastric juice was poor in hydrochloric acid, which was present in the normal healthy stomach and was, indeed, essential for the proper action of the digestive juices of that organ.

THE BENEFITS OF BOVRIL

By stimulating the mucosa to an increased flow of hydrochloric acid, Bovril restored the gastric juice to normal, and thus assisted recovery. That was an important finding, but the clinical significance of Dr Boon's discovery was, in the opinion of Sir James, wider still. In such a disease of the stomach as gastritis, which was often the precursor of very serious trouble, there was a deficiency and alteration in the character of the secretion of the gastric juice, a deficiency and alteration which Dr Boon's results suggested might be corrected by the judicious administration of Bovril, which so powerfully stimulated the secretion of gastric juice containing the essential hydrochloric acid.

It would seem prudent, therefore, for people at, or after, middle life who suffered occasionally from indigestion, not dietetically explicable, or other gastric disorder, to try the effect of Bovril in warding off the often disastrous consequences of reduced gastric activity.

The Duke of Atholl, K.T., G.C.V.O., C.B., D.S.O., seconded the adoption of the report and accounts, and the resolution was duly carried.

THE ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

DIVIDEND OF 10 PER CENT. MAINTAINED

The forty-eighth ordinary general meeting of the Anglo-French Exploration Company, Limited, was held on the 2nd instant, at Winchester House, Old Broad Street, London.

Mr F. A. Robinson, the chairman, who presided, in the course of his remarks said: The amount of £957,688 is the most important item in the balance sheet, representing as it does the total book cost of our holdings. The item £30,000 represents our land.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account, the amount received in dividends, etc., was £61,933, and from the sales of shares £90,075, as compared with £45,054 and £108,271, respectively. Notwithstanding the large amount of £14,493 for investigation of properties debited to profit and loss, we show a net profit of £116,584, as compared with £132,714 last year.

We brought forward £47,089, which, added to the net profit for the year under review, makes £163,674 at our disposal. We have written off £12,799 for depreciation and we have transferred £25,000 to reserve accounts, which will leave £125,874, out of which we recommend the payment of a dividend of 10 per cent., leaving £47,124 to be carried forward. This is the fifth year in succession we have paid 10 per cent., while substantial amounts have been allocated to the reserve fund and the staff fund has been placed on a permanent basis.

In our report you will find the usual classification of our holdings. The percentage of quoted securities is 98 per cent., which, I believe, is the largest it has ever been in the history of the company.

Having regard to the class of business conducted by our company, it was only to be expected that the sharp fall in prices on the Stock Exchange would be reflected in a decrease in the value of the company's assets. Given more settled conditions in the international situation, I do not doubt we shall see a recovery.

PROSPERITY OF THE GOLD-MINING INDUSTRY

Meantime, regardless of what has been going on in the outside world, the gold-mining industry itself has been pursuing its course of progress and prosperity. The working profit was £31,700,000, and the amount paid in dividends was £16,748,000. About half the profit was taken by the South African Government in taxation and royalties. If the output of gold is to be maintained in years to come it is obvious that new mines must take the place of those which in the natural order of things will become exhausted, but such enormous taxation is bound to impede the expansion of the industry, which is of paramount importance to South Africa.

Apex (Trinidad) Oilfields, Limited, had a most successful year, which ended September 30th last, and paid dividends amounting to 45 per cent., as compared with 35 per cent. in the preceding year. The position of the company may be said to be very sound and reflects great credit upon the management in Trinidad and London.

Anglo-Burma Tin Company, Limited, made a net profit for the year ended June 30th of £19,247, and was able to maintain the dividend at 25 per cent. The developments on the property have been continued with satisfactory results. A large portion of the additional plant required to work these areas has been shipped and is in course of erection. In order to pay for the plant and to redeem the balance of the old debentures the company made an issue, in April last, of £80,000 6 per cent. debentures. The Anglo-French Company were the holders of £10,000 of the old debentures, and we agreed to take the new debentures in exchange.

Contrary to expectation, the world consumption of tin has fallen off, while the production has increased. This has resulted in an accumulation of stocks on hand followed by a heavy fall in the price of the metal. In order to bring about equilibrium, the international quota, which during the greater part of last year stood at 110 per cent. based on the 1929 production, was reduced to 70 per cent. in the early part of the present year, and a couple of weeks ago was still further reduced to 55 per cent.

The consumption of tin for the current year is estimated at about 150,000 tons, which is about 50,000 tons less than in 1937. If the quota of 55 per cent. is maintained, the output would be at the rate of about 140,000 tons per annum, including countries outside the restriction scheme, as compared with 206,000 tons in 1937. The effect of this would be that the visible stocks will be reduced and this should have a favourable effect on the market.

The report and accounts were unanimously adopted.

LANCASHIRE ELECTRIC LIGHT AND POWER COMPANY, LIMITED

FURTHER PROGRESS

The ordinary general meeting of the Lancashire Electric Light and Power Company, Limited, was held, on the 3rd instant, in London.

Mr George Balfour, M.P. (the chairman) said that the accounts reflected continued growth in load, output and revenue. The total units sold during the year amounted to 791 millions; 449 millions had been sold to their own customers compared with 370 millions for the previous year; an increase of 21.4 per cent. The amount taken by the Central Electricity Board was nearly 342 millions, compared with 184 millions, and of the total units sold by the company approximately 43 per cent. had been exported to the Central Electricity Board.

They had connected 5,922 additional domestic consumers, making a total of 45,420, an increase of 13 per cent. The total number of consumers supplied directly and those of other undertakers whom they supplied in bulk was approximately 143,000, an increase of 10.6 per cent. They were steadily increasing the number of their consumers who had adopted the two-part tariff, and of the total number of low tension consumers connected, 86 per cent. had adopted that tariff.

Reductions in the price of current to consumers had been made in July, 1936, and had therefore affected only the last half of that year, whereas they had applied to the whole of the year under review. Those reductions were reflected in the drop in the average price received from that class of business from 2.06d. per unit in 1935 to 1.92d. per unit in 1936 and 1.81d. last year. The unit consumption per consumer had, however, increased by approximately 2½ per cent.

The price received from the Central Board for the 341,642,000 units taken by them was 1.482d. per unit. He had usually made some observations on these occasions regarding their relations with the Board, but would content himself on this occasion by remarking that they still had to settle their account with the Board for 1936 and last year. Shareholders would agree that they ought to obtain some little sum for wear and tear and use of their plant in the past; except for those chronic troubles their relations with the Board continued to be friendly.

CURRENT YEAR'S GOOD OUTLOOK

With regard to the current year, he had put himself to some trouble in an endeavour to gauge the industrial outlook in the Lancashire area. He had always held the view that the electricity demand for power and domestic use in any area was a fairly stable indication of trade prosperity and, based on that assumption, the outlook was very satisfactory. Last year each month had shown an increase compared with 1936, and it was pleasing to know that they had started the current year with a comfortable increase over last year. They were getting applications for supplies and connecting as many new consumers as they had done a year ago, and their output showed approximately a like increase.

There had been a great deal of talk about trade decline, but as far as he had been able to observe the only downward kick was not due to any fall in trade. A very temporary and inevitable excess demand was created due to having to supply an increased volume, not only for the market but at the same time to make provision for a quick increase in stock to maintain the higher rate of production. For a short time, therefore, they had had an unavoidable but exaggerated activity but, generally speaking, that time had passed. No doubt that was the cause of the slump talk which he felt was more political than industrial. It was possible that certain industries such as the domestic motor vehicle manufacturers might show temporary slackening, but this was due no doubt to a cycle of trade peculiar to such industries. Again, they must remember that when they talked of the number unemployed they brought into calculation the seasonal, temporarily unemployed, and youngsters, which, of course, prevented comparison with pre-war figures.

They supplied a large number of consumers in the textile trade, spinners and weavers, iron, coal and steel industries, bleachers and dyers, miscellaneous engineering works and railway load as well as electro-chemical processes. Judging by the demand of these industries upon their services he saw no change for the worse in the near future.

As to the accounts, the trading profit of the subsidiary companies and interest receivable amounted to £506,278 compared with £426,056 in the previous year. They proposed to pay an additional half per cent. on the participating preference stock, making 7½ per cent. for the year, and 5 per cent. on the ordinary stock, making 7½ per cent., less tax.

The report was unanimously adopted.

CURRENT STATISTICS

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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Home Railways

The following charts illustrate the experience of the British railways during depression and recovery. They may be studied in conjunction with our present series of articles on the four home railways, of which the second appears on page 502 of this issue. Chart I compares gross railway receipts with the movement of *The Economist* business activity index since 1928. In the second chart, the trend of railway goods receipts is compared with the growth of commercial motor vehicles in use, as estimated by the Society of Motor Manufacturers and Traders. On each of these charts, the two curves have been equated for 1929. In Chart III, the blocks for locomotives, passengers and goods traffic are equated for 1924, and the locomotive figures include due allowance for electric motor vehicles. Chart IV relates the trend of receipts per freight train mile with the average freight train load, the 1937 figures being based on the returns for the first 48 weeks.

Chart I.

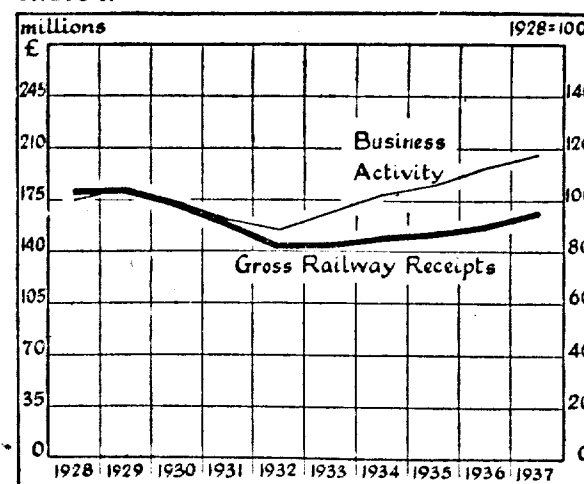


Chart 2.

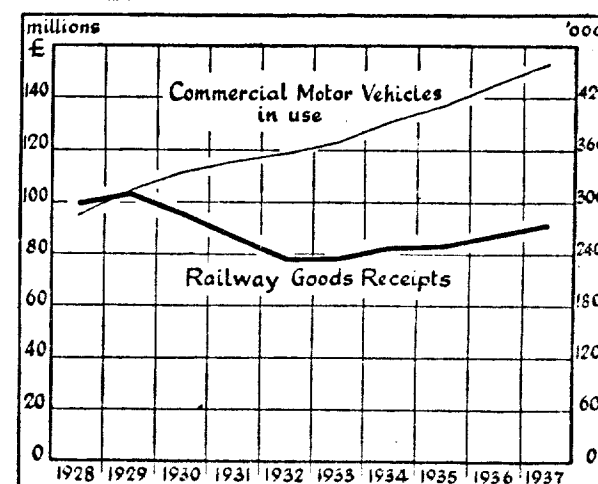


Chart 3.

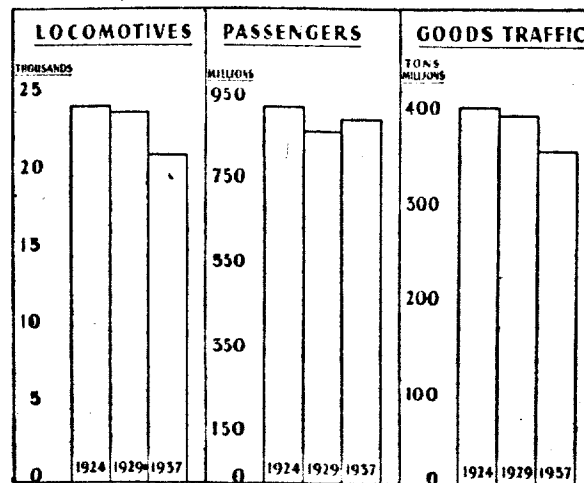
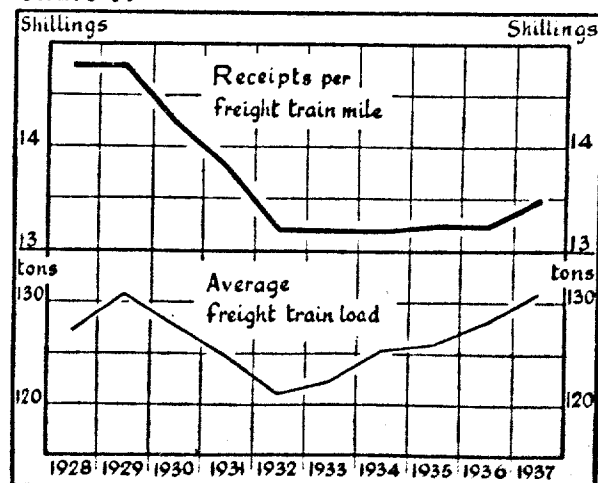


Chart 4.



Notes in circulation ...	1375.6	1451.1	1410.0	1470.9
Deposits	1411.7	1946.6	2031.1	1968.5

N.B.—Exchange Equalisation Fund and assets included in returns December 31, 1936, onwards at 538,583,653 lcs.

BANK CLEARINGS

LONDON
(£ thousands)

	Month of February			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change ↑	Mar. 3, 1937	Mar. 2, 1938	Mar. 3, 1937	Mar. 2, 1938
Number of wkgs. days:	24	24	%	6	6	53	52
Town	3,167,737	2,627,656	- 17.0	872,581	680,967	6,890,020	5,989,496
Metrop.	169,933	168,834	- 0.7	41,605	40,702	395,156	384,121
Country	296,571	295,063	- 0.5	72,612	65,848	679,645	671,657
Total	3,634,261	3,091,513	- 14.9	989,798	787,517	7,964,821	7,045,254

† Based on average working day.

PROVINCIAL
(£ thousands)

	Month of February			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change %	Feb. 27, 1937	Feb. 26, 1938	Feb. 27, 1937	Feb. 26, 1938
No. of working days:	24	24	%	6	6	50	49
BIRMINGHAM	12,212	9,753	-20.1	2,881	2,017	26,189	21,858
BRADFORD	4,560	3,453	-24.2	1,336	923	9,768	7,063
BRISTOL	5,517	5,508	-0.1	1,260	1,275	10,998	10,902
HULL	4,089	3,725	-8.9	940	812	8,291	7,855
LEEDS	4,396	4,407	+0.2	1,099	1,020	9,791	9,446
LIVERPOOL	3,288	2,837	-13.7	755	680	6,844	6,200
LIVERPOOL	30,420	22,847	-24.8	7,477	5,838	63,223	47,608
MANCHESTER	47,425	40,942	-13.5	11,408	8,500	95,830	84,742
NEWCASTLE	6,159	7,041	+14.3	1,541	1,672	12,320	14,008
NOTTINGHAM	2,255	2,256	+0.0	494	444	4,757	4,637
SHEFFIELD	4,910	5,110	+4.0	950	863	9,745	10,479
Total : 11 Towns	125,231	107,929	-13.8	30,141	24,044	257,756	224,858

† Based on average working day. ‡ 9 full weeks.

MONEY RATES

LONDON

	Feb. 24, 1938	Feb. 25, 1938	Feb. 26, 1938	Feb. 28, 1938	Mar. 1, 1938	Mar. 2, 1938	Mar. 3, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount:							
60 days' bills	17½	17½	17½	17½	17½	17½	17½
3 months' do.	17½	17½	17½	17½	17½	17½	17½
4 months' do.	17½	17½	17½	17½	17½	17½	17½
6 months' do.	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills:							
2 months'	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½
3 months'	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½
6 months'	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½	12-17½
London—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit advances: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	54	54	54	54	54	54	54

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938						
Feb. 3	17½	17½	17½	17½	17½	17½
" 10	17½	17½	17½	17½	17½	17½
" 17	17½	17½	17½	17½	17½	17½
Mar. 3	17½	17½	17½	17½	17½	17½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Mar. 3, 1937	Feb. 2, 1938	Feb. 9, 1938	Feb. 16, 1938	Feb. 23, 1938	Mar. 2, 1938
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptances:						
Members—eligible 90 days	14	12	12	12	12	12
Non-mem.—eligible, 90 days	14	12	12	12	12	12
Commercial accept., 90 days	14	12	12	12	12	12

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Feb. 25, 1938	Feb. 26, 1938	Feb. 28, 1938	Mar. 1, 1938	Mar. 2, 1938	Mar. 3, 1938
New York, \$...	4.862½	5.01½	5.02½	5.01½	5.01½	5.01½	5.01½
Montreal, \$...	4.862½	5.01½	5.02½	5.01½	5.01½	5.01½	5.01½
Paris, Fr.....	124.21	153½-4½	153½-6½	153½	153½-4½	153½-4½	153½-4½
Brussels, Bel..	35.00a	29.54-56	29.54-57	29.55-57	29.54-57	29.54-57	29.55-
Milan, L.....	92.46	95.4-4½	95.4-4½	95.4-4½	95.4-4½	95.4-4½	95.4-4½
Zurich, Fr....	25.22½	21.58-60	21.58-61	21.58-61	21.59-61	21.59-61	21.59-61
Athens, Dr....	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl..	12.107	8.96-7	8.96-7	8.96-7	8.96-7	8.96-7	8.96-7
Berlin, Mk....	20.43	12.38-41	12.39-41	12.39-41	12.39-41	12.39-41	12.39-41
Registered Marks:							
Br. India Rup.†	18d.	18½-19	18½-19	18½-19	18½-19	18½-19	18½-19
Hong Kong, \$	18d.	14½-5½	14½-5½	14½-5½	14½-5½	14½-5½	14½-5½
Shanghai, \$...	18d.	14-14½	14-14½	14-14½	14-14½	14-14½	14-14½
Rio, Mil.....	15.899d	21½-6m	21½-6m	21½-6m	21½-6m	21½-6m	21½-6m
B. Aires, \$...	11.45	19.05-19	19.05-19	19.05-19	19.05-19	19.05-19	19.05-19
Valparaiso, \$...	40	16.12-12½	16.12-12½	16.12-12½	16.12-12½	16.12-12½	16.12-12½
M'video, \$...	51d.	20½-13½	20½-13½	21-22	21½-21½	21½-21½	21½-21½
Lima, Sol.....	17.38	20-21½	20-21½	20-21½	20-21½	20-21½	20-21½
Mexico, Pes....	9.76	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Manila, Pes....	124.66d	23½-16	23½-16	23½-16	23½-16	23½-16	23½-16
Moscow, Rbls.	...	26.59-12	26.60-12	26.60-12	26.59-12	26.59-12	26.59-12

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par, 1917-18, since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (l) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Feb. 25, 1938	Mar. 2, 1938	Mar. 3, 1938
Helsingfors, M.	193.23	225½-6½	225½-6½	225½-6½
Madrid, Pt.....	25.22½	70-110 (f)	80-140 (f)	80-140 (f)
Lisbon, Esc.	110	110-110½	110-110½	110-110½
Vienna, Sch.	34.5812	25½-7½	25½-7½	25½-7½
Budapest, Pen.	27.82	25-25½	25-25½	25-25½
Prague, Kc.	164½	142½-3	142½-3	142½-3
Danzig, Gul.	25.00	26½-34	26½-34	26½-34
Warsaw, Zl.....	48.38	26½-34	26½-34	26½-34
Riga, Lat.	25.22½	24½-54	24½-54	24½-54
Bucharest, Lei	813.8	665-90	665-90	665-90
Constantinople, Pst.	110	627k	627k	627k
Belgrade, Din.	276.32	211-21	211-21	211-21
Kovno, Lit.....	48.66	291-3014	291-3014	291-3014
Sofia, Lev.	673.66	390-420	390-420	390-420
Talinn, E. Kr.	18-159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18-159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18-159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18-159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-58	97½-58	97½-58
Kobe, Yen	124.58d	13½-14½	13½-14½	13½-14½
Singapore, \$...	128d.	28½-14	28½-14	28½-14
Batavia, F.	12-11	8-93-6	8-93-6	8-93-6
Bangkok, Baht	121.82d.	22½-14	22½-14	22½-14

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par, 1917-18, since dollar devaluation on February 1, 1934. Rate for payments to the Bank of England: (c) Under Anglo-Spanish Agreement. (e) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Feb. 25, 1938	Feb. 26, 1938	Feb. 28, 1938	Mar. 1, 1938	Mar. 2, 1938	Mar. 3, 1938
New York cent.						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	11½-8½	11½-8½	11½-8½	11½-8½	11½-8½	11½-8½
3 "	11½-8½	11½-8½	11½-8½	11½-8½	11½-8½	11½-8½
Paris, francs						
1 Month	(d)	(d)	(d)	(d)	(d)	(d)
2 "	11½-15½	11½-15½	11½-15½	11½-15½	11½-15½	11½-15½
3 "	11½-15½	11½-15½	11½-15½	11½-15½	11½-15½	11½-15½
Amsterdam, cent.						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	11½-14	11½-14	11½-14	11½-14	11½-14	11½-14
3 "	11½-14	11½-14	11½-14	11½-14	11½-14	11½-14
Brussels, cent.						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	11½-14	11½-14	11½-14	11½-14	11½-14	11½-14
3 "	11½-14	11½-14	11½-14	11½-14	11½-14	11½-14
Geneva, cent.						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	11½-14	11½-14	11½-14	11½-14	11½-14	11½-14
3 "	11½-14	11½-14	11½-14	11½-14	11½-14	11½-14

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Feb. 24, 1938	Feb. 25, 1938	Feb. 26, 1938	Feb. 28, 1938	Mar. 1, 1938	Mar. 2, 1938
London:—							
60 days ...	4.866	5.01½	5.02½	5.01½	5.01½	5.01½	5.01½
Cables ...	4.866	5.01½	5.02½	5.01½	5.01½	5.01½	5.01½
Demand ...	8.2397	5.01½	5.02½	5.01½	5.01½	5.01½	5.01½
Paris, Fr.....	6.63	3.25½	3.26½	3.26½	3.27½	3.27½	3.27½
Brussels, Bel.	23.54	16.97½	16.99	16.99	16.98½	16.98	16.97½
Switz'd Fr.	32.66	23.23	23.25½	23.25	23.25	23.25½	23.25
Italy, Lira.....	8.91	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Berlin, Mk....	40.33	40.45½	40.47	40.50½	40.48	40.47½	40.48
Vienna, Sch....	23.82	18.95	18.95	18.95	18.95	18.95	18.95
Madrid, Pt....	32.67	6.10	6.10	6.10	6.10	6.10	6.10
Amst'dm Gldr	68.06	55.94½	56.01	56.00	55.98½	55.96	55.96
Cop'ng'n, Kr.	22.40	22.42½	22.42½	22.42½	22.42½	22.42½	22.42½
Oslo, Kr.	45.37½	25.20	25.22½	25.25	25.22½	25.22½	25.22½
St'hlm, Kr....	1.29½	0.92	0.92½	0.92½	0.92½	0.92½	0.92
Athens, Dr....	1.29½	0.92	0.92½	0.92½	0.92½	0.92½	0.92
M'vreal, Can. \$	169.31	100.00	99.985	99.985	100.00	100.00	99.985
Yokohama, Yen	84.40	29.06	29.05	29.06	29.04	29.04	29.04
Shanghai, \$...	...	29.76	29.82	29.85	29.76	29.76	29.76
B. Aires, Peso	...	31.12	31.15	31.15	31.14	31.13	31.13
Rio, Ms.	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Feb. 27 (£'000)					Aggregate Gross Receipts, 8 weeks (£'000)				
	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts
L. M. & S.—										
1937	401	494	294	788	1,189	2,996	3,803	2,309	6,112	9,108
1938	404	482	311	793	1,197	3,091	3,851	2,483	6,334	9,425
L. & N. E. (a)—										
1937	267	369	273	644	911	2,015	2,604	2,115	4,719	6,734
1938	265	357	287	644	909	2,056	2,684	2,277	4,961	7,017
Great Western—										
1937	163	198	120	381	481	1,220	1,561	956	2,457	3,727
1938	162	193	132	325	487	1,245	1,559	1,016	2,575	3,860
Southern—										
1937	258	67	43	108	366	2,016	466	293	759	2,775
1938	262	63	43	108	368	2,064	464	304	768	2,832
Total—										
1937	1,089	1,129	735	1,953	2,947	8,267	8,374	5,673	14,047	22,344
1938	1,093	1,095	773	1,968	2,961	8,196	8,558	6,080	14,638	23,134

(a) Week ended February 26.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 317	+ 283	+ 133	+ 57
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 39.62	+ 35.37	+ 16.62	+ 7.12
Latest week compared with 1937	+ 8	— 2	+ 6	+ 2
Latest week compared with average 1927-30	— 141	— 110	— 56	— 10

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended February 25 (£'000)			Aggregate Gross Receipts 8 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.6	0.6	2.2	13.0	3.7	16.7
1938	1.6	0.5	2.1	13.4	3.4	16.8
Great Northern—						
1937	7.7	9.6	17.3	58.7	69.3	128.0
1938	7.5	8.7	16.2	63.6	65.4	129.0
Great Southern—						
1937	25.1	42.7	67.8	208.9	317.3	546.2
1938	26.7	37.8	64.5	219.6	322.8	542.4

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. year
Week ending February 26, 1938, before pooling	553,700	— 10,600
Total, 35 weeks to date	19,619,800	+ 54,900
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

SHORTER COMMENTS

(Continued from page 520)

Swears and Wells, Ltd.—After debenture interest of £22,500 (against £23,265) and depreciation £20,000 (same), net profit is £113,729 (against £110,059). Ordinary dividend 8 per cent. for year, as before. To general reserve £10,000 (same). To staff fund £5,000 (same). Carry forward £75,164 (against £69,434).

"Romic" Motor Accessories.—Net profit year to September 30, 1937, £12,765, compared with £8,364. Ordinary dividend 9, against 7½ per cent. To general reserve £4,000, against £2,000. Carry forward reduced from £1,091 to £1,036. Interim dividend in respect of year to September 30, 1938, 3 per cent. against nil.

William Whiteley, Ltd.—Profit for year to January 31, 1938, £147,245, against £162,909. Proportion of management

shares, £3,717, against £5,086; N.D.C. provision, £3,000; depreciation, £8,500, as before; employees' fund, £1,000, as before. Interim ordinary dividend maintained at 10 per cent. Selfridge and Company liable for enough to make up full 25 per cent. on ordinary stock. Carry forward unchanged at £79,277.

Hollinger Consolidated Gold Mines.—Net operating profit 1937, \$5,761,193, an increase of \$126,279. Depreciation, \$573,712 (\$185,275). Dividends again 22 per cent., requiring \$5,412,000. After net profit from the sale of securities, etc., of \$95,829 (\$349,105), carry forward is \$6,182,569 (\$6,311,259).

Stanley Motors.—The position of this Company was discussed in a Note in *The Economist* of December 11, 1937, page 542. The company earned a profit of £21,677 in the half year ended December 31,

1937. The initial report covering the period September 21, 1936, to June 30, 1937, showed a net loss of £4,584.

Wolsey, Ltd.—For 1937 profits amounted to £78,263, against £72,416. Preference dividend now paid up to date with payment of six months arrears, plus full dividend for 1937. Also the £20,000 advertising suspense account is being written off. Profits in 1937 were affected by the sharp fall in wool prices, which entailed a writing down of stocks and forward contracts. Carry forward raised from £32,476 to £34,114.

Peter Robinson, Ltd.—Profit for year to January 31, 1938, £61,109, (after debenture interest) against £81,838. Ordinary dividend 4, against 2½ per cent. To N.D.C. £2,300. To employees' benevolent fund £1,000, against nil. Carry forward raised from £19,572 to £21,131.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1938	+ or -	1938	+ or -
Bengal & N. Western	19 Feb. 10	Rs. 11,06,661	+ 1,59,097	Rs. 1,34,98,817	+ 5,11,642
Bengal-Nagpur	45 10	27,30,000	+ 2,17,780	8,03,77,107	+ 105,285,35
Bombay, Bar. & C.I.	46 20	26,20,000	+ 2,13,000	10,50,00,000	+ 5,65,000
Madras & S. Mah.	45 10	20,40,000	+ 12,865	6,30,20,052	+ 5,84,615
S. Indian	45 10	15,93,497	+ 1,31,275	4,82,32,266	+ 20,02,265

CANADIAN

Canadian National	7 Feb. 21	\$ 3,193,163	— 302,151	\$ 22,989,151	— 1,327,523
Canadian Pacific	7 Feb. 21	2,246,000	— 152,000	17,163,200	— 123,000

SOUTH & CENTRAL AMERICAN

Anelo-Arg. Trams.	8 Feb. 25	\$664,745	+ 52,845	5,096,294	+ 133,370
Antioquia	8 Feb. 27	1,20,540	+ 1,540	141,050	+ 8,970
Argentine N.E.	34 26	112,300	+ 6,800	5,234,900	+ 67,800
B.A. and Pacific	34 26	6,966	+ 422	323,747	+ 16,672
B.A. Central	33 12	1,810,000	+ 193,000	47,708,000	+ 2,864,300
B.A. Gt. Southern	34 26	112,383	+ 11,973	2,959,557	+ 76,590
B.A. Western	34 26	1,111,900	+ 14,300	4,045,100	+ 670,100
Central Argentine	34 26	3,382,000	+ 311,000	82,284,000	+ 425,000
Central Uruguay	33 19	208,801	+ 19,243	5,104,465	+ 124,050
Cordoba Central	30 Jan. 29	291,300	+ 290,000	25,643,000	+ 2,034,000
Leopoldina	8 Feb. 26	1,38,151	+ 17,990	1,590,757	+ 71,169
Mexican Railway	7 Feb. 21	1,877,800	+ 1,056,950	70,474,750	+ 168,058.0
Nitrate	34 22	116,489	+ 65,567	4,371,885	+ 859,246
United of Havana	34 26	418,627	+ 7,781	5,599,914	+ 268,150
		2,21,516	+ 1,893	596,243	+ 6,902
		401,000	+ 103,000	14,834,000	+ 2,062,000
		2,24,880	+ 6,390	920,260	+ 84,570
		1,188,800	+ 144,000	14,157,000	+ 521,000
		21,397	+ 4,003	160,744	+ 22,000
		8305,600	+ 32,100	2,226,600	+ 21,100
		47,657.9	+ 2,382	31,326	+ 1,535
		52,977	+ 3,968	735,721	+ 9,499

* Converted at average official rate 16-12 pesos to £. † Receipts in Argentine pesos. ‡ Portnight. § Converted at official rate. § Receipts in Uruguayan currency. ¶ Converted at "controlled free rate."

SUEZ CANAL RECEIPTS

Transit Receipts	7 Feb. 20	£ 274,400	— 72,000	£ 1,404,100	— 289,300
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‡ 10 days.

MONTHLY TRANSPORT & POWER RETURNS

Company	Months Ending	Receipts for Month		Aggregate Receipts	
		1938	+ or -	1938	+ or -
Brazilian Tract.	1 Jan. 31	Gross \$3,036,154	+ 116,172	...	...
Brit. Columbia Power.	7 Jan. 31	Net \$1,621,833	+ 48,837	...	...
Canadian National	1 Jan. 31	Gross \$1,346,766	+ 8,420	8,905,220	+ 170,326
Canadian Pacific	1 Jan. 31	Net \$424,121	+ 4,909	2,708,839	+ 49,994
Int. Rlys. Cent. Amer.	1 Jan. 31	Gross \$13,321,632	+ 721,720	...	...
Manchester Ship Canal.	1 Jan. 31	Net \$871,570	+ 159,975	...	...
		Gross \$10,315,000	+ 121,000	...	...
		Net \$537,000	+ 356,000	...	...
		Gross \$487,142	+ 26,797	...	...
		Net \$110,527	+ 17,047	...	...
		Gross \$99,200	+ 4,767	...	...

INDICES OF RETAIL SALES IN GREAT BRITAIN
(AVERAGE DAILY SALES IN 1933=100)

We give below annual indices of Retail Trade for the years 1932 to 1937 by districts on the basis of average daily sales in 1933=100. The returns on which the indices are based are compiled jointly by the Retail Distributors Association and the Bank of England, and are published monthly in the *Board of Trade Journal*.

	Food					Non-Food					Total—All Departments				
	Scotland	Provincial England and Wales	London Cent. & W. End	London Suburbs	Total Great Britain	Scotland	Provincial England and Wales	London Cent. & W. End	London Suburbs	Total Great Britain	Scotland	Provincial England and Wales	London Cent. & W. End	London Suburbs	Total Great Britain
1932	102	102	102	102	102	100	100	98	98	99	101	101	99	100	101
1933	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1934	103	103	101	105	103	103	104	103	104	103	103	103	102	104	103
1935	109	111	102	114	111	107	109	106	108	108	110	106	112	109	109
1936	117	120	104	124	120	111	114	111	114	113	114	110	120	117	117
1937*	125	131	105	136	131	117	122	113	120	119	122	126	112	130	125

* Provisional.

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-SECOND 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 26th February, 1938, at 11.30 a.m.

TO THE SHAREHOLDERS 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, 1937.

The net profits for the year, together with \$3,340,789.84, 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 \$18,773,006.68.

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 8th August last, viz., £400,000 at 1/2d = \$6,564,102.56, and remuneration to Directors, there remains for appropriation \$11,275,542.35, out of which the Directors recommend the payment of a final Dividend of £3 per Share, viz., £480,000, which, at 1/2d, the rate of the day, will absorb \$7,744,537.82.

The Balance \$3,383,004.53 to be carried to New Profit and Loss Account. The sterling equivalents of the Assets and Liabilities are shown at 1/2d, the rate ruling on the last day of the year.

DIRECTORS

Mr. T. E. PEARCE has been elected Chairman for the year 1938, and The Hon. Mr. J. J. PATRICKSON has been elected Deputy Chairman.

The Hon. Mr. M. T. JOHNSON, Mr. G. MISKIN and Mr. A. L. SHIELDS retire in rotation, but being eligible for re-election, offer themselves accordingly.

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.

HONGKONG, 8th February, 1938.

ABSTRACT OF ASSETS AND LIABILITIES

31st December, 1937

LIABILITIES	Sterling Equivalent		Dollars
Authorised Capital:—	£	s. d.	
400,000 Shares of \$125 each	\$50,000,000		
Issued and Paid-up Capital:—			
160,000 Shares of \$125 each	1,230,583	6 8	20,000,000.00
Reserve Liability of Shareholders:—			
\$125 per Share on 160,000 Shares issued	\$20,000,000		
Sterling Reserve	6,500,000	0 0	104,873,949.58
Hongkong Currency Reserve	619,791	13 4	10,000,000.00
Notes in Circulation:—			
Authorised Note Issue against Securities deposited with the Crown Agents for the Colonies	1,859,375	0 0	30,000,000.00
Excess Note Issue against Hongkong Government Certificates of Indebtedness	10,552,212	4 0	170,254,180.00
Current Accounts	43,401,717	17 2	700,263,010.83
Fixed Deposits	9,910,254	1 9	159,896,536.51
Bills Payable:—			
(Including Call Loans and Short Sight Drawings on London Office and Drafts on London Bankers)	1,332,613	14 9	21,500,994.84
Acceptances on Account of Constituents	211,262	18 7	3,408,611.98
Profit and Loss Account	751,654	19 5	12,127,542.35
Liability on Bills of Exchange re-discounted, £3,352,488 2s. 6d., of which £3,225,316 12s. 9d. have since run off.			
	£76,378,465	15 8	\$1,232,324,826.09

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Dividend Interest	Amount Available for Distribution	Appropriation				Balance Forward	Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.		Net Profit	Dividend
					Pref. Amount	Ordinary Amount	Rate				
Breweries											
Cannon Brewery.....	Dec. 31	213,231	312,035	525,266	138,000	70,000	10	100,000	217,266	309,369	10
Reid (W. B.) and Co.	Dec. 31	20,815	23,195	44,010	...	17,250	10	5,840	20,920	23,192	10
Taylor, Walker and Co.	Dec. 31	137,593	313,191	450,784	...	259,300	10	50,000	141,484	309,078	10
Electric Lighting & Power											
Midland Counties Electric	Dec. 31	11,648	332,389	344,037	111,919	180,000	8	37,125	14,993	303,284	8
Northampton Electric Light	Dec. 31	18,445	230,426	248,871	2,625	87,000	10	132,589	26,657	187,954	10
Financial Land, etc.											
Cordova Land Company ...	Dec. 31	26,560	35,282	61,842	...	20,166	2½	10,000	31,676	19,334	2
Nat. Mtge. & Agency (N.Z.)	Sept. 30	15,409	25,882	41,291	...	25,619	7½†	...	15,672	21,142	6½†
Patenting Royalties	Dec. 31	4,879	12,091	16,970	...	8,438	50	2,500	6,032	13,420	45
Gas											
Swansea Gas Light	Dec. 31	17,342	32,089	49,431	19,250	18,028	5	...	12,153	39,601	5
Hotels, Restaurants, etc.											
Prince of Wales (Southport)	Dec. 31	10,207	12,832	23,039	...	8,000	10	4,500	10,539	13,565	10
Iron, Coal and Steel											
Clark, Chapman & Co. ...	Dec. 31	13,207	90,838	104,045	4,890	45,656	10	33,609	19,890	66,812	8
Motor Cycle & Aviation											
Napier (D.) and Son	Sept. 30	88,051	65,047	153,098	22,500	...	...	31,064	99,534	Dr 23,834	Nil
"Romac" Motor Accessors.	Sept. 30	1,091	12,765	13,856	...	8,820	9	4,000	1,036	8,364	7½
Rubber											
Java Rubber Plantations ...	Dec. 31	1,996	9,135	11,131	...	6,297	9	2,500	2,334	5,060	5½
Shops and Stores											
Harrods, Limited	Jan. 31	191,725	817,802	1,009,527	300,000	409,811	18½	109,967	189,749	800,320	18½
Moore's Stores.....	Jan. 8	4,012	29,542	33,554	8,250	11,250	9	1,700	12,354	19,450	8
Robinson (Peter)	Jan. 31	19,572	61,109	80,681	36,250	20,000	4	3,300	21,131	81,838	2½
Whiteley (William).....	Jan. 31	79,277	83,717	162,994	22,500	48,717	(v)	12,500	79,277	98,820	(v)
Textiles											
Courtalds Limited	Dec. 31	212,749	2,373,892	2,586,641	300,000	1,890,000	10½	100,000	296,641	2,296,458	10½/7
Jackson and Steeple	Dec. 31	...	5,260	5,260	...	3,938	5	...	1,322	3,622	Nil
Morley (I. and R.)	Dec. 31	38,578	116,095	154,673	35,000	45,000	5	37,500	37,173	113,294	5
Wolsey, Limited	Dec. 31	32,476	78,263	110,739	50,625	...	...	26,000	34,114	72,417	Nil
Trusts											
American Trust	Jan. 31	16,150	45,670	61,820	18,000	16,800	7	10,000	17,020	39,803	6½
British and German	Dec. 31	54,037	39,266	93,303	37,500	...	...	...	55,803	37,045	Nil
Eng. and Scot. Investors ...	Jan. 31	10,119	32,574	42,693	17,156	11,437	5	...	14,100	27,525	4
Greenfriar Investment	Jan. 31	1,545	30,084	31,629	...	25,312	4½	...	6,317	24,420	4
Mercantile Inv. & Gen.	Jan. 31	157,080	245,398	402,478	65,807	158,120	12	60,000	118,551	239,930	11½
Second Scottish American	Feb. 1	11,734	m 46,535	58,269	8,373	28,161	20	10,000	11,735	48,431	20
Scottish Eastern Invest. ...	Jan. 31	19,194	40,059	59,253	16,059	15,490	6½	5,000	22,704	35,637	6
Scottish Northern Invest. ...	Feb. 5	21,898	52,133	74,031	14,702	28,828	12½	...	30,501	45,467	11
Waterworks											
Bristol Waterworks	Dec. 31	57,536	164,277	221,813	68,002	77,118	6½	20,000	56,693	162,608	6½
Other Companies											
Associated Dyers	Dec. 31	...	40,622	40,622	...	31,500	6½ and 6	1,450	7,672	17,263	Nil
Booth (James) and Co.	Dec. 31	37,514	100,903	138,417	8,400	60,000	20	35,000	35,017	89,947	15
City Safe Deposit	Dec. 31	5,131	4,912	10,043	1,300	1,875	7½	1,500	5,368	5,665	7½
Enfield Cable Works	Dec. 31	14,737	200,652	215,389	15,000	125,000	25	56,449	18,940	225,707	25
Gossard Limited	Nov. 30	133	25,669	25,802	6,683	9,375	10	8,121	1,623	13,109	10
Hall Telephone Accessories	Dec. 31	11,746	69,587	81,333	...	33,264	15	36,000	12,069	70,755	16(r)
H.P. Sauce	Dec. 31	74,640	209,212	283,852	13,650	146,569	30	47,500	76,133	207,203	30
International Lighting	Dec. 31	1,009	1,062	2,071	828	154	2	...	1,089	1,078	2
Lincoln Wagon, etc.	Feb. 1	16,643	27,395	44,038	3,375	16,650	16	5,000	19,013	33,276	16
Monsanto Chemicals	Dec. 31	197,764	132,802	330,566	16,569	100,000	33½†	Dr. 5,972	219,969	115,721	Nil
Olympia, Ltd.	Dec. 31	55,757	36,742	92,499	44,501	...	...	...	47,998	94,499	10
Temperance Billiard Halls	Dec. 31	16,439	13,140	29,579	...	8,437	5	5,000	16,142	11,268	3½
Variety Theatres Cons.	Dec. 31	11,193	19,327	30,520	12,009	...	...	6,997	11,514	20,060	Nil
Vyse, Sons and Co.	Nov. 30	4,102	13,759	17,861	7,250	3,625	2½	...	6,986	10,667	Nil
Waxed Papers	Dec. 31	10,948	32,748	43,696	11,610	12,838	17	3,000	16,248	25,728	10
Total Profits, 1938, in	No. of										
£000's :	Cos.										
To February 26	324	13,888	44,241	58,129	7,236	27,823	...	7,453	15,617	40,326	...
To March 5	370	15,854	50,938	66,792	8,675	31,917	...	8,462	17,739	44,645	...

† Free of Income Tax. (m) Eleven months. (r) Absorbed £27,977. (v) Represents interim dividend of 10 per cent. on ordinary stock, as before, and £3,717, against £5,086, proportion of profit due on management shares. The guarantors make up the dividend to the full 25 per cent.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS					Davis and Timmins	20†	30	...	17½	Rivet, Bolt and Nut	...	10	Mar. 23	7½
Bank of Australasia...	4½†	...	Apr. 1	8	Gannett (A. W.)	8½†	15	Mar. 29	15	Rylands and Sons	...	3	...	3
Bank of India	...	6	...	...	Harding, Tilton, etc.	27½†	37½	...	27½	Second Alliance Trust	9*	...	Mar. 15	9*
Bank of Nova Scotia...	3	...	Apr. 1	3	Imp. Tob. (Canada)	4½†	12½	...	11½	Stone (J. & F.)	5*	...	Mar. 18	6*
OTHER COMPANIES					Kent Electric Power	...	8	...	Nil	Swan Hunter, etc.	6†	9	...	7
Associated News (Def.)	3d ps*	...	...	4d ps*	Lancashire Steel	4½†	7	...	17½	Sweers and Wells	5½†	8	Apr. 29	8
Baird & Dainelington	12†	16	...	12½	Lewis's Investment	...	17½	...	17½	Switchgear & Cowans	...	(b)20	...	20
Booth (James) and Co.	9†	15	...	15	Leyland, etc., Rubber	2½*	5½	Mar. 17	5½	United Dairies	5*	...	Apr. 1	5*
Bournemouth Electric	...	...	...	...	Llanelli Electric	...	5½	...	5½	United Tobacco (Sth.)	...	...	...	3½*
Bradleys (Chap. Place)	5†	10	...	15	London and Haven Oil	5½†	10	...	(b)14	U.S. Investment	4†	6	...	5
Bristol Ropes	...	625	...	25	Mersey Power	...	8	Mar. 31	7½	Waste, Heat and Gas	5½†	8	...	8
British American Tob.	10d.*	...	...	10d.*	Metropolitan Electric	6†	12	...	12½	Woolcombers	16½†	21½†	...	26½†
British Home Stores	...	33½	...	(v)	Mid-Cheshire Electric	...	8	...	8					
British Tob. (Australia)	...	2*	...	2*	Newcastle Elec. Light	...	7	...	7					
British Xylonite	7½†	10	...	7½	North-Eastern Elec.	4½†	7	Mar. 31	7					
Brown Bayley's Steel	5½†	...	...	...	Projectile and Eng.	12½†	20	...	20					
Colvilles, Ltd.	5†	8	...	7	Ransome and Marles	6†	9†	Mar. 15	7½*					
Courage and Co.	14†	20	...	20	Richmond (Surrey) Elec.	9†	7	...	7					

(a) Free of South African normal income tax.
(b) Paid on a larger capital. † Free of income tax.
(c) Share bonus 50 per cent.

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between aircraft operation and construction; with the result that a country, rightly renowned for its pre-eminence in the manufacture of high-class aircraft engines, has been unable to furnish its foreign services, apart from the Imperial routes, with modern and efficient machines. On the Scandinavian services, improvised in 1935 and operated by British Airways, it was even found necessary to purchase and use foreign aircraft. "Far-reaching changes in organisation and outlook are required to co-ordinate policy, operation, construction and ground organisation."

The Committee suggest the appointment of an extra Parliamentary Under-Secretary of State to be solely concerned with civil aviation; the strengthening of the higher control of the Department of Civil Aviation to secure more vigour and foresight in future policy; the creation of a Permanent Under-Secretary of State for Air; and the appointment of a Director of Aeronautical Production. The Government has announced its intention to strengthen its permanent staff as suggested, but refuses to transfer responsibility for research and production from the present Service Members of the Air Council, because "the whole organisation is now working at high pressure on re-armament."

Indeed, as the Committee point out, most of the research undertaken by the Air Ministry has had, perhaps necessarily, a military bias. And, in so far as defects in the Air Ministry organisation have been the "primary cause" of the stagnation of British civil aviation, the over-riding calls made in recent years upon the Air Ministry—and upon British aircraft constructors—by the needs of national defence may in part have been responsible. Nor can this *apologia* be wholly denied validity. The plea cannot, however, be advanced on behalf of Imperial Airways, indicted in the Report as "intolerant in suggestion and unyielding in negotiation." The management have failed to co-operate fully with the Air Ministry, and their attitude in staff matters, which "has left much to be desired,"

Anglo-Italian Talks

IN Rome, this week, Mr Chamberlain's new venture in British foreign policy has been launched. The negotiations between Count Ciano and Lord Perth have started. What results do we wish for? And what are we likely to get?

What the British electorate would like is fairly clear. They would welcome an Anglo-Italian *détente*, but this only on a basis that would make the change both honourable and durable. They want to see Italy agree with this country in sincerely accepting a system of international law and order which would bring appeasement and thus open the way for an all-round disarmament. But they do not believe that justice can be founded on injustice; and the experiment of jerry-building on the sands is not one that they wish to see tried by a Prime Minister who is a newcomer to the tricky field of international relations.

Mr Chamberlain's own words, in the House of Commons last Monday, "our desire for peace does not involve a willingness to purchase peace to-day at the expense of peace hereafter; nor can we abrogate our moral obligations to our own people or to humanity in

to this British desire, to which Mr Chamberlain has paid lip-service, much relevance to the discussion of the League of Nations is actually taking place in the Italian capital. Does Signor Mussolini believe in Mr Chamberlain's profession of faith "in the possibility that the League of Nations may some day be the salvation of the world?" And in Mr Chamberlain's own mind is that "some day" scheduled to mature at any date this side of the Greek calendar? What, then, are the British and Italian nego-

has not been worthy of a subsidised public service.

The Committee recommend that Imperial Airways, whose safety in operation they do not call in doubt, should concern themselves primarily with Empire and ancillary "short-haul" services. The European services, whose first-class development is a matter of national importance, are recommended for the direction of British Airways, suitably reorganised in capital, management, equipment and personnel; while the London-Paris route should be worked by an amalgamation of the two companies. The benefits of these proposals have still to be proved. In addition, the management of Imperial Airways calls for immediate reform. There should be, on the one hand, a whole-time chairman; and, on the other, collective agreements with the working staff. And "it would be proper in the case of subsidised air transport for dividends to be restricted to the limits usually associated with public utility companies."

Parliament has been vindicated in its assertion of an age-old claim to impeach its executive officers for negligence in the performance of their public duties. Yet it was only by a series of fortunate coincidences that this most necessary function of a democratic and representative assembly was exercised in this case. Mr Perkins was well-informed, and his indignation about the flaws in British civil aviation was not to be set aside by smooth answers. Quite fortuitously, he secured time to state his views formally to the House. As a result an Augean stable has been disclosed for cleansing; and the Air Ministry's general efficiency will be debated next Wednesday. The episode provokes the conclusion that the regular run of Parliaments business should include time and, despite Government Whips, power to investigate departmental policy and practice far more fully than is possible under the present haphazard system of ineffective discussions on Estimates and adjournment motions. In matters of government, the price of efficiency, no less than of liberty, is eternal vigilance.

tiations' immediate objectives? We have no assurance that at Rome, this week, the British Government are not offering to sell to Signor Mussolini Abyssinia's title to independence—which is not, after all, a British asset for us to bargain with—in the hope of securing, behind a renovated Stresa front, a continuance of our possession of Tanganyika—which, the Germans say, is stolen goods.

If Signor Mussolini could really be relied on—in spite of past words and deeds—to stand up with us and our friends for the principles of self-determination and security for small nations, there would be a magnificent assurance of a peaceful Europe. But if it is to be a matter of bargaining territory or strategic positions—the old game of power politics—in order to build up a temporary coalition of interested parties against Germany's pretensions, Mr Chamberlain may wake up to find that a country which has been deliberately baulked of its generous impulse to fight for the Covenant and for the ideals that the Covenant embodies, will not respond to his call to fight for our share of the spoils of 1918. To the general public in this country, which has the sure instinct of simple minds, peace in Europe means peace, first and foremost, with Germany; and it certainly does not mean organising a coalition against her. Can we imagine a British public which squirms at the thought of being compelled to recognise Italy's sovereignty over Abyssinia, ever being induced by His Majesty's Government to go to war with Germany—in order to make Africa safe for British Imperialism by helping Italy to retain the South Tyrol? Can we imagine the City consenting to give Italy a financial accommodation which would in effect be a subsidy paid

in advance for mercenary military service? Can we imagine that a money payment would be more than a fraction of Signor Mussolini's price for entering into so formidable an engagement? And—most pertinent, and most rhetorical question of all—can we imagine Signor Mussolini being able, when it came to the point, to induce his own people to stand up on the Brenner and take the brunt of a Germany marching to liberate the Southern Tyrolese and break a fresh attempt at "encirclement"?

The more closely we examine the elements of such a bargain, the more chimerical does the project appear. Yet if this particular bargain is really not practical politics, there is little left on which to deal. If the Anglo-German deadlock over the colonial question continues, we may expect to see Italy procrastinating between the two parties as she did in 1914-15. For in present circumstances a war either with Germany on the Continent or with Great Britain and France in the Mediterranean would almost certainly condemn Italy to swift and shattering ruin. But she might still hope to gain a rich reward by blackmailing both parties while she "kept them guessing."

With this prospect in view, it seems unlikely that the present Anglo-Italian negotiations can lead to anything more substantial than the shadow of a naval agreement. The Admiralty will hardly be willing to limit effectively their power of bringing a decisively superior strength into action against a Mussolinian Italy if the need were to arise. Perhaps they might be ready to agree that the peace-time establishment of the British Mediterranean Fleet should not be greater than the total Italian Navy. But what would this profit Signor Mussolini if, immediately upon the declaration of war, our Mediterranean fleet could be reinforced *ad libitum*? But perhaps the Italian dictator relies on being able to make this impossible by gaining at any rate a vicarious command over the Straits of Gibraltar. Such command might be his if the possession of both the European and the African shore were to remain permanently in the hands of a Spanish Government which was Italy's vassal. And this consideration raises the question whether Mr Chamberlain is insisting that an Anglo-Italian settlement shall include a genuine and complete cessation of all foreign intervention of every kind in Spain. This point seems elementary; yet it is being rumoured that the Spanish question may be excluded from the agenda of the Rome conversations in order to be dealt with "on parallel lines" in the Non-Intervention Committee.

But even if Signor Mussolini entertains the hope that control of the Straits of Gibraltar is going to fall into his hands with the acquiescence of His Majesty's Government, can he renounce other Mediterranean ambitions that are unquestionably unattainable by Italy with Great Britain's assent? For a *Realpolitiker*, what will be the value of a British verbal recognition of Italy's sovereignty over Abyssinia so long as Great Britain has it in her power to insulate Italian East Africa from Italy at any moment? In order to feel himself really secure in the possession of Ethiopia, must not Signor Mussolini obtain at least a fifty per cent. share in the naval, military and air command of the Suez Canal and the Straits of Bab-el-Mandeb? And, even then, could he feel completely secure without eliminating the Anglo-Egyptian corridor that at present intervenes between the south-east corner of an Italian Libya and the north-west corner of an Italian Eritrea? Apart from this question of confirming his hold upon what he already possesses, can Signor Mussolini permanently renounce his dream of a neo-Roman Empire round the shores of the Mediterranean? Can he mortify his appetite for Tunisia: a French protectorate which is the missing strategic link between Sicily and Libya, and which already has to-day a larger Italian than French element in its population? The Duce's empire in the Danube Basin is melting like snow on the Styrian Alps. A Mediterranean empire is his only possible consolation prize.

Such demands or, at all events, the more ambitious of them, cannot finally be met by a simple negative. But, on the other hand, they can only be permanently solved in a genuinely peaceful atmosphere and on the assumption of a common attitude towards the whole colonial problem. That attitude must involve a liberal regime, acceptance by colonial powers of the principle of trusteeship and the abandonment of the use of colonies as strategic points of rival military systems.

Unhappily, the day when these conditions can be realised is not yet in sight and, so long as the contrary assumptions of power politics must be made, Signor Mussolini could only hope to gain his Mediterranean ambitions in a head-on Italo-German collision with Great Britain and France.

What, then, is likely to come out of the present Anglo-Italian conversations? *Parturient montes*—and we shall be thankful if the mouse that is about to be born proves to be nothing worse than ridiculous.

The Budget Outlook

WITH all the Estimates for the coming year in his possession and less than three weeks to go to the end of the financial year, the apprehensive taxpayer can get his first glimpse of the Budget prospect. With expenditure mounting at an appalling rate there is clearly no hope of tax remission. Will it be possible to avoid further additions to the burdens we already carry?

The weekly returns of revenue and expenditure continue to present a buoyant aspect. This is particularly true of the Income Tax, which was expected to produce £31.0 millions more this year than last. In the nine months to December 31st, £13.1 millions of this gain had already been realised. In the 64 days to March 5th, the intake was £19.8 millions more than in the corresponding period of last year, which was one day shorter. The Income Tax can thus be said to be £1.9 millions ahead of schedule and it requires a collection in the remaining four weeks no greater than last year's for the estimate to be exceeded. Estate Duties, Customs and Excise and Motor Vehicle Duties are similarly ahead of schedule by £0.9 millions, £1.0 millions and £0.6 millions. Surtax, on the other hand,

though £2.4 millions larger than last year, is not going to realise the expected increase of £4.5 millions, and Stamps are badly down. The total revenue from taxes had to show an increase on last year of £20.6 millions in the last quarter to realise the estimate. With four weeks out of thirteen still to go, £4.0 millions of this increase is still outstanding. Non-tax revenue, on the other hand, has been coming in much better than was expected, with the result that the revenue as a whole already shows an increase larger than was estimated for the full year.

On the expenditure side, the cost of the debt has been rather higher, but this will be automatically offset by smaller allocations to Sinking Fund. The position in the Supply Services is peculiar. They were expected to cost £32.7 millions more over the whole year and had actually cost £54.7 millions more by December 31st. But since the New Year, the expenditure (excluding sums borrowed) has been £31.1 millions below last year, so that the total to date shows a much smaller increase than was budgeted for. Summarising the whole position, we can say that, if revenue and expenditure in the remaining four weeks

exactly reproduce those of last year, there will be a surplus (again omitting borrowings for defence) of £12.8 millions, of which £9.1 millions will come from the expenditure side and £3.7 millions from revenue. But there may well be surprises to come before March 31st.

So much for this year. What of next year? The estimates amount to £253,250,000 for the defence forces and £442,691,000 for the civil services and revenue departments, other than the Post Office—a total of almost £696 millions. Supplementary Estimates will have to be allowed for in addition. The Navy Estimates include nothing for the 1938 programme of construction. Last year, it was estimated that about £4.8 millions would be spent in 1937-38 on the 1937 programme. This year's programme is rather smaller and may be delayed by congestion in the shipyards. Some civil Supplementaries can also be foreseen already. As a guess, £8 millions may be allowed for both categories, raising the total to £704 millions. The Consolidated Fund, the bulk of which is debt charges, can be presumed to require the same amount as last year, namely £235½ millions. This makes the total of expenditure to be met out of revenue roundly £940 millions.

This is the measure of the task that faces the Chancellor of the Exchequer. What will be his resources? The Budget estimate for the current year's revenue was £863.1 millions. As has been demonstrated above, the present indications are that this figure will be exceeded. The revenue is already nearly £4 millions ahead of programme and there may be further gains to come. Let us provisionally estimate this year's revenue at £868 millions. The National Defence Contribution has only produced £580,000 this year, but it is estimated to bring in £25 millions next year, and the fact that this year's estimate has not been realised is no justification for writing down next year's expectation. Here, then, is a gross gain of £24 millions or a net gain, after deducting the consequential reduction on income tax, of £18 millions. Moreover, the changes in the income tax made in the last Budget will fortify the revenue next year by an estimated amount of £2,850,000 more than in the current year. There are thus "automatic" increases of, say, £21 millions, which raise the revenue to £889 millions.

We have not yet, however, allowed for the natural buoyancy of the revenue. The table at the head of the next column shows, for the main taxes and for the total, what have been the changes in yield each of the last four years, as compared with its predecessor, after making all allowances for changes in rates of taxation.

The two largest contributing items to the annual increase are the income tax and Customs and Excise. The yield of the latter duties has been running, since the New Year, rather below last year, and though the comparison may not be so unfavourable later in the year, it would be rash to

INCREASES IN REVENUE, 1934-1938
(Adjusted for Changes in Taxation)
(£ millions)

	Adjusted change in Revenue, in comparison with previous year, in			
	1934-35	1935-36	1936-37	1937-38*
Income Tax	+ 8.1	+17.2	+11.6	+14.7
Suratx	- 1.4	- 0.2	+ 2.6	+ 4.4
Estate Duties.....	- 3.9	+ 6.5	+ 0.1	+ 1.0
Stamps	+ 2.3	+ 1.7	+ 3.3	- 0.1
Customs and Excise	+ 5.5	+14.7	+14.2	+12.0
Motor Vehicle Duties	+ 2.6	+ 1.6	+ 2.0	+ 1.3
Total Tax Revenue	+13.6	+40.4	+33.5	+33.1

* Budget Estimates.

assume any increase. On the other hand, the income tax, which is collected in arrear, ought to show a further substantial rise. *The Economist* figures of company profits are still rising, and for most variable individual incomes the current year, on which tax will be payable next year, will have been the best of the recovery cycle. Surtax, with its two years' lag, should also be higher next year. Death duties, however, so far as they are at all calculable, are more likely to be down, and stamps will certainly show a decline. On the whole, it is difficult to foresee a "natural" increase in the revenue of more than £20 millions.

This brings the total of revenue to, say, £910 millions, leaving a gap of £30 millions. Are there any further means other than additional taxation, for bridging the gap? None that can be foreseen with any confidence. But it is worth noticing that the non-tax item of Miscellaneous Receipts was put this year at the very low figure of £11 millions. In the four preceding years it was £24.6 millions, £21.7 millions, £15.1 millions and £22.1 millions—in reverse chronological order. Admittedly the Road Fund is no longer there to raid, but it is not impossible that there are other hen-roosts which the Chancellor of the Exchequer can rob. But though there may be £10 millions, or conceivably £15 millions, available from this source, there can hardly be £30 millions.

The outlook is, then, for increases in taxation sufficient to bring in at least £15 millions and possibly £30 millions, unless the Chancellor of the Exchequer on Budget Day can find some source of revenue within the framework of the present taxes whose existence is not known to the lay commentator. But, barring such a miracle, the taxpayer had better start searching his pockets. Even £30 millions is not a crushing burden, and there is no question that it can be found. But the finding will not be an agreeable process.

The Bastion of Europe

GERMANY'S ambition to expand towards the south-east has been re-stated in recent weeks in terms that prohibit misunderstanding. The Berchtesgaden interview with the Austrian Chancellor and its sequel were intended to bring the incorporation of Austria in the Reich one step nearer. Herr Hitler's speech to the Reichstag on February 20th seemed to make it clear that the next step was to bring Czechoslovakia similarly within the German orbit. True, the name of Czechoslovakia was not mentioned; but the ten million Germans over whom the Fuehrer asserted protectorship, all too clearly included the Sudeten Germans of Bohemia. More than ever, Bohemia, the bastion of Europe, as Bismarck called it, becomes one of the danger-points of the Continent. If political and cultural autonomy for the German minority were the full content of Herr Hitler's ambition, Czechoslovakia should attract his anger

far less than other countries, for the Germans in Czechoslovakia enjoy the full political and cultural rights of citizens in a democracy, which is far more than can be said about the German minorities in Poland or Italy, which are Germany's best friends. The grievances of the Sudeten Germans may be genuine. But they are also being made stalking-horses for wider aims. The Third Reich would like to see Czechoslovakia, or at least its formerly Austrian—as distinct from Hungarian—territories, brought under German domination. Without in any way prejudicing the question whether Germany's desire to have Bohemia and Moravia within her sphere of influence will lead her some day to take by force what she wants, it is instructive to inquire what Germany, and the German war machine, would gain thereby.

The republic as a whole has a population of 15,000,000,

of whom about 11,000,000 live in Bohemia, Silesia and Moravia, the provinces in which Germany is most interested. The German-speaking minority numbers about 3,500,000, and as their nationalism runs high, they would be excellent recruits for the German armed forces. The Reichswehr would thus receive an immediate accretion of 5 per cent. in man-power, even without counting the Czechs. At the same time, the strategical task of the German army would be reduced. The distance from Opawa in Silesia near the Czech-German frontier to the Danube near Bratislava, is just over a hundred miles. If Austria, Bohemia and Moravia were incorporated in the Reich, this would become the new south-eastern frontier of Germany, instead of the present Czech-German frontier of about 950 miles. Moreover, the present frontier is within 120 miles of Berlin, 65 miles of Leipzig and Nuremberg, 25 miles of Dresden and Chemnitz; the safety of all these centres of population and manufacture would be greatly increased if the Czech thorn in the German strategic flesh could be removed.

The agriculture of Czechoslovakia would be of considerable assistance to Germany. In 1932-36 the average production of the country was 1.6 million tons of wheat, 1.75 million tons of rye, 1.2 million tons of barley, 1.3 million tons of oats, 9.1 million tons of potatoes, 240,000 tons of maize and 543,000 tons of beet sugar. In barley and oats usually, and in rye sometimes, the country produces a surplus for export, and as Germany frequently has to import these cereals, the Czech production would be very valuable. Czechoslovakia also has a huge reserve of timber, one-third of her territory being covered with forests. In 1929-30 the yearly production was as high as 23,800,000 cubic yards, of which more than half was exported. Timber is one of the raw materials Germany badly needs.

More important than the agriculture of Czechoslovakia, however, is its industry. Bohemia, Moravia and Silesia are one of the most highly industrialised parts of the Continent, over 40 per cent. of the population being occupied in industry and mining. The output of coal in 1936 amounted to 12,233,181 tons and that of lignite to 15,948,767 tons. After allowing for the high heating capacity of Czechoslovak lignite, the total output of the country is something of the order of 16 per cent. of the German. In 1936 the Czechoslovak output of pig iron and steel was 1,140,000 tons and 1,560,000 tons respectively, or roughly 8 per cent. of the German capacity. Czechoslovakia does not, however, produce her own iron ore, the highest output having been 1,800,000 tons in 1928, and in this respect the metallurgical industry of Bohemia would be in the same delicate situation as that of Germany in the event of war. The engineering industry of Bohemia is world-famous, especially in the manufacture of armaments. The Skoda works at Plzen (Pilsen) employed 40,000 workers in the 1920s, and there are other armament factories at Brno and Bratislava. The eight automobile factories of the country have a capacity of 40,000 cars a year. As for chemicals, the Aussig works near the German frontier are the largest on the Continent outside Germany. The great re-armament of Czechoslovakia in recent years has undoubtedly expanded the capacity of the country to manufacture munitions, whoever are its masters.

Czechoslovakia is thus, beyond question, an economic prize. When the Habsburg Empire fell to pieces, only one-fifth of its area and one-fourth of its inhabitants fell to the

new Czechoslovak Republic. But 85 per cent. of the coal and lignite production of the Empire, two-thirds of the iron and steel industry, 60 per cent. of the engineering industry, 75 per cent. of the textile industry and over 93 per cent. of the sugar production were in the territories out of which Czechoslovakia was constituted. A Germany which commanded the Czech lands would therefore have much the largest part of the old Austro-Hungarian military machine, without its diffuse territories. The military striking power of the Reich would be increased by very much more than the comparatively small size of the territory would indicate.

There would be no greater mistake, however, than to think of Czechoslovakia as merely a second Austria, ready to fall into Herr Hitler's hand whenever the international political situation permits. There are three important differences between Austria and Czechoslovakia. First, the majority of the population of Czechoslovakia are not merely not German, but determined not to have reimposed upon them the German yoke they endured for 300 years. Secondly, Austria is almost powerless to defend herself by force; Czechoslovakia is strong. Thirdly, Austria has many friends but no allies; Czechoslovakia has close alliances with the two powers which, except for Germany, are militarily the strongest in Europe.

The Czechoslovak Government has frequently expressed its willingness to open discussions with Berlin. But it will not consider any grant of autonomy to the German-speaking regions such as would infringe upon the sovereignty of the Republic or upon its defensive powers. Nor will it accept Nazi participation in the Government. If Berlin wants more than Prague will concede, she will have to take it by force. And taking it by force would be by no means an easy task

for any general. The Czech Army consists of 181,000 effectives, with well over a million trained reserves available. It is fully trained and splendidly equipped. The Czech armament factories are among the best in the world, especially in the manufacture of automatic weapons, and they are being systematically removed into the interior. Forewarned by the anti-Czech propaganda of the German Press, the fortification of the German frontier was undertaken in 1935 and is now nearing completion. The defender's task is assisted by geography, as the frontier is mountainous and largely unsuitable for mechanised attack. In view of the size and efficiency of the Czech Army, the strength of the fortifications, the enormous preponderance that the attacker needs in modern warfare and the great length of other frontiers that the German Army would have to watch in the event of hostilities, the odds are by no means as overwhelming as they might appear at first sight. Militarily, Czechoslovakia resembles a hedgehog which might defy the attack of a nation far stronger than itself for a considerable time.

These are the facts that lay behind the remarkable warning publicly issued last month by General Krejci, the chief of the Czechoslovak General Staff. When he declared that his army was ready and determined to beat off any sudden attack, he was speaking no more than the simple truth. The military strength of Czechoslovakia is one of the guarantees of European peace, for, were it any reason to believe that a sudden onslaught would succeed, the temptation to attempt it might prove irresistible. As it is, Czechoslovakia can be attacked only at the cost of a major war. Bohemia is thus still the bastion of Europe—a bastion resolutely manned, which will not be surrendered.



Topics of the Week

Mr Chamberlain's Foreign Policy.—The Labour Party's amendment to the Government's motion in the House of Commons on Monday deliberately widened the scope of the debate. The House was invited to discuss not merely the armaments which we are so rapidly accumulating but also the political purposes to which they are to be put. On this political question Mr Chamberlain took the offensive in his opening speech. But we cannot say that his vigour has thrown much light on the vital question of what his foreign policy really is. We now know that he does not like authoritarian ideologies and that he thinks that the people of this country would fight—he would do so himself—in defence of democracy, meaning liberty. But in getting into fighting trim, where exactly does Mr Chamberlain draw the line on which he proposes to turn and bite? Neither liberty nor democracy is, after all, a British monopoly. There are some small nations in Europe which also possess these treasures. But "what small country in Europe to-day, if it be threatened by a larger one, can safely rely on the League alone to protect it against invasion?" And "why should we mislead them by giving them an assurance of security when such security can only be a delusion?" So it is not for the liberty of small countries that Mr Chamberlain's England is going to fight in the year x as Sir Edward Grey's England fought in 1914. But all hope of the preservation of the small countries' liberties is not quite extinguished; for "a small nation may have powerful friends who will act as its guardians and protectors and so preserve the peace." Perhaps Belgium may count on being protected by Great Britain out of friendship, though it would stick in our throat to assist her in fulfilment of the Covenant? But, wistful Belgians, do not set your hopes too high; for in an earlier passage Mr Chamberlain has already warned you that "co-operation in the defence of any allies we might have in case of war" is "our fourth and last objective." Mr Chamberlain's own comment on this order of priority was that his programme, taken as a whole, gave "an impressive picture of the armed power and economic might of this country." The Prime Minister of the United Kingdom may think so, but the heads of other States may equally well think that this is cold comfort for Great Britain's prospective allies. In considering so narrowly the question whether we are going to be so kind as to come to the assistance of our neighbours, Mr Chamberlain seems to have lost sight of the equally pertinent question whether any of these neighbours are likely, on Mr Chamberlain's not very attractive terms, to burn their fingers for the sake of the British Empire. "Precarious Isolation" seems to be the goal towards which our Prime Minister is rapidly steering us.

The Defence Debate.—In spite of the terms of the Labour Party's amendment, which attempted to divert Monday's debate from re-armament to foreign policy, the bulk of the speeches were concerned with the progress made in building up the national defences. On this subject the House of Commons and the country is perennially in a position of seeking information about the uses that are being made of the vast sums of public money provided for the three Defence Forces. On Monday a little information was vouchsafed, but not very much. The main controversy of the debate concerned the progress made in expanding the Air Force—since, as Mr Churchill said, the Navy was making satisfactory progress and the British Army was not a decisive factor in European strategy. Hitherto it has been customary for the Government, as well as private members, to compare the sizes of Air Forces in terms of first-line strength. On Monday the Prime Minister rather significantly abandoned this comparison in favour of the much less precise one of "air power and air strength." Mr Winston Churchill interpreted the change as an admission

that we had not succeeded in building up to an equal first-line strength with Germany, and since Sir Thomas Inskip, in replying to the debate, did not dispute this interpretation, it must presumably be accepted as accurate. Air Force progress, in fact, is not entirely reassuring, and it is plain that for some time to come the air will require more attention than the other two fighting forces. But there is every evidence that the fourth front of home defence is still weaker. Very little was said about this in the debate by the Government spokesmen. The Prime Minister, it is true, emphasised that what wins a war is not armaments so much as staying power—a doctrine which is entirely borne out by history. But if that is so, the argument for reinforcing the staying power of the British people becomes all the stronger. Sir Thomas Inskip contributed a few titbits to the programme of home defence. The balloon barrage, for example, was almost ready; the coast defences were being strengthened; and there were other "resources of defence" which were too secret to be revealed to the House of Commons. But there is still an unwillingness in the Government to see the problem of home defence as a whole and to tackle it with an energy comparable to that which has gone into the programme of re-armament. This is the aspect of the whole matter which deserves the greatest emphasis in the coming months. Even without an extended programme of home defence, the expense of re-armament is mounting. The Prime Minister warned the house to expect "a substantial advance" upon the original figure of £1,500 millions, and he could not guarantee that next year would see the peak of expenditure. The outlook for this year's Budget, which is discussed in a leading article on page 543, is not particularly rosy. But the outlook for next year and the year after is black indeed.

A Plebiscite for Austria.—The pressure of the Nazis has forced Dr von Schuschnigg to take the bold step of holding a plebiscite of the Austrian people on Sunday. The agreement between the Government and the Nazis has not been kept by the latter. They have seized the opportunity offered to them of conducting political activity within the framework of the Patriotic Front, but they have refused to heed the ban on provocative demonstrations, the display of the swastika and the use of "Heil Hitler" as a greeting and slogan. Dr von Seyss-Inquart, Herr Hitler's nominee as Minister of the Interior, has in turn visited Graz and Linz, the Nazis' chief strongholds, but in each place he seems to have encouraged the Nazis rather than checked their ardour, which was his ostensible purpose. This was clearly an intolerable position for Dr von Schuschnigg. In a speech at Innsbruck on Wednesday evening which showed all his customary resolution and courage, he announced that the Austrian people would be invited to vote at a plebiscite, to be taken on Sunday, "for a free and German, independent and social, Christian and united Austria, for peace and work, for the equality of all those who affirm themselves for the people and Fatherland." The result of the vote will be awaited with anxiety throughout Europe. Dr von Schuschnigg's own following can be relied upon to vote Yes. So, apparently, can the Socialists, with whom the Chancellor has effected a partial reconciliation in the last few days. But what of the Nazis? The Government of the Reich has no ground for complaint. It has frequently pressed, unofficially, for a plebiscite, and Herr Hitler has formally recognised the freedom and independence of Austria. Moreover, Dr von Schuschnigg's own text invites Austria to declare herself German. The rules laid the dice in favour of the Government and, by laying down that all voters must be over 24, disfranchise many of the Nazis. If they voted No, they would run the risk of appearing a tiny minority. If they voted Yes, they would contribute to the size of a majority that must

strengthen Dr von Schuschnigg's hands. They are, it appears, to abstain and complain that the conditions of the plebiscite do not come up to the standards of fairness that Nazis demand for countries where they are not in control. There is also the ugly possibility that the Nazis may attempt to hamper the vote by fomenting disorder.

Czechoslovakia Stands Firm.—The very definite reaffirmation of the foreign policy of France in the Chamber debate a fortnight ago has now been followed by an equally clear and authoritative enunciation of the foreign policy of Czechoslovakia. A statement made on Friday of last week by the Czechoslovak Prime Minister, Dr Hodza, at a joint meeting of the Chamber and the Senate at Prague has been confirmed in an interview given next day by the President of the Republic, Dr Benes, to a representative of *The Sunday Times*. Dr Hodza's statement was rather on the negative side, and Dr Benes' rather on the positive; but there was no discrepancy between the two pronouncements; and the two together strike a concordant note of clarity and courage which is rarely to be heard in the jungle which we have allowed to rankle over the field of international affairs. Dr Hodza began by emphasising the vitality of the pacts that link Czechoslovakia with Yugoslavia, Roumania, France and the Soviet Union, and the recent general improvement in the relations between the Danubian countries. He then took up the reference, in Herr Hitler's last speech, to the ten million Germans outside the frontiers of the Reich, with a glance at Field-Marshal Goering's subsequent observations on the mission of the German Air Force. He contested Herr Hitler's claim that the protection of these *Auslandsdeutsche* was a legitimate interest and function of the Reich. If applied to the Germans in Czechoslovakia, this would mean an interference by Germany in Czechoslovakia's internal affairs, which would not be tolerated in any circumstances by the Czechoslovak Government and people. They would defend, with all their might, all the attributes of Czechoslovakia's independence. Dr Hodza expressed a desire to eliminate the psychological hindrances to an understanding between the two countries, but declared that a fruitful collaboration was only possible on a basis of non-intervention and equality. Czechoslovakia was not afraid.

Dr Benes likewise laid it down that the problem of minorities was for Czechoslovakia an internal issue which could never be a subject of direct official discussion or negotiation with a foreign Power. To admit the contrary would be to admit the right of a foreign country to interfere in Czechoslovakia's internal affairs, and the process, once begun, would never stop. The Czechs were prepared to defend their democratic ideals and their territorial integrity by force if necessary. Having thus underlined Dr Hodza's negatives, Dr Benes added some positive points, which were so many bridges thrown across the gulf. Czechoslovakia would continue to fulfil her minority treaties; she recognised the moral right of Europe to take an interest in minorities in Czechoslovakia, as a matter touching European peace; she was prepared to furnish her friends, and in particular Great Britain and France, with any information on the minorities question that they might desire; she was prepared to make her contribution to a general European settlement; and she would welcome a rapprochement between the Great Powers—e.g. between Great Britain and Italy. Dr Benes, incidentally, gave some striking figures of the educational advantages enjoyed by the Germans in Czechoslovakia by comparison not only with the Czechs but with the Germans in Prussia; and he also went into the question of the German quota of officials and the reasons why it is at present still only up to about 60 per cent. of the proportionate figure. Czechoslovakia is thus both standing firm and justifying her stand. As is argued in a leading article on page 544 of this week's *Economist*, she will not be an easy nut for the Third Reich to crack.

Another French Crisis.—Once more a French Cabinet has fallen because it could not obtain from Parliament the special powers of which it stood in need to maintain financial equilibrium. The chief differences from the usual formula for these affairs appear to be that the financial difficulties are not immediately pressing and that M. Chautemps welcomed, rather than fought against, the departure of his Government, which had been in office for only seven weeks. The occasion of the crisis was the impending need for a Defence Loan. To ensure the success of the loan, M. Chautemps wished to reassure the investor that the "pause" in social legislation would continue and that fiscal economies would be attempted. For this he needed special powers, but his allies, the Socialists and Communists, refused to grant them, so he resigned without waiting for a vote of the Chamber. Behind these immediate circumstances, however, is the growing feeling in France that the time has come for a Government on a much broader base than any that have been formed since the 1936 elections. As we go to press, M. Blum is trying, as he did seven weeks ago, to form a Government reaching from the Communists to M. Paul Reynaud. That some such combination should prove successful, and give France a period of firm government, must be the wish of all France's friends. But it remains to be seen whether the desirability of such a concentration is sufficiently outstanding to overcome the tenacious jealousies of the political groups.

The Debate on Palestine.—In the debate on Palestine in Committee of Supply in the House of Commons last Tuesday, Mr Ormsby Gore was assailed by critics of all parties on grounds which were not all compatible with each other. He was criticised both for having rushed the House into an acceptance in principle of the Peel Commission's proposals and also for the nine months' delay in sending out the Technical Commission which is to report upon the practicability, in detail, of the partition plan and its corollaries. The charge of dilatoriness seems to have been more widely supported than its opposite, and it was pointed by the figure of the cost of the troops that have to be retained—and also constantly brought into action—in Palestine pending a settlement. The debate, which at one passage became heated, did not bring out the reasons for the delay in following up the report of a Royal Commission which had argued, so eloquently and so forcefully, that dilatoriness could and would aggravate the situation in Palestine without being able in any way to ameliorate it. Mr Ormsby Gore announced that the Government "stood exactly where they stood in the debate last July." They still believed in partition; they still were determined to see the policy of partition through; they were committed to the principle underlying the Peel Report, but they were not committed to the details. It is greatly to be hoped that they will now push rapidly ahead with what is, after all, the subsidiary

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task of making the technical investigations that are necessary for taking action upon a policy that has long since been decided. Nothing but harm can come of prolonging, one day longer than is absolutely necessary, an interim period which is exacting a steady toll of bloodshed, is working economic havoc, and is accentuating on both sides a bitterness which must be appeased if any plan whatsoever is to work.

Parliamentary Proceedings.—Last week closed in the House of Commons with the discussion of two important social questions. On March 3rd a protest was voiced against the possibility that the Housing (Financial Provisions) Bill might work in favour of the erection of flats to the detriment of house-building. In spite of the London County Council's policy, the average Englishman, given reasonable freedom of choice, is a house-dweller by inclination. The rejection on March 4th of a private member's bill to enable local authorities to engage widely in trading activities followed precedent. Up to a point, the measure might have been useful: local authorities would have been saved the considerable cost of securing special powers by private Act; and all parallel authorities would have secured general powers to do what, for odd and accidental reasons, only a few are now empowered to do. The home of the Chamberlains runs a municipal bank; and Bradford makes bricks. But to admit local authorities into the whole field now covered by private enterprise would be a serious step.

This week, after debating Defence and Palestine, the House returned on Wednesday to discuss the latest weapons of national defence and entertainment, foreign broadcasting and television. The House does not wish foreign distortions of the truth about Britain to stand unchallenged on the air; but many members are rightly afraid of entering into dishonourable controversy by methods less unimpeachable than those hitherto adopted by the British Broadcasting Corporation. Apart from the major debates, Thursday's announcements of increased pay for the Army and a new policy for the pig and bacon industry, and the Cabinet changes—which moved Lord Hailsham to the Lord Presidency of the Council and filled his seat on the Woolsack by the appointment of Lord Maugham—the highlights of the week were the Cadman Committee's vindication of Parliamentary criticism and the Prime Minister's assumption of responsibility for foreign affairs questions in the Commons. Though Mr Butler, Lord Halifax's Under-Secretary, gave valuable assistance to Mr Chamberlain in his onerous task, the words of Prince Ranjitsinji, in a different context, are not inapt: "That a captain should himself be a bowler is usually considered inadvisable. The idea is that he will bowl too much or too little. There is something in this."

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Collective Bargaining on the Roads.—Nearly 200,000 lorry-drivers may come out on strike in a fortnight's time. The Road and Rail Act of 1933 made the payment of fair wages a condition for the granting of goods licences; and a voluntary body representing employers' and workers' organisations was set up to determine wages and conditions. This National Joint Conciliation Board has never worked well. Its decisions have not been comprehensively put into effect by employers; and the transport unions would have preferred a statutory body with power to enforce fair wages and conditions, as, indeed, was recommended recently by the Government-appointed Baillie Committee. The present dispute began in October, 1937, when the unions asked for a 6s. increase in London daily wages and the regularisation of the 48-hour week. The claim was later extended to include all England and Wales. When the National Board met this week, one of the three groups of employers, the Associated Road Operators, refused to give an assurance that, if an agreement were negotiated, as the result of a joint committee's deliberations, they would abide by it. Strike notices, to expire on March 26th, were the unions' retort; and the only guarantee that Parliament's intention in the 1933 Act will be implemented is for collective agreements to be made and enforced. Goods transport conditions on our dangerously congested roads are too often unsatisfactory. The proper solution would seem to be effective statutory control, according to the Baillie Committee's findings. Meanwhile, Mr Bevin's call for support from other unions, including the dockers and railwaymen, raises another issue. Whether such action would be legal under the Trades Disputes Act of 1927 is still uncertain.

A Spanish Naval Battle.—The chief incident in the Spanish civil war since the Battle of Teruel died down has been the torpedoing of the Insurgent cruiser "Balears" by a Republican destroyer in the Mediterranean on Sunday. It has hitherto been assumed that the Insurgents had the command of the sea on both coasts of Spain, and this assumption has largely rested upon their possession of superior strength in cruisers. In particular, General Franco has had at his disposal the "Balears" and the "Canarias," both of which are powerful modern vessels finished only shortly before the war broke out. Early on Sunday morning, however, this cruiser flotilla came into contact with a Republican fleet, consisting of two cruisers and a flotilla of destroyers. The destroyers attacked, and succeeded in torpedoing the "Balears." British destroyers played a gallant part in rescuing some of the crew, although the sinking ship was being bombed by Republican aircraft. This incident may turn out to have had quite an influence on the outcome of the war. For even if it has not seriously affected the balance of naval power it will have made the Insurgent ships much more cautious in their patrol of the Government coast, and, as a result, the grant of belligerent rights to General Franco may not result, as everyone has tended to assume, in an effective blockade of the Government. General Franco never allows a reverse to go by without an effort to retrieve his position, and his defeat in the naval battle has been followed by the launching of a big offensive on the Aragon front south of Saragossa, the results of which are not yet apparent. Meanwhile the Non-Intervention Committee is meeting with continued difficulties. The chief bones of contention at the moment appear to be the exact number of volunteers to be withdrawn in the preliminary stage. The Germans and Italians are pressing for a figure of 10,000 to be withdrawn from the side which is proved to have the smallest number of volunteers, and a proportionate number from the other side. Russia, however, is holding out for double that number. A demand is also being made by Italy that the control of the land frontier between France and Spain should be strengthened—a demand which is, of course, resisted by France so long as there are no proposals for parallel strengthening of the control at the ports. As always,

these technical points are merely being used as stalking-horses for the political designs of the participants, and if an agreement can be reached between the great Powers the difficulties of the Non-Intervention Committee will disappear like magic.

The Moscow Trials.—As the news comes from the court at Moscow day by day, one fantastic enormity out-herods another as though Stalin had an infinity of sensations up his sleeve. Krestinsky's "Not Guilty" plea of one day has been corrected to "Guilty" the day after in a friendly colloquy in court with Krestinsky's fellow-prisoner Rakovsky. Next Rosengolz takes up his parable to recount the details of a Red Army plot for seizing the Kremlin and carrying out a *coup d'état* last May Day. Then comes an Usbeg comrade, Khojaev, to tell the story of his dealings with British agents with an eye to detaching from the Soviet Union the Socialist Soviet Republic of Usbegistan (next door to Afghanistan, on the upper waters of the Oxus and Jaxartes) and turning it into a British protectorate. Rakovsky's contribution was to divulge that, while he was Soviet Ambassador in London, he had been bullied by John Bull into joining the staff of the British Secret Intelligence Service—a predicament which ceased to embarrass him when Trotsky one day whispered in his ear that he, too, was a British Secret Service agent. Bukharin, like a hero, put up a fight in court to demonstrate (what is no doubt the truth) that he was neither a spy nor a murderer but a convinced theoretical communist who was disinterestedly acting up to his principles. But he was gradually borne down by the brusqueness of the Judge, the brutality of the Public Prosecutor, and the growling hostility of the public. Next came Dr Levin, the official physician to the Kremlin, with his account of how, at Yagoda's instigation, he had slowly done to death—by ultra-modern methods of slow poisoning—the famous author Maxim Gorky and his son, and also Yagoda's own predecessor in the command of the OGPU, and Kuibyshev, the former head of the State Planning Commission. The doctor's evidence was confirmed by Yagoda himself. As we go to press there comes one touch of comic relief. Rosengolz admits to having allowed his wife to sew up in his trousers a charm (consisting of some pointed texts from the Psalms) wrapped round a piece of bread (which is presumed to be a communion wafer). What are we to make of it all? Why, for instance, has M. Stalin chosen precisely this moment to make his fantastic accusations against the British Government? We can only concur in Signor Mussolini's caustic comment that M. Stalin is proving himself the best Fascist of them all.

Mr Bennett's Resignation.—The retirement of Mr R. B. Bennett from the leadership of the Conservative Party in Canada has come at last. For the past two years his ill-health had made it inevitable, and had there been any obvious successor it would no doubt have occurred long ago. The same difficulty still remains, for during the period of his leadership his personality was supreme, and a wit once alleged that his Cabinet could meet in a telephone-booth. But the problem goes much deeper than a mere selection among candidates of roughly equal claims. There are forces at work in Canada which have hitherto been kept in the background by the strong personalities of Mr Bennett and Mr Mackenzie King, and by the long rule of the Liberal Party at Ottawa. These forces are to-day symbolised by the power of Mr Mitchell Hepburn in Ontario and of M. Duplessis in Quebec. It is highly significant that after a series of by-election disappointments the Conservatives recently increased their majority, to their own surprise, in Sir George Perley's old seat of Argenteuil, thanks to the assistance of M. Duplessis' Union Nationale Party. It is still more significant that the Conservative conference which accepted Mr Bennett's resignation agreed to recommend to the national convention of the party that its name be changed from

"Liberal-Conservative" to "National-Conservative." Clearly there is afoot a profound realignment in Canadian politics.

The Navy Estimates.—This year's Navy Estimates are deprived of what is normally their most interesting feature, the programme of new construction. The programme—whose main features are two capital ships, one aircraft-carrier, seven cruisers and three submarines—was announced in the Defence White Paper a few days before the Estimates appeared. But no details of the cost of these ships appears in the Estimates, presumably because the Japanese refusal to give assurances that she is keeping within treaty limits, and the consequential tripartite discussions between London, Washington and Paris, have delayed the preparation of plans. A Supplementary Estimate is to cover the cost in the present year of this new construction. Thus the full cost of the Navy is even greater than the gross total of the Estimate, which, at £123,707,000, is £18,642,000 more than last year's figure. Since £3,000,000 more is to be borrowed, the increased burden on the Budget is £15,642,000. The details are shown below:—

	1933	1934	1935	1936	1937 (estimates)	1938 (estimates)
Average number of effectives	89,863	94,351	94,259	99,886	112,000†	119,000†
Wages, etc., of officers and men	£12,514	£12,689	£13,140	£13,693	£14,181	£15,027
Victualling and clothing	3,182	3,147	3,435	3,575	3,978	4,421
Medical establishments, &c.	376	366	406	400	411	441
Fleet Air Arm	1,089	1,338	1,993	3,572	4,200	5,718
Educational and scientific services	650	650	665	702	794	880
Royal Naval Reserves	373	342	334	330	373	356
Shipbuilding, repairs, maintenance, etc.	18,449	20,929	25,784	35,179	32,125 (54,125)*	40,881 (62,881)*
Naval armaments	3,767	4,034	5,658	8,629	7,770 (12,770)*	10,392 (15,392)*
Works, buildings and miscellaneous	2,816	2,622	2,839	3,939	2,906 (5,906)*	4,092 (7,092)*
Admiralty Office	1,079	1,106	1,155	1,307	1,459	1,603
Non-effective services, civil superannuation, etc.	9,145	9,393	9,479	9,641	9,869	9,897
Total expenditure	53,444	56,616	64,888	80,976	78,065 (105,065)*	93,707 (123,707)*

* Including sums to be issued from the Consolidated Fund in accordance with the Defence Loans Act, 1937. † Maximum strength.

The biggest increases, as might be expected, are in shipbuilding and naval armaments, which are also the items to which the largest sums of borrowed money are to be applied. There is also a sizeable increase in the cost of the Fleet Air Arm, due partly to expansion and partly to the transfer of certain costs from the Air Ministry to the Navy.

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BRAZIL

A Symposium

Brazil has the largest area of any country in North or South America, with a population second only, among American countries, to that of the United States. The development of her commensurately vast resources, mainly by men of European stock, has owed much in the last hundred years to the extensive and continuous provision of capital by European—not least by British—investors. From time to time Brazil, making a virtue of necessity, has co-operated with her oversea creditors in debt-funding schemes. The events of last November, however—when the assumption of quasi-dictatorial powers by President Vargas coincided with an embargo on foreign debt payments which has not yet been removed—were unprecedented. Are they symptomatic of far-reaching changes in Brazil's political and economic development? Has she assimilated some of Europe's extreme contemporary ideologies? Are her rulers desirous of treading the road to self-sufficiency? If so, how far is their policy compatible with Brazil's economy as a "new" country? If not, how best can she reconcile her present situation with the reasonable claims of her bondholders? In the following pages, three eminent writers discuss, independently, the facts on which an answer to these questions must needs be based. Professor André Siegfried, a recent visitor, describes Brazil's topography, her people and her industries. Dr Arnold J. Toynbee sets out the main features in her political landscape. Finally, a special financial correspondent analyses her exchange position and states the case for an equitable settlement with her bondholders. Professor André Siegfried's article has been translated from the French by H. H. and Doris Hemming.

Brazil and Its People

(By André Siegfried)

THE outstanding impression brought back by a visitor to Brazil is that man's relationship to Nature (with a capital N) is entirely different from that in the temperate climate of Europe, which has been civilised and exploited for many centuries. When the Greek philosopher Protagoras said that man was the measure of things, he expressed a thought which, though true of Europe, manifestly cannot be applied to the new world. Above all, it cannot be applied to South America, for there man is out of all proportion to his surroundings. Nature is far too vast for him.

Travelling from Pernambuco to Rio and Santos, I skirted the coast for 1,400 miles, but that was only a part, an insignificant part, of the Atlantic seaboard of Brazil. From Rio de Janeiro to Bel Horizon, the capital of the State of Minas Geraes, I penetrated some 200 miles inland, but hardly touched the fringe of Brazil's enormous mass. On this continent distances discourage any attempt at comparison. From North to South, or even from East to West, Brazil is 2,500 miles across. It is over three and a quarter million square miles in area. France could be put twice over into States such as Para or Amazon, and these are only two of the twenty-one States of which Brazil is composed.

In Brazil, Nature crushes man by her might. She is inhuman. We admire her in spite of our instinctive fear, but we feel no affection for her. We are awe-struck, astounded by the Bay of Rio, the wonder of the world, but we are never charmed by it. Those mountains of sombre granite, strange and gigantic in form, overhang the sea and pierce the sky with their daring peaks. We never cease to admire them, but—everyone makes the same confession—we do not love them as we love the familiar, harmonious scene of Europe. The dominating impression is the indifference, the inhumanity of Nature.

The climate of the tropics always succeeds in making the European feel an exile; for he misses the rhythm of the seasons. In the tropics there are only summer and winter, represented by a dry season followed by a wet season, without any period of transition. When the sun shines every day in an azure guaranteed in advance, we appreciate it less; we lose all sense of time under a sky that does not change. Stronger still is the apprehension of Nature's dangerous strength that a European feels in the Brazilian forest. In Europe, in France especially, we cannot comprehend this. With us, a forest has become a feeble thing which

must be protected and would disappear were it not the object of the unremitting care of a corps of specialised civil servants. The exploitation of the soil is carried out at the expense of the forest. In America, and especially in South America, the forest has never been entirely conquered. At the slightest relaxation we see it take back what has been wrested from it. The constant moist heat of the climate generates a swarming, all-pervading life which is hostile to man. Thus, on the South American continent, the immense reserves of natural wealth give two contradictory impressions: first, a fully justified confidence that these riches are limitless and inexhaustible; and, secondly, a conviction that their exploitation, in spite of appearances, is difficult, and their conquest precarious.

Hence, in examining the economic condition of the country we must adopt a different mental approach to that which we should employ in the older lands of Europe. The French peasant collaborates with Nature and the seasons, and out of this collaboration is formed a complex unity made up of self-interest, sentiment, and an almost physical attraction. The products of Nature are achieved in proportion to the work expended, and the cultivator ends by loving his toil. In Brazil the soil, being almost virgin, demands less effort from the planter. Many crops, especially in the North, are to be had for the gathering. When the soil shows the first sign of exhaustion, the planter needs only to move a little farther on. In the *fazendas* we frequently find, alongside existing plantations, others which have been long since abandoned. Colonisation is carried on chiefly by this method, which leaves behind it a trail, not of conquered territory on which to base further progress, but of worked-out regions left to lie fallow.

The South American is sometimes the conqueror, sometimes the slave, but seldom the partner of Nature. His economic life resembles a succession of assaults. Some succeed brilliantly, others fail completely, and all eventually have to be renewed, either because the soil is temporarily exhausted or because the export markets are depressed and prices are not remunerative. This explains the violent commercial changes, characteristic of Brazil, in which catastrophic crises follow sensational booms. It explains also why one product after another has served as the fundamental basis of Brazil's prosperity. Sugar, gold, rubber, coffee have in turn filled this rôle. To-day, coffee is Brazil's leading

export; to-morrow it may be cotton, or even rubber again. But this sky-rocket development, with its alternate phases of splendid exaltation and blank despair, is the product of natural conditions which are part of the underlying personality of the continent.

THE BRAZILIAN PEOPLE

There is no Brazilian race, any more than there is a French race or a British race; but there is a Brazilian people, with a keen national sense. The formation of this people out of a medley of racial elements, and the maintenance of its political unity throughout the centuries, in spite of very powerful centrifugal forces, discloses many problems.

The population of Brazil in 1936 was estimated at 42,395,151. There were only four millions in 1800, but there were 14,334,000 in 1890 and 30,635,000 in 1920. Progress has been rapid, yet what do 42 million people amount to in a country larger than the United States? In the strip of territory along the coast the density of population varies from 27 to 112 inhabitants per square mile, but further inland the figure falls to 10, and in the centre there are not more than 2. The population, in fact, is concentrated in the States on the Atlantic seaboard between Pernambuco and Uruguay. The federal district of Rio and the States of Rio de Janeiro, Minas Geraes and São Paulo together hold 43 per cent. of the people, though they cover only 10 per cent. of the total area. And even in these States a short motor ride of twenty-five or thirty miles, away from the big cities, takes one across wide stretches of open country, magnificent but empty. Brazil is often compared with India, and not without reason; but Asia is saturated with teeming humanity, while the American continent remains sparsely settled and condemned to relative sterility.

The basis of the Brazilian people is the Portuguese stock. Their charm, which admirably adapts itself to the tropics, is incontestable. Towards the north of Brazil the Portuguese came into contact with the Indian. At Pernambuco one sees at once a strain of Indian blood in the general population, clearly shown by the formation of the skull, by coppery complexions, and especially by an indefinable bearing with a faint resemblance to the silent fluidity and defensive reserve of the Chinese. Further south, the presence of the negroes, who were imported from Africa in the past as slaves, is much more pronounced. At Bahia and Rio de Janeiro, where they are numerous, life is gay, easy-going and lazy. There is dancing and music, and the social scene is imbued with the characteristics which the negroes carry with them wherever they go. Unlike the Indians, they are successful in certain callings, though frequently, if they can earn enough to live on in two days, they will work no more during the week. The men on the quays at Rio, who recline against a wall and savour the pleasure of doing nothing, derive from it a voluptuous enjoyment which the westerner will never understand.

Though there are pure blacks and pure Indians in Brazil, the mixture of both with the whites predominates. The Portuguese have never felt any repugnance for half-breeds, and the barrier which separates the races of the United States, as if by a *cordon sanitaire*, does not exist in Brazil. Coloured people enjoy full social and political rights. Yet cases where a man of negro blood has risen high on the ladder are rare, for the black man contents himself naturally with more modest situations. In the army he is in the ranks, in the civil service he is the porter, in the home he is the servant. The darker he is the lower his position in the social scale. Nevertheless, intermingling has been carried far, and it still continues. One wonders whether the coloured elements will not be finally absorbed into the aggregate, giving it merely a slightly darker tinge. If so, Brazil will have solved peacefully and effectively the terrible problem which stretches like a dark curtain across the future of the United States. In this matter the Portuguese, in their easy-going way, will have hit upon a solution without even looking for it. The price paid—and thoughtful Brazilians do not ignore it—is the handicap imposed by this strain of colour, which carries with it not only a natural indolence but, in the religious domain, a weakness for superstition.

An influx of new immigration has recently come from Europe to modify Brazil's initial racial combination. From 1886 to 1935, some 4,010,913 immigrants entered Brazil. Of this total, Italians accounted for 1,373,722, Portuguese for 1,149,502, Spaniards for 558,087 and Germans and Austrians for 230,183—to which we must add Japanese, whose numbers by 1934 amounted to 173,500. Almost all the immigrants have gone towards the south. The centre of gravity of the country is tending to move away from the north towards the States south of Rio de Janeiro. And the country, thanks to this wave of immigration, is becoming whiter. But it is the Portuguese who always assimilate; the newcomer soon learns the language and becomes passionately Brazilian. Thus, a superficial impression may exaggerate the importance of centrifugal forces. Unity really does exist: in the language, which carries with it a tradition of culture; in the civilisation, which continues to be Portuguese in tint, and to be well adapted to these new climes; and in a vigorous patriotism which prides itself on the very size of the country ("bigger than the United States of America"), on its past, and on its future as a "young nation."

PRODUCTION AND EXCHANGE

A study of the economic structure of Brazil in relation to the outside world thus discloses certain problems both fundamental and general. Here, as we have seen, is an immense country whose resources have hardly been explored. For their exploitation, or even for the simple equipment of the new community with roads, houses and public utilities, considerable capital is required. But Brazil is not a capital-creating country. Such sums as her people accumulate during their periods of prosperity are insufficient to provide massive funds for works of importance. Consequently, Brazil is a young country, financed by countries which are economically more advanced. If we examine her balance of payments (before the partial suspension of interest payment on her foreign debt in

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TRAFFIC 1931-1936

YEAR	PASSENGERS	COFFEE	GOODS—Grand Total
	Number	Sacks 60 k.	Tons
1931	9,658,597	14,551,217	3,420,256
1932	9,036,357	11,001,700	3,290,096
1933	10,877,454	15,048,283	4,189,125
1934	12,101,724	11,231,417	4,276,448
1935	13,517,916	12,094,850	4,921,881
1936	14,015,900	11,181,983	5,549,169

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1934), we see that, in addition to the import of goods, the debit side of the account comprises the following items:—

	Million £
Interest on Government, State, and municipal bonds	22
Interest and dividends on foreign capital invested in Brazilian enterprises	12
External expenses of the Government and expenses of Brazilians residing abroad	3
Immigrants' remittances to Europe	2½
Total	39½

Brazil has no "invisible exports," such as the yield on capital invested abroad, or the remuneration for "services." Her foreign trade must therefore be not merely balanced, but favourable. I do not propose to enter here into any detailed discussion of the causes or consequences of Brazil's decision, last November, to suspend payments on her external debt. The case for the bondholder, in this regard, is argued by a financial expert on a later page. I may, however, be permitted to set out one or two general considerations which appear germane to the basic issue. Brazil's surplus of exports has always been insufficient to meet the full amount of her overseas payments. The balance has been furnished by a constant inflow of foreign capital; equilibrium has never really existed.

Now it does not follow that Brazil has not been enriched. Her country has been populated; her people have been equipped; her cities have been beautified, and her roads have been built. But her production of exportable goods has been insufficiently developed. Brazil, consequently, is rich in products, but not necessarily in products which the people of other countries will buy in competition with other tropical products—like coffee, sugar, rubber and even cotton—most of which are cultivated in the great colonial empires of Europe.

Brazil, in fact, has a twofold economy. The domestic market, influenced only indirectly from outside, progresses under shelter, while the external market, with its limited number of products, directly concerns only a fraction of the population in the great coastal cities, but is violently subject to international crises, with their manifold repercussions on currency, exchange and prices. And Brazil, like

many other "new" countries, has long been desirous of widening her domestic market by establishing and fostering her own manufacturing industries. The movement was initiated by her great statesman, Maua, in the latter half of the 19th century. Her industries were already fairly numerous on the eve of the Great War, and since 1914 their expansion has been rapid. The country is well endowed with raw materials: minerals, timber, hides, cotton, etc. Though coal of good quality is lacking, there is abundant water power. Labour is neither very plentiful nor very good; for the negro is lazy and the Indian unsuitable. But it is extraordinarily cheap, and wages range from 6 to 8 milreis a day—say 1s. 6d. to 2s. Since the revolution of 1930 a fairly strict set of labour laws has been in force. Though the output is mediocre, the advantage of the low wage level is obvious.

There is, however, another side of the picture to be considered. Machinery, or at least its more complicated types, must be imported. Brazil cannot hope seriously to compete with either Europe or America in the more difficult processes of production. And Brazilian industry is limited to a home market with a mediocre purchasing power. Except in a few large cities, the standard of living in Brazil is astonishingly modest, especially in the North. In her fine climate, one need wear little more than a pair of linen trousers, a shirt and a pair of sandals, or eat much more than dried fish, cassava meal, and bananas.

Nevertheless, various circumstances have favoured industrial development in recent years. World economic recovery has coincided with political insecurity in Europe. A certain amount of foreign capital has taken refuge in Brazil and has been invested in industrial undertakings. Its profits, instead of being sent abroad, have been reinvested within the country. The development of industries such as boots and shoes, hats, cement, oil, drugs, and chemicals, and cotton and silk textiles, has thus undoubtedly been facilitated. Europe's exports to Brazil, in future, may be destined to consist less of products like these, and more of machinery and machine parts, of highly finished goods and of articles difficult to manufacture.

The phase of capital loaned, in short, is being succeeded in Brazil by one of capital invested. The difference is fundamental. The lender always hopes eventually to repatriate his money, but invested capital is permanently assimilated into a country's wealth. Capital which crosses the seas seldom returns.



Brazil's Political Landscape

(By Arnold J. Toynbee)

THE politics as well as the economics of Brazil are a matter of profound interest to other peoples in both hemispheres. Here is the largest, and the nearest to the Old World, of all the countries of America; and while large tracts of Brazil are, as M. Siegfried points out, still virgin soil, the population of Brazil is already the second largest among the populations of American States; these forty millions and more are being reinforced by immigrants from Europe; and these immigrants are by no means drawn exclusively from the mother country. The Portuguese contingent is not more important than the Spanish, the Italian and the German; and these immigrants have been bringing in with them their own European ideologies. When we ask

ourselves whether the political insulation which the Americas have now enjoyed for more than a century is likely to break down, our eyes inevitably turn towards Brazil as the American country in which some answer to this question is likely to be given earliest. It is this element in Brazilian politics that lends special interest to them at this time in the world at large.

This tendency for Brazilian politics to be swept into the European current is, of course, very recent. Till lately, Brazil has moved on political lines of her own, which have been dictated to the people by the country itself. In a country so vast, so sparsely and unevenly populated, and so poorly equipped with communications, an effective political

unification has only recently become practical politics. For the most part the several States of the Brazilian Federation have lived their own lives and have pursued their own interests; and the political conflicts that have chequered Brazil's history have arisen between the middle States—which are relatively well developed, rich, populous and close to the federal capital at Rio—and the outlying States, which are always jealously on the watch to prevent the central States from dominating the Federal Government and thereby establishing a virtual hegemony over the rest of the Union. To translate this Brazilian political geography into comparable Australian terms, we may equate the State of São Paulo with New South Wales, Rio Grande do Sul with Victoria, Minas Geraes with Queensland, the outlying north-eastern States—Parahyba, Pernambuco and their neighbours—with Western Australia, and the Amazonas with the Northern Territory of the Commonwealth. The political upheavals in Brazil up to date can all be expressed to a large extent in these regional terms—though that may not be the whole explanation of any of them.

For instance, the revolution of 1930, which brought into power the present dictator, Dr Getulio Vargas, was in part a political reaction to the world economic crisis, which took the form of a coffee market crisis in Brazil; but it was also in part a revolt of Rio Grande do Sul, aided by Minas Geraes, against the ascendancy of São Paulo. The two aspects of the affair were, of course, inextricably interlaced, for São Paulo is the Brazilian coffee State *par excellence*; and São Paulo's long-established, but more and more hotly

resented, hegemony was made finally intolerable by a suspicion that the Paulista coffee planters, in their dire straits, might be tempted to take advantage of their control over the Federal Government in order to constrain the poorer States of the Union to pay their quota towards helping this richest State out of her sudden economic difficulties. Again, the civil war of 1932 can be explained as an unsuccessful attempt by the Paulistas to recover their liberties (as it seemed to them) or to reassert their hegemony (as it seemed to the beneficiaries of the revolution of 1930). Finally, the unsuccessful revolt of November, 1935, which was branded with the bad name of Communism by the victorious Vargas regime, might alternatively be described as an excessively importunate attempt on the part of a distant and neglected North-East to force its local grievances upon the attention of the authorities at Rio.

THE VARGAS GOVERNMENT

During the past eight years President Vargas has ridden these successive storms and has steadily increased his power. The terms granted by him to the defeated Paulistas in 1932 were remarkably lenient, and the Constitution of 1934 departed less widely than might have been expected from that of 1891, which had been modelled on the Constitution of the United States. In Brazil, as in other Latin-American countries, a Liberal-Democratic constitution of the nineteenth-century North American or West European type has in practice often masked an oligarchic kind of government

SOME BRAZILIAN STATISTICS

Area	3,298,870 square miles
Population: (Government estimate, December 31, 1936)	42,395,151
Railway mileage: (1937)	20,945 miles
Road mileage: (1937)	78,205 "
Notes in circulation:—	
End 1929	3,395 million milreis
End 1933	3,017 "
November, 1937	4,449 "
Commercial Bank Deposits:—	
End 1929	5,925 "
End 1933	6,484 "
June, 1937	8,974 "

PRINCIPAL EXPORTS

Commodity	Quantity (Thousand metric tons)			Value (Thousand milreis)		
	1929	1932	1936	1929	1932	1936
Raw cocoa	66	98	122	104,944	113,851	258,015
Raw coffee (thousand bags*)	14,281	11,935	14,186	2,740,073	1,823,948	2,231,473
Raw cotton	49	1	200	153,915	1,767	930,281
Fruit and nuts (edible)	—	—	—	37,476	69,737	149,637
Hides	52	33	53	119,291	50,676	144,527
Meat:—						
Frozen and chilled	79	46	60	111,343	61,046	77,373
Preserved	4	3	20	9,045	9,259	55,101
Seeds and nuts (oleaginous)	94	44	245	66,897	31,809	187,120
Skins	5	5	5	44,354	44,442	64,279
Yurba maté	86	81	67	106,359	80,988	64,074
Total†	—	—	—	3,860,482	2,536,765	4,895,435

* Of 60 kilos. † All exports.

PRINCIPAL IMPORTS

Commodity	Quantity (Thousand metric tons)			Value (Thousand milreis)		
	1929	1932	1936	1929	1932	1936
Chemicals, drugs, etc.	63	41	85	80,713	71,435	166,683
Coal, coke and patent fuel	2,325	1,189	1,431	146,059	78,877	167,254
Wheat	746	772	920	311,217	253,419	617,075
Iron and steel:—						
Crude	117	30	106	52,457	18,470	110,820
Manufactures	351	98	229	291,889	94,191	391,643
Machinery, apparatus, utensils, tools	100	21	59	531,715	195,244	730,764
Mineral oils:—						
Fuel oil	337	403	513	34,471	47,988	78,701
Gasoline	294	144	325	147,130	53,922	155,956
Kerosene	117	47	88	58,022	25,047	55,581
Motor cars (Number)	53,928	2,595	18,971	227,242	19,219	200,049
Total*	—	—	—	3,527,738	1,518,694	4,268,667

* All imports.

ESTIMATED AGRICULTURAL PRODUCTION, 1936

Products	Unit	Production
Pineapples	Thousands	82,230
Sugar	Thousand bags*	19,517
Alcohol	Thousand litres	56,777
Cotton (seed)	Thousand tons	784
Cotton (raw)	Thousand tons	336
Rice	Thousand bags*	18,985
Oats	Thousand kilos.	13,150
Bananas	Thousand bunches	71,745
Cocoa	Thousand bags*	2,111
Coffee	Thousand bags*	21,706
Rye	Thousand kilos.	15,200
Barley	Thousand kilos.	9,525
Coconuts	Thousands	149,370
Beans	Thousand bags*	12,369
Tobacco	Thousand kilos.	96,718
Oranges	Thousand boxes	32,694
Maize	Thousand bags*	90,665
Wheat	Thousand kilos.	142,904
Wine	Thousand litres	74,795

* Of 60 kilos. each.

NATIONAL BUDGET (In contos of reis)

	1936 Actual	1937 Estimates	1938 Estimates
Revenue from taxation	2,051,423	1,979,680	2,518,980
Patrimonial revenue	—	25,533	30,643
Industrial revenue	339,663	378,492	431,397
Sundry revenues	4,906	64,563	48,945
Total ordinary revenue	2,395,992	2,448,273	3,029,965
Extraordinary revenue	703,671	688,293	473,518
Revenue with special application	27,797	61,900	80,000
Total revenue	3,127,460	3,198,466	3,583,483
Total expenditure	3,226,001	3,587,443	3,836,467

by cliques which—however violently they may have contended with one another over personal questions—have been apt to be drawn, all alike, from a narrow circle which has not extended very far beyond the bounds of three interests: the landlords, the Army and the Church. Dr Vargas' assumption of dictatorial powers on November 10, 1937, might have been nothing more novel than a repetition of a *coup d'état* that has been common form in the Latin American political arena. There are signs, however, that this particular Latin American dictatorship may be approximating towards the post-war European pattern. The homage to corporativism may be nothing more serious than a concession to a passing political fashion; on the other hand, Dr Vargas' apparent inclination to base his claims to leadership on a warning against the alleged dangers of Communism can hardly have been suggested by any traditional feature, or present reality, in Brazilian political life.

Is there really a Communist danger in Brazil? And can Dr Vargas' present system of government properly be described as Fascist? The Spanish element in the European stream of immigration into Brazil brought with it, long ago, some tincture of Spanish revolutionary ideas; but it is only lately that Spain herself has begun to be drawn into the European social maelstrom. Till recently, the Hispanic Alter Orbis began, not at the shores of the South Atlantic, but at the line of the Pyrenees; and the Iberian Peninsula was as remote as Latin America from the contagion of European ideologies. This long-maintained insulation is past history in both Spain and Portugal to-day; and what has already happened in the mother countries of Latin America is evidently no longer impossible on the farther side of the ocean. Whether there is to-day anything in Brazil that deserves the name of Communism (except as a mere term of political abuse) is perhaps a matter for argument. But there are authentic Brazilian Fascists—they call themselves Integralistas—and though, for the moment,

these have been disbanded like all the other political parties, it is perhaps not inconceivable that Dr Vargas might one day try to enlist them in his cause—or, alternatively, supplant them by imitating them—as a way of putting his own power on a broader and firmer basis.

The situation is complicated by the fact that the native Brazilian Integralistas are not the only force of Fascists in the Brazilian field. The unassimilated majority of the German immigrants—who are concentrated in the centre and south and live to a large extent in compact settlements—have their own Nazi organisation, which is energetically fostered, and by the same token closely supervised, from Berlin. In having to contend with this double problem of a German as well as a native Fascist organisation in their country, the Brazilian Government is in the same awkward situation as the Hungarian. And while it is true that distance here tells in Brazil's favour, it is also true that Herr Hitler has a long arm. It might not be beyond his dream to turn the German minority in Brazil, and the native Brazilian Fascist party, into levers for prising Brazil out of her present Pan-American setting and working her—who knows?—into some new international grouping based on the Anti-Comintern "Triangle."

These possibilities were mooted at the moment when Dr Vargas made his *coup* last autumn. In all probability such conjectures were premature. Yet at this critical moment in the history of the world the pace of events is apt to outstrip expectation. The political insulation of the Americas is hardly likely to resist for ever the modern mechanical process of "annihilating distance." And if the democratic system of international relations were to collapse, then Pan-Americanism, as well as the League, might rapidly be encroached upon by new constellations of power. On these several accounts, the domestic political development, as well as the foreign policy, of Brazil seems likely to remain a matter of general interest as far as we can see into the future.

The Bondholders' Case

(By a Financial Correspondent)

THE history of Brazil's relations with her bondholders has been chequered. At the beginning of 1937, the external debt of Brazil (federal, state and municipal) was £158 millions in sterling, £73 millions in dollars, £17 millions in French francs and some £2 millions in florins and other currencies, giving a round total of £250 millions. In barely forty years the bondholders have accepted three voluntary abatements of their contractual claims—marked by the fundings of 1898, 1914 and 1931. In addition the Aranha scheme effected a unilateral scaling down of payments in February, 1934, and there has been a complete suspension of debt remittances since last November. Yet the fundings of 1898 and 1914 did not prevent large new borrowings in the years which followed, and even the Aranha scheme of 1934 did not prevent the flotation of a 4 per cent. stock in 1936 to fund commercial arrears. If the foreign lender is to be criticised for his dealings with Brazil, it must be for his liberality rather than for harsh insistence on his bond.

The default of November 10, 1937, certainly differed from its predecessors in several important ways. Before, Brazil could plead necessity and could claim, with at any rate some degree of justification, that the lenders themselves had been imprudent in allowing the debt to mount so high. In 1937, there could be no such extenuating plea. Only four years before, Brazil had decided, unilaterally and by her own decree, how much she could afford to pay her creditors, and had scaled down a contractual service of £22 millions to annual amounts which in 1937-38 rose barely to £9 millions. When the scheme was decided upon, the national revenues were running at the rate of between 2,000,000 and 2,500,000 contos a year, and exports at about £55 millions a year. By the end of 1937, Brazil was budgeting on 3,500,000

contos and exports were likely to total over £70 millions. To plead that the obligation fixed by Brazil herself in 1934 had become too burdensome for fulfilment in 1937-38 can scarcely carry conviction with Brazil's creditors. Indeed, the very method of announcing the default, as an incidental item in a broadcast *pronunciamento*, betokened internal politics as a motive, as well as external economics.

At the same time, it is only fair to admit that in the months before the default Brazil had unwittingly been building up an exchange problem of some difficulty. During 1936, there had been a gradual appreciation of the milreis, which had risen from an average free market rate of 89\$400 to the £ in December, 1935, to an average of 82\$700 in December, 1936. By 1937 traders had the impression that the appreciation would continue, and exporters began to dispose of their foreign exchange as quickly as they could, while importers arranged, wherever possible, to defer payment in order to maximise their exchange profit. This provided a new and artificial stimulus to the rise, which during the summer became out of hand and drove the rate below 75\$000. Imports, already too high in relation to exports, were stimulated still further, and commitments were entered into for the future. Consequently, by the end of last year, when the over-valuation of the milreis was being corrected, importers were not only required to pay for higher current purchases, but also to find exchange to meet the payments deferred earlier in the year. Not unnaturally, there was a shortage of foreign exchange, which for a time provoked almost a crisis.

The crisis, however, had not become apparent when the debt service was suspended, and cannot explain it. Apart from that passing difficulty, there is no room for doubt that Brazil, if she were willing, could before long resume the Aranha level of payments. The return of the

milreis to a more healthy level should have its normal effect in increasing exports and restraining imports. Since the (essentially sound) revision of coffee policy which was also decreed last November, Brazil has aimed at a competitive instead of at a supported price, and the value of the principal export has fallen. It is early yet to estimate how the coffee situation will develop, but there is no need to fear a disastrous contraction in the total export value. Competitive prices are already stimulating sales. It is true that a fall of, say, 30 per cent. in values is unlikely to produce the full 40 per cent. rise in sales which would be necessary to restore the 1937 turnover figure. Nevertheless, an export of some 15 million bags—i.e., the 1935 level, compared with 12.2 millions last year—does not now seem out of the question. If prices remain as at present, the total value would be some 12½ per cent. less than in 1937, giving a sales figure of about £27 millions. Similarly, an estimate of cotton exports, based on a rise of 10 per cent. in volume and on present prices, would give about £11 millions, making a total of £38 millions for the two chief exports. About £2½ millions can be added for cocoa and, say, £19 millions for other merchandise. Thus, a total figure for Brazil's exports of £59½ millions is reached.

FUTURE EXPORT SURPLUS

Such an estimate can, of course, be no more than a rough calculation. Accurate figures for Brazilian foreign trade are notoriously difficult to arrive at from the published returns; more especially in recent years, when the compulsory surrender of 35 per cent. of foreign exchange obtained from exports has led exporters to return their consignments at the lowest possible figure. So far as can be judged, however, the estimated export of £59½ millions would compare with about £55 millions in 1935, £64½ millions in 1936, and about £70 millions in 1937, when coffee prices stood high. The question of an export slump, therefore, does not arise.

The possibility of obtaining an adequate export surplus thus seems largely to turn on Brazil's willingness to restrain imports to a reasonable level. The task should not be over-difficult. As M. Siegfried points out, the industrialisation of Brazil has made considerable progress in the last four years, and the country is already capable of producing many types of goods which were formerly bought from abroad. Moreover, the Government is conducting a campaign to encourage the cultivation of wheat, and this should result, in due course, in a reduction in the amount (over £7 millions in 1936) spent on wheat imports. Taking these factors into consideration, it can hardly be questioned that, provided the Government plays its part in restraining tendencies to extravagant imports, the difficulty caused by the exchange shortage should prove purely temporary, and that the country's exports provide ample resources to cover debt remittances on the Aranha scale.

There remains the possibility, however, that the Government may contemplate at least a temporary increase of Brazilian imports for naval defence purposes. The keels of three destroyers were laid in the Brazilian naval dockyard last May, and expensive materials and machinery must necessarily be imported for the work. A new monitor is also on order and there is the possibility that nine more destroyers will be provided for, of which three would be built in Brazil and six abroad. As these plans do not exhaust the programme for replacement of obsolete warships, there is room for substantial abnormal imports, which would ordinarily be financed by special credits or long-term loans. Will the Government be tempted to meet the bill with funds normally belonging to bondholders?

In fact, Brazil need not make a rigid choice of destroyers or debt service. The present total service includes not only the Aranha payments of about £9 millions a year on the long-term Federal, State and Municipal loans, but also about £4 millions on the liquidation of British and American frozen commercial debts over four years from 1936. By 1940 those £4 millions will be released. If Brazil believes that destroyers are vitally necessary for her defence, she could earmark part of the £4 millions to pay for them two years hence, when they would be likely to be delivered.

A PROVISIONAL SETTLEMENT?

Continued refusal by Brazil to consult the bondholders' just interests will leave her open to the charge of preferring short-term advantage to sound policy. Once the default is established for even a relatively short time, the diversion of funds will create vested interests in them elsewhere, and restoration of Brazil's credit will become immeasurably more difficult. Mexico, doubtless, did not originally intend the complete default which has since condemned her to economic stagnation, despite even her princely natural endowment in oilfields. Yet Brazil is at this moment in danger of drifting on the same course. She is a country which, more than most, requires, and will continue to require, foreign financing for the development of her great natural resources. True, the country is still honouring its commercial engagements—but so, until recently, was Mexico. No Government can enjoy good commercial credit while it remains in default on its bonded debt. So long as non-payment continues, an extension of British Government guaranteed export credits is more than problematical. The direct and indirect ownership of the bonds is much too widely spread and powerfully represented for such a proposal to be made without fierce protest in Parliament and the Press. In short, there is no middle course for Brazil. Either she must put an early end to her default, or reconcile herself to future economic stagnation.

By her own past actions she has allowed temporary payment difficulties to arise. It is no help to bemoan the past, but, equally, it is in the interests neither of Brazil nor of her creditors that the position should be allowed to drift. The creditors have, at the very least, the right to be told what steps the debtor intends to take. The President has declared that Brazil will pay her external debts to the utmost of her capacity, but he has yet to announce what measures he proposes to ensure that that capacity is not allowed to dwindle through fruitless delays. The creditors are surely justified in expecting at least a resumption, within the next few months, of payments on the basis of the Aranha scheme for, say, a year, or until the coffee position becomes less obscure. If Brazil feels herself unable to achieve this result at once, a prompt disclosure of her position might be accompanied by an offer of temporary payments on the basis of her real capacity. Strained as is the patience of the bondholders in this country and in the U.S.A., they are for the most part reasonable men and women who claim only to be treated with reasonable consideration and good faith. It is greatly to be hoped that the President will not allow himself to be diverted by any short-sighted or self-interested advice, but will have the wisdom to use his newly-acquired access of authority to take prompt steps in restoring his country's credit.

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From Our Special Correspondents

United States

Low Level of Activity

NEW YORK, March 1. —The Federal Reserve Board's unadjusted index of industrial activity in January was unchanged compared with December. Adjusted for seasonal variations, the index showed a decline of three points.

BUSINESS INDICES

(1923-25 = 100: adjusted for seasonal fluctuations)

	Jan., 1937	Dec., 1937	Jan., 1938*
Industrial production, total.....	114	84	81
Manufactures	115	79	76
Minerals	110	114	108
Construction contracts, total	63	62	55
Residential	45	30	25
All other	77	88	80
Factory employment, total	98.8	89.0	84.4
Durable goods	92.4	84.4	77.6
Non-durable goods	105.4	94.0	91.8
Factory pay-rolls.....	90.7	80.9	71.1
Durable goods	96.6	77.0	63.2
Non-durable goods	96.0	85.8	81.1
Freight car loadings	80	67	65
Department store sales	93	89	90
Department store stocks	74	72	71

* Preliminary.

Using the uncorrected indices, we find that automobile production fell from 94 in December to 65 in January, but the output of steel ingots rose from 42 to 50, while plate glass production fell from 108 to 62. Textile activity showed an upward trend: cotton consumption rose from 81 to 86, and silk deliveries from 62 to 92. Several items involving consumption goods also rose: sheep slaughtering from 140 to 161, and cigarette production from 202 to 221; but sugar meltings dropped from 81 to 66.

Thus, the relative stability of the aggregate indices masks a good deal of movement in the component items; and in this respect January showed signs of improvement, since in December the sub-indices were almost all falling. It is probable that February will show a similar tendency. The index of mineral production shows very little decline either from the level of last summer, or from that of a year ago.

For some three consecutive months the unadjusted index of manufacturing activity has stood at about 75, a very low level; in the corresponding three months of last winter the figure was 115. The average for 1931 was 80; in 1932 it was 63; in 1933 75, and in 1934 78. Thus the current level of manufacture is at about the average for the four worst years

of the depression, and may be contrasted with the 1936 average of 105 or the 1937 figure of 109.

To descend from a summer index of 112 (the average for June, July and August last year) to a winter index of 75 is not recession: it is collapse, and betokens a sudden cessation of production, and within certain limits, of demand. Yet retail trade, as measured by department store sales, has shown no decline that could not be explained simply in terms of slightly lower prices; and there is no depression in agriculture.

Prospects of Recovery

Indeed, the rapidity and depth of the decline in manufacturing affords the only plausible argument for expecting a revival in the not far distant future. The dominant characteristic of the American economy in recent years has been its extreme instability. The following table shows the major fluctuations in the past five years:—

INDEX OF MANUFACTURES

(1923-5 = 100)

	Unadjusted	Adjusted
March, 1933	58	56
July, 1933	97	102
December, 1933	67	73
May, 1934	89	86
September, 1934	70	69
April, 1937	125	118
January, 1938	75	76

In five years, there have been three cycles of production of an amplitude of 20 per cent. or more. One might perhaps argue from this that a sharp rebound in the near future is quite likely, although actual evidence of such a recovery is still lacking.

The expectation of recovery is clearly shown by recent movements in security prices. Earnings in the last quarter of 1937 were, for the most part, far below those of the preceding quarter, and it seems doubtful whether the first quarter of 1938 will show any marked improvement. Relative to the earnings position, share prices are high, and reflect the conviction that the present depressed level of output and earnings will last for only a short time.

Surplus of Exports

The foreign trade figures for January showed a decline from December in both imports and exports, of which the decline in exports may be explained as seasonal:—

	Merchandise Exports	Merchandise Imports
	(\$000,000)	
January, 1937	223	240
October, 1937	333	224
November, 1937	315	223
December, 1937	320	209
January, 1938	289	171

The decline in imports is obviously cyclical, for it has been continuous and extensive since late in the winter of last year. The result of the fact that exports are higher and imports lower has been to convert an import surplus of \$18 millions in January, 1937, to an export surplus of \$119 millions in January, 1938.

These figures do not readily lend themselves to interpretation. At a time when our merchandise balance was becoming active on a large scale, gold imports have been greatly reduced, and the dollar has been rather weak. It has been rumoured that there was a heavy movement of foreign balances out of New York over this period; and the trade figures would suggest that these balances may have been drawn upon to pay for exports. The fall in imports after last March was one of the earliest statistical evidences of declining demand in this country; while the year's advance in exports, even with some allowance for the more than seasonal decline since the peak in October, 1937, is evidence of sustained demand abroad.

France

Financial and Labour Problems

PARIS, March 9. — Nearly 20,000 million francs will have to be borrowed for National Defence in 1938; and an improvement in foreign trade is needed to ensure the stability of the franc. Yet the Communists and the Socialists are bidding against each other in demands for increased expenditure; and when the franc stands at 156 to £1, depressed by the material and psychological effects of a large surplus of imports and the Budget deficit, they are clamouring for old-age pensions.

M. Chautemps has asked for plenary monetary powers, which would probably involve the postponement of all new social expenditure, including old-age pensions, and modifications of the 40-hour week for the benefit of armament industries. The Socialists are not willing to support this claim. [The consequent political crisis is discussed in a Topic of the Week on page 547.]

The first of the six bills which constitute the new Labour Code has been finally voted by Parliament. When a labour dispute occurs, it is to be brought before an Arbitration Committee, then, if necessary, before two arbiters, and, in the last resort, before a super-arbiter nominated by the arbiters or by officials. Wages may be adjusted if the index of the cost of living has risen by 5 per cent. in six months, and if the index shows a 10 per cent. rise an immediate revision can be ordered.

The bills have been widely modified by both Chambers; and the proposal for a sliding scale and the suggestion that the books of the employers should be open for inspection to trade union delegates to decide whether or not it is financially impossible to raise wages have been turned down. At the moment, fresh troubles abroad and the desire to avoid domestic crisis have convinced both parties that M. Chautemps' compromise must be accepted.

Nevertheless, a political crisis has occurred. And the new Labour Bill is not likely to put an end to social conflict, so long as the cost of living is rising at the same time as companies' profits are falling. In any case, the passage of the first part of the Labour Code has proved so difficult that the remaining five bills will for the moment be held over.

The Senate endorsed the setting-up of the "Caisse Autonome de la Défense Nationale," to issue defence loans and take charge of the funds thus borrowed for military expenditure, which will reach 20,000 million francs this year. Unhappily this sum does not represent all the money to be borrowed, which will amount to between 30,000 and 40,000 millions. The question now is to choose the best guarantees or fiscal exemptions to entice investors and the most attractive type of bonds. Persistent social and political uneasiness, and the fear of new difficulties in Central Europe, which has been—rightly or wrongly—increased in Paris by the new turn in British foreign policy, are causing anxiety in the markets. Indeed, these influences, with the renewed economic recession which is now perceptible here, are contributing to paralysis of the markets.

Foreign Trade Improves

The import surplus in February was higher than in January but lower than in February, 1937:—

	February, 1937	January, 1938	February, 1938
Imports:			
Foodstuffs	1,004	965	1,139
Raw materials	2,171	2,369	2,536
Manufactured goods	492	558	613
Totals	3,667	3,892	4,288
Exports:			
Foodstuffs	237	310	289
Raw materials	610	869	843
Manufactured goods	848	1,272	1,187
Totals	1,695	2,451	2,319
Deficit	1,972	1,441	1,969

Imports rose in value by 17 per cent. between February, 1937, and February, 1938, but fell in volume from 5,346,000 tons to 4,542,000 tons. Imports of coal fell from 2,775,000 to 2,048,000 tons because of an increase in production and lower consumption. Exports rose 37 per cent. in value; all categories increased, and exports of manufactured goods also increased in volume from 210,000 to 241,000 tons.

The import surplus in trade with foreign countries (excluding French colonies) was 1,435 million francs, against

1,580 millions in February, 1937, or about 950 million in francs of 1937, a figure much lower than a year ago. Exports are, however, only 54 per cent. of imports, a disequilibrium which remains disquieting, though the increase in imports was appreciably lower than the 20 per cent. rise in prices.

Germany

Foreign Debts

BERLIN, March 8. —The Leipzig Spring Fair, which is being well attended, promises to be a great success. It was opened with a fighting speech by Dr Funk, the new Minister of Economics, who dealt with domestic and foreign trade, currency, colonies and foreign debts. Together with complaints about the foreign debt, which Dr Funk went so far as to describe as "a question involving the fate of the whole German nation," the Minister gave—somewhat inconsistently—a glowing account of Germany as economically the most flourishing country in the world.

Dr Funk declared that "Germany's economy is absolutely sound and proof against crises," and that Germany has attained stability and is independent of the fluctuations of world markets. He praised with emphasis the mark currency, and declared that "so-called currency automatism on the basis of the old gold standard" will continue to be rejected by the authoritarian countries because it would make for "international dependence." A "reasonable clearing system," on the other hand, might well, he said, prove a satisfactory basis for an international currency agreement. This view differs from that of Dr Schacht, who recently spoke in favour of a general return to the gold standard. Dr Funk declared that Germany desires an increase in her foreign trade. He claimed that her domestic credit stands higher than that of foreign countries, and repeated the familiar assertion that a foreign loan is not wanted.

The Case for Colonies

According to Dr Funk, the return of the German colonies would result in a saving of foreign exchange amounting to Rm. 200 millions at first, and later of Rm. 500-600 millions. The colonies would not only deliver their own products, but would provide the conditions for new production in Germany. But "the colonial question is a political question . . . a question of national honour." The indebtedness to abroad the Minister also treated as a political question, which has, it seems, changed its character since the Reich re-armed.

With Germany's present position of might in the world it is intolerable that German State loans abroad should vegetate in conditions unworthy and derogatory to German prestige. . . . The State-guaranteed German foreign loans have to-day quotation levels and interest rates unworthy of National-Socialist Germany and damaging to her prestige.

"The foreigners who lent the money are exactly as much guilty as the politicians of the former system."

These remarks will be better understood if it is realised that the private debts to abroad are here habitually described as mere "commercialised reparations"; and, according to this interpretation, reparations are still being paid. Dr Funk's speech seems to foreshadow a new offensive on the debt question. In view of the lever for collection possessed by most creditor countries in the shape of the Reich's export surpluses to them, and the smallness of the debt service, which is now about Rm. 200 millions a year, conditions are not propitious for such an offensive.

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Regimentation of Labour

The regimentation of labour is becoming steadily more drastic. The Reich Board for Labour Exchanges and Unemployment Insurance has issued three new ordinances. The ordinance of August, 1934, which made the employment of persons aged under 25 conditional on the consent of local Labour Offices, exempted apprentices; from now on these also may not be taken on without permission. A second ordinance prescribes that all undertakings are in principle obliged to secure Labour Office permission before taking on any kind of employees, the aim being apparently to ensure a sufficient supply of labour for Four Year Plan undertakings. The third ordinance requires the registration at a Labour Office of all young persons (aged under 21) immediately after leaving elementary, intermediate or higher schools.

The number of youths of both sexes reaching their fourteenth year will fall, it is stated, from 1,100,000 in 1937 to 822,000 in 1947, after which it will increase again. A Press organ of the Ministry of Economics comments that young people

must increasingly take into account that they will be compelled to subordinate their private wishes in choosing careers to the economic and political exigencies represented by the Labour Offices.

Activity in Iron and Steel

The outlook for industry in the spring is favourable. Although the home supply of iron and steel has improved, new restrictive measures have been taken in regard to building. In December and January, Germany's output of ingot-steel was the highest in the world, exceeding that of the United States, which is normally very much larger. The agreement announced in Brussels for the regulation of American steel competition has been well received, in view of the German aversion to any defensive price-cutting by the International Cartel.

German exports of heavy iron and steel declined sharply in January, while imports increased. In 1937, out of 111,000 tons of semi-finished iron and steel products exported, some 54,000 tons went to Great Britain. Exports to Great Britain of machine tools for metal working rose to 14,500 tons, against 10,460 tons in 1936. Russia was the chief machine tool buyer, with 25,100 tons, against 21,600 tons in 1936. Although total exports of machinery rose considerably, the export of textile machines declined; sales to Great Britain fell by more than half.

The money market early this week was influenced by impending quarterly income-tax payments, and there was little demand for short-term investments. The Reichsbank's return for the end of February, with its enormous increase of credits and investments by Rm. 929 millions, or Rm. 278 millions more than in the same week of 1937, caused no little stir. The bills portfolio rose to Rm. 5,637 millions, against Rm. 4,777 millions in 1937.

A decision about the future presidency of the Reichsbank is expected by March 18th, when the annual meeting will take place. It is considered probable that Dr Schacht will be given a further term, not by re-election but through direct nomination by Herr Hitler. The belief is general that Dr Schacht will retire soon afterwards. The Party continues to regard the Reichsbank as reactionary, and certainly it has so far been outside direct Party influence.

Roumania

King Carol's New Cabinet

BUCHAREST, February 24. — The last two months were the most stormy period in Roumanian politics since the Great War. The general belief is that King Carol has at last found a Cabinet which will be able to lead the country and to restore confidence. Indeed, large sections of the population have become increasingly tired of party politics resulting in frequent changes of leaders, disorder in civil administration, and distress for the masses.

Accordingly, the first reaction was a widespread sigh of relief, especially in Jewish business circles, where the entire brunt of the unfortunate Goga experiment was borne. The new Cabinet is opposed on two sides: the Democrats, led by M. Iuliu Maniu, and the Iron Guard are both hostile. But while M. Maniu has been so far muzzled, M. Codreanu has felt it advisable to disband his party temporarily.

The first auguries are favourable to the new Government, but its further fate depends on its success in separating

civil administration from politics and uprooting corruption. These are tremendous tasks, since both politics and venality are ingrained into the body of civil servants; and what needs to be changed includes not only the system of administrative regulations, but the administrators themselves.

Business Improves

After the catastrophic slump during the short-lived Goga Cabinet the economic position distinctly improved. Stock exchange quotations rose by 10 per cent. or more. On the other hand, the "black" market for foreign exchange has become dull, and rates are declining uninterruptedly. Shortly before the resignation of Goga the sterling rate reached 1,350 lei to the £1, compared with the Roumanian National Bank's selling rate of 690; on February 23rd, for the first time for many weeks, the market rate fell below 1,000.

One large department store reports that its average turnover increased in February, compared with January, by 20 per cent. In banking circles, however, it is believed that business will recover only gradually. In January some factories had only 3 per cent. of their turnover in January, 1937; and even the sale of commodities needed by the masses of the people fell heavily: the turnover of the sugar industry in January was only half of the normal. In the iron and steel industry, new orders received in January by one outstanding group were only 28 per cent. of those booked in January, 1937, and in the copper industry they were only 25 per cent. In February the figures jumped to 60 per cent. in both cases and show distinct signs of further improvement.

There are also complaints that the collection of outstanding debts has become extremely difficult; and that retailers regularly offered to return to the factories the commodities still unsold instead of making cash payment. It has yet to be seen whether the consumers will begin to buy again in the near future. The banks—even the State-owned Deposit and Consignment Institution—have had to reimburse in some cases up to 10 per cent. of their total deposits, and the proceeds seem to have been sent abroad through the "black" exchange; accordingly, the return of deposits withdrawn during January last is going on with some hesitation.

Shortage of Material for Export

News about agriculture is good. Although figures are not yet available, it has been officially announced that the area under winter wheat is larger than in previous years. On the other hand, the exportable surplus seems to be much smaller than at the end of the winter in recent years: the surplus of wheat is estimated officially to be as low as 8,200 carloads, and the surplus of barley is practically nil. Exports of maize have been prohibited on account of the poor yield of the last crop, but it is believed that a small quantity—3,000 carloads—will be released for exportation in the near future.

Accordingly, the spring trade will be less active than in previous years, and this may affect the trade balance, all the more because the output of crude oil is much lower than it was in the corresponding months of last year (570,000 tons in January, compared with 653,000 tons in January, 1937). This will curtail the inflow of foreign exchange, which may well affect the forthcoming negotiations with foreign bondholders, announced for March.

The rising prices of Government bonds show that the public does not anticipate any default on the obligations of the Treasury; and the large export surplus realised in 1937 leaves plenty of margin for a temporary rebuff, without imperilling current payments abroad. Temporary difficulties in the spring will be easily tided over by the sale of cereals for future delivery, provided that the present promising crop prospects do not deteriorate.

Japan

Developing China's Resources

TOKYO, February 10. — Much attention is being paid to the planning of development and control of the currency in North China. The Government expects to complete the scheme for industrial exploitation in North China in time to present the necessary bills to the current session of the Diet.

The proposed company will have control over railways, communications, mining, electricity, and salt, but cotton cultivation, sheep breeding, and the heavy industries will be outside its jurisdiction. The company's capital will be fixed at 300 or 400 million yen, none of which is to be subscribed by the Chinese, but its subsidiaries will be mostly under joint

Sino-Japanese capitalisation. A similar central body will be set up for Central China.

For money and banking, the Finance Minister explained in the Diet the details of the projected China Federated Reserve Bank, which will be the central bank of issue for North China. The new institution will have a capital of 50 million yen, half of which is to be subscribed by the Provisional Government of the Chinese Republic and the remaining half jointly by the Bank of China, the Bank of Communications, the Central Bank of China, and the Hopei Provincial Bank. The Yokohama Specie Bank, the Industrial Bank of Japan, and the Bank of Chosen will raise among themselves 12.5 million yen and advance this sum to the Provisional Government.

The new bank will issue notes to an amount of 300 million yen against notes of the Bank of Chosen, in addition to silver and the supplanted notes of the Chinese banks. The bank also will act as an exchange bank, and exchange business will be conducted by the Bank of Chosen as proxy. The new currency will be eventually linked to the yen, but for the present no attempt will be made to do this.

Decline in Foreign Trade

The feature of the preliminary details of foreign trade in January was the sharp diminution in both imports and exports. Exports during the month were the lowest recorded for any month since February, 1934. Imports in January, valued at 192.5 million yen, fell by 111.4 million yen, or 36.7 per cent., compared with the corresponding month of last year, while exports, valued at 162.5 million yen, declined by 36.8 million yen, or 18.5 per cent.

The greatest decreases in the value of imports were in raw cotton (89.5 per cent.), raw wool (71.8 per cent.), and crude rubber (52.3 per cent.). There were increases only in the imports of wood pulp, ammonium sulphate, and oil-cake. The decline in exports was spread fairly evenly over the list with the exception of cotton yarn, timber and machinery. The value of cotton piece goods exported fell off by 5.6 million yen, or 14.8 per cent., and of raw silk by 4.9 million yen, or 18.3 per cent.

Quiet Home Markets

Home trade indices do not show any striking change in the trend compared with recent months. The Bank of Japan's index of wholesale prices in January registered a further rise of 1.7 per cent. during the month. On January 15th average retail prices of commodities, including food, fuel and light, clothing and miscellaneous, were 1.2 per cent. higher than a month ago.

New business has been limited in wholesale trade in consumption goods, but retail trade has, since the beginning of December, revived in certain lines. Trade in the New Year has not fallen off as some feared it might, and department store sales have recently been running well above the preceding year's level. This is to a considerable extent due to consumers' anxiety to make their purchases before the proposed sales tax on a large number of goods comes into force, and before the new textile goods compulsorily mixed with staple fibre are put on the market.

Hongkong

Commercial Improvement

HONGKONG, February 18. — The total visible trade of Hongkong in 1937, excluding treasure, was 35 per cent. greater in value than in 1936, and 70.5 per cent. greater than in 1935 (values in local currency). Imports in the last five months of the year were abnormal, owing to the amount of cargo destined for Shanghai which was landed here; and, added to this, there has been considerable traffic in war material, such as oil, motor lorries and aeroplanes, which has swollen the figures of both exports and imports.

Nevertheless, the returns for the first half of the year show that, even under normal conditions, 1937 would have shown a substantial improvement compared with previous years; and there has been an all-round expansion in the general trade of the colony. The following is a comparative table of imports and exports in the last three years:—

	IMPORTS		EXPORTS			
	1935	1936	1937	1935	1936	1937
Merchandise	364.9	452.3	617.0	271.0	350.8	467.3
Treasure	38.8	72.7	386.5	215.9	143.8	395.2
	403.7	525.0	1,003.5	486.9	494.6	862.5

Imports of merchandise from the United Kingdom rose from \$29 millions in 1936 to \$45.7 millions (7.6 per cent. of total imports) in 1937; and imports from the United States from \$32 millions to \$51.7 millions (8.4 per cent. of total imports). Japan's share of the import trade fell from 12.8 per cent. to 9.4 per cent., although the actual value of \$58 millions was practically the same as in 1936. Exports to the United Kingdom have risen during the past five years from \$4.5 millions in 1933 to \$20.8 millions in 1937, or 4.3 per cent. of the total exports. During the same period, exports to the United States have doubled, the total for 1937 being \$41 millions, or 8.8 per cent. of the total.

Calm and Confidence in Canton

Canton and the surrounding Provinces are still free from the invader and, despite the spirit of the people, is unbroken. A plot to bring about a *coup d'état* in Canton, which has cost the Japanese a considerable sum to amount to two million yen. Certain well-known 562 allowed it to appear that they were consenting parties, but at the same time passed on to the Canton Government information about the plot. The Government was therefore ready and, as soon as there were signs of trouble, martial law was proclaimed, and several hundred deluded agents of the Japanese were arrested.

Simultaneously, an attempt on the part of Japanese destroyers to enter the Canton River was stopped by the Bocca Tigris forts, and the river was closed by a boom. The latter has now been raised, and normal river traffic has been resumed. From time to time Japanese naval ratings have landed on various islands at the estuary of the river but apparently their purpose has been to collect food and water and not permanent occupation.

Air raids over Canton occur almost every day but the population takes them as a matter of course, and the damage done so far has been comparatively negligible. The amount of through traffic between Hankow and Kowloon via Canton continues to grow, and one realises now that, if hostilities had broken out twelve months previously, before the Canton Hankow line was completed, the Chinese Government would have been completely shut off from sea-borne supplies and the course of events would have been very different.

Satisfactory Company Reports

The company reports for 1937 which have so far been published have shown marked improvement on the previous year's returns, and increased dividends have been paid in some cases. Transport companies in particular have benefited from the big influx of refugees, and so, too, have property companies, whose empty tenements have filled up rapidly during the past six months.

Local shipping under the British flag has done well, and the dock companies have been kept very busy with repair work as well as with new construction, while the Hongkong and Kowloon Wharf Company is paying a dividend of \$8½ per share against \$4½ last year. A very large amount of local funds is, however, tied up in Manila Gold Shares which, for the greater part of 1937, fell steadily from their high boom value to pegged rates at a very low level. During the past few weeks there has been marked recovery.

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Letters to the Editor

Gas or Electricity

TO THE EDITOR OF THE ECONOMIST

SIR,—Your recent articles entitled "Gas or Electricity" give an extremely interesting comparison of these industries, but they leave unsettled a question I should like to raise.

Let me start with the premiss that most people would prefer to use electricity for cooking and water heating rather than gas, if the rates were lower. The reasons for this are obvious: sanitation, safety, utility, etc. The consumer's choice of gas is simply a matter of price. If the cost of electricity were to be based on cooking and water heating requirements alone, it would probably continue to be higher, but when we add lighting and miscellaneous appliances—for which electricity is absolutely required—is it not pertinent to inquire whether or not present rates for electricity properly allow for lower cost due to greater volume?

The effect of larger volume upon cost is much greater, I believe, than is generally realised. According to data published by the electricity industry, showing the cost per kilowatt hour for different amounts of annual use, the cost of electricity for lighting, miscellaneous appliances and refrigeration—a total of 1,100 kilowatt hours per year—would be at the rate of 3.2 cents per kilowatt hour, or \$35.20 per year. Similarly, the cost of electricity for cooking and water heating—a total of 6,100 kilowatt hours per year—would, if these were the only services rendered, be at the rate of 1.45 cents per kilowatt hour, or \$88.45 per year. The cost for the combined services, requiring a total of 7,200 kilowatt hours per year, would be at the rate of 1.4 cents per kilowatt hour, or \$100.80 per year.

The cost of cooking and water heating by gas may be estimated with the aid of figures given in one of your articles showing the relative efficiencies of gas and electricity for these services. Your figures indicate that gas is 16½ per cent.

more efficient for cooking and 12 per cent. more efficient for water heating. Reducing by these percentages the above estimate of \$88.45 for cost of electricity, we arrive at a figure of \$76.33 as the cost of cooking and water heating by gas. The combined theoretical cost of lighting, etc., by electricity, plus cooking and water heating by gas would thus amount to \$111.53 per year as compared with \$100.80 if all the services were rendered by electricity.

It would thus appear that there might be a basic saving of approximately 10 per cent. if the consumer's choice were electricity for all of the above services. If this is the fact, it would follow that as long as the consumer chooses electricity for lighting and miscellaneous services, it will be within the power of the electric industry to furnish the cooking and water heating services at a lower cost than is possible by gas.

I have not given consideration to space heating, because in the United States other fuels, oil and coal, are the consumer's choice. Furthermore, space heating might prove very undesirable to the gas and electric companies if widely employed, because its peak load is very great in comparison with the average and is of relatively short duration.

Very truly yours,

H. H. WILLIAMS.

68, William Street,
New York.

Ulster's Road Monopoly

TO THE EDITOR OF THE ECONOMIST

SIR,—In your two articles on "Ulster's Road Monopoly" you make no reference to the "user" or the general community, and how their interests are affected. We are a community of small thirty-acre farmers outside Belfast and Derry with peculiar transport requirements.

You give statistics showing how passenger fares have, in the main, been reduced, but you do not mention the number of local bus services suppressed as uneconomic. These services served the public and paid the local man, who ran them with his out-of-date and cheap bus, very well.

On the carriage of goods side you forget the total suppression of the local inter-farm and inter-village carrier trade which—again—the enterprising small mechanic had started with a cheap old 30-cwt. lorry, easy to take down country lanes and turn in awkward corners. This has all disappeared, as it is said to be illegal and uneconomic. No small individual can now "carry" for hire. No ambitious small crossroad shopowner can buy a £50 lorry and start doing odd farm jobs in his spare time for his neighbours. That is now illegal; it is uneconomic; and of course it would not pay to send an eight-tonner from a transport centre ten miles away to carry some manure from a neighbour's outlying farm to the home-stead. But it did pay the local man.

I think we must all agree after a year's experiment that, as far as the user is concerned, the only section of the community who have benefited are the long-distance passenger and large Belfast and Derry firms who run their own lorries and have supplanted the local carrier firms.

One other point that should be considered in comparison is the alternative system in the Irish Free State, where the railway companies have taken over all the passenger services and are both serving the public well and making it pay.

H. MONTGOMERY IRWIN.

Derrygore,
Enniskillen,
N. Ireland.

[In gladly printing this defence of the consumer, we would only point out that it is not correct to say that his point of view was neglected in our articles, though it was doubtless not so eloquently expounded as by Mr Montgomery Irwin.—ED., *Econ.*]

POINT FROM LETTERS

England and Eire.—The abolition of proportional representation in Northern Ireland reduced the Nationalist parliamentary representation from 12 to 11 members. This may be a pity, but "serious" is a too vivid description. The entrance to the civil service is by competitive examination without religious test.—*Albert E. Burns, Bangor, Co. Down.*

Books and Publications

Transatlantic Trade

THE considerable debt already owed by all serious students of the economic and political aspects of world affairs to the Information Department of the Royal Institute of International Affairs has been rendered still more heavy by their latest brief but exhaustive survey of Anglo-American trade.* When vital commercial talks between the Governments of Great Britain and the United States are nearing the point of decision, no business man or intelligent citizen can afford to ignore this statement of recent changes in British and American trade policy, the character and implications of the countries' mutual trade, and the balance of payments interchange of goods between the United States and the United parts of the British Empire.

60 years ago, the United Kingdom and the United States were the world's chief protagonists of free trade and protection, respectively. World depression, however, led to changes in their policies. A preferential tariff was introduced by the British Government in 1932, and, together with the Ottawa Agreements of the same year, produced an appreciable diversion of British trade to Empire countries. In the United States, the first experiment in tariff bargaining since 1911 was inaugurated with President Roosevelt's New Deal, and between 1934-37 sixteen trade agreements, covering nearly 50 per cent. of American trade, were concluded. The American tariff was in consequence considerably modified, though not seriously reduced; and the way was open for negotiations between the two most important trading nations in the world, representing 30 per cent. of world commerce or, with the British Empire, 40 per cent.

The United Kingdom is the United States' best customer; and the American market for British goods was only exceeded in 1936 by South Africa, India and Australia. The visible balance of trade between the two countries is heavily in favour of the United States; but one-third of the British import surplus is counterbalanced by invisible exports; and, since the British colonies have normally a large surplus of exports in trade with the United States in addition to receipts from American tourists, commercial relations between the United States and the British Empire as a whole are, within the limits of fairly wide annual fluctuations, very nearly balanced. In 1936, there was a net balance of \$416 millions to the debit of the United States.

British imports from the United States last year were little more than half their value in 1929, but in 1936 they still represented 11 per cent. of total British imports and nearly 18 per cent. of total American exports. Although there is no British export to the United States (except whisky) comparable in importance to the raw cotton, tobacco, machinery and mineral oils imported from that country, there are among the dutiable American imports from the United Kingdom more than sixty items of which the United Kingdom is the "principal supplier."

The scope for valuable tariff reductions, however, is not wide. Any large concessions to the Americans' desire for the modification of British duties and Imperial preferences on wheat, timber, hams, fruit, and other agricultural produce are impeded by the British Government's intention to retain its new policy of agricultural protection and by the dependence of Dominion producers on the British market. The modification of American duties on high quality cotton and woollen textiles from the United Kingdom, like the abatement of British duties on American automobiles and tools, cannot proceed very far without alienating powerful and important manufacturing interests in both countries.

The bilateral discussions in progress depend for their success upon the tri-partite re-adjustment of British, American and Imperial commerce. "It may be doubted whether the limitations imposed by the system of Imperial Preference will allow the United Kingdom to pay a suffi-

ciently high price for really important concessions." But "although it may also be doubted whether the direct economic benefits to other countries of an Anglo-American trade agreement would be far-reaching," any stimulation at all of trade between the two countries would be indirectly of benefit, not only to world commerce, but to political appeasement and co-operation among the nations.

Shorter Notices

"Literature and Society." By D. Daiches. Gollancz. 287 pages. 5s.

The attempt to relate literary and social developments is too seldom properly attempted, and has never been successfully achieved. Mr Daiches' book is a commendable excursion. He aims to show the vital connection between economic life and literary expression, but more often than not, except superficially, he fails, and actually produces little more than the usual summary and catalogue of books and authors.

"The International Distribution of Raw Materials." By H. Kranold. Routledge. 269 pages. 15s.

Contemporary discussion of the nations' access to raw materials, and the connection between this problem and the prospects of world peace, give this book, which sets out to consider the international distribution of raw materials objectively, a special interest. Most of the available factual material needed for a dispassionate judgment on the issues in current debate is clearly given; and Mr Kranold is probably weakest when he discusses the political aspects of the matter and reaches the conclusion that the problem is one of "education in international virtue."

Books Received

Germany's First Bid for Colonies, 1884-1885. By A. J. P. Taylor. (London) Macmillan and Co., Ltd. 103 pages. 7s. 6d. net.

The Central Problem of Indian Economy. By P. J. Thomas. (Madras) G. S. Press, Mount Road. 36 pages. No price stated.

The Chosen Instrument. By N. Macmillan. (London) John Lane. 168 pages. 5s. net.

Fairplay's Annual Summary of British Shipping Finance. Compiled by "Fairplay" Weekly Shipping Journal. (London) 51 Bishopsgate, E.C.2. 604 pages. 15s. net.

Promised Land. By C. Belfrage. (London) Gollancz. 349 pp. 8s. 6d. net.

I Search for Truth in Russia. Revised edition. By Sir Walter Citrine. (London) Routledge. 420 pages. 3s. 6d. net.

China and Japan. Information Department Papers, No. 21. (London) Royal Institute of International Affairs, St. James's Square, S.W.1. 130 pp. 2s. 6d. net.

International Sanctions. A Report by a Group of Members of the Royal Institute of International Affairs. (London) H. Milford. 247 pages. 12s. 6d.

When Labour Organizes. By R. Brooks. (London) H. Milford. 361 pages. 12s. 6d. net.

Foreign Exchange Restrictions, January 1938. (London) Swiss Bank Corp. 99 pages. No price stated.

Egyptian Cotton Year Book, 1936-37. Edited by G. Pilavachi. (Liverpool) Dudley Windel, 15 Tithebarn Street. 225 pages. 10s.

The Incorporated Accountants' Year Book, 1938. (London) Society of Incorporated Accountants. 1,280 pages. No price stated.

Balance Sheets Explained, Analysed and Classified. By H. Kaner. (London) Pitman. 188 pages. 7s. 6d. net.

Scottish Chartered Accountants. Official Directory, 1938. (Coupar Angus, Perthshire) William Culross and Son, Ltd. 554 pages. No price stated.

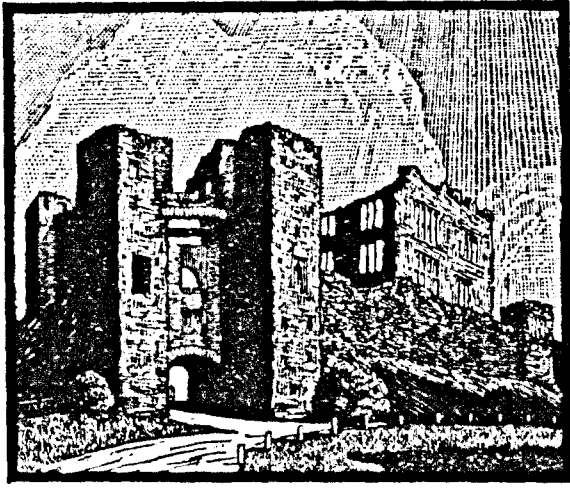
Depositenbanken und Spekulationsbanken. By A. Weber. (Munich) Duncker and Humblot. 402 pp. Rm. 14.

A History of the League of Nations. By J. I. Knudson. (Atlanta) Turner E. Smith and Co. 445 pp. No price stated.

The Securities Clerk in a Branch Bank. By F. J. Lewcock. (London) Pitman. 225 pages. 7s. 6d. net.

Peasantry and Crisis in France. By N. Hunter. (London) Gollancz. 287 pp. 7s. 6d. net.

* "Anglo-American Trade Relations." Royal Institute of International Affairs. Information Department Papers, No. 22. Chatham House, London, S.W.1. 48 pages. 1s.



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THE BUSINESS WORLD

Home Railway Prospects—III

New Railway Capital

OUR survey of British railway accounts last week revealed a striking contrast, in recent years, between falling revenues and rising capital expenditures. A detailed comparison of the figures of 1937 with those of 1929 showed that, with the sole exception of the Southern, none of the groups had been able to equal, or even closely to approach, the earnings of the pre-depression year, and that even the higher revenues of the Southern represented a considerably lower return on the capital invested than those of 1929. To the £40 millions spent on capital account from 1929 to 1937, the current year will add another £16.1 millions, and a further £13.2 millions will be required to complete work now in hand on the four lines.

How far is this tendency likely, if prolonged, to react upon the railways' ability to raise new capital? Some difficulty, it would appear, is already being felt. In the table below, the first column shows that the increased capital which the companies have been able to raise since 1929 has been relatively small. Against the £40-odd millions of fresh capital expenditures, new capital raised has been only £14.9 millions, and the excess of capital expended over capital received has risen by £26.2 millions. Over a period which has included a new issue boom, both for fixed interest stocks and industrial securities, the railways' inability to finance their capital expenditures in the normal way is significant.

The last eight columns of the table illustrate some of the methods by which the companies have, in fact, met their capital problem. Much the most important source of capital has been special loans from the Railway Finance Corporation and London Electric Transport Finance Corporation. But it is also evident from the small extent of the rise in cash and Government securities on the Southern and L.M.S., and the actual decline on the Great Western and L.N.E.R., that the relatively large increase in savings banks' receipts and in the superannuation funds has been invested

inside and not outside the undertakings. As the cash and gilt-edged cover for the savings and superannuation funds is still generous, it would perhaps be truer to say that the yet more generous margin of 1929 left ample room for the investment of part of the liquid funds in new fixed assets; and that the directors have naturally looked to their surplus liquid funds to meet part of their capital expenditures. But such a source of finance cannot provide new funds indefinitely. Other minor economies of capital are illustrated in the table by the reduction in the stocks and stores carried and in advances to building societies and staff for housing. The sums recovered for over-payment of rates represent, strictly, a recovery of current expenditures, but they have contributed in part to maintaining the funds at a time of large capital outlay. A further device to meet the demand for capital was illustrated in the tables accompanying our article last week. These showed that the amounts invested in non-railway land had fallen since 1929 on the L.M.S. by £1.8 millions and on the L.N.E.R. by £1.3 millions. The sale of the L.N.E.R. Tyne Docks to the Tyne Improvement Commissioners last year is a further example of the same policy.

These and similar operations, entirely sound in themselves, afford evidence that the companies are scanning their books for internal contributions towards their capital requirements. They suggest not only that the Government-guaranteed issues of the Railway Finance Corporation were a means of providing capital cheaply, but that without that intermediary it was becoming difficult to obtain outside capital at all. The effects of "finance from the inside" go further than many stockholders have realised. In essence, the railways have been expending gilt-edged funds on fixed assets at a time of steadily increasing charges for interest on savings deposits and superannuation funds. This procedure, in fact, imposes a hidden prior charge on the undertakings, as will be seen from the following table,

FOUR GROUP RAILWAYS: 1929-37

(Million £)

	Year	Total Capital Receipts	Capital Expenditure Excess	Balance Sheet Items								Rates to be recovered
				Special Borrowing*	Savings Banks	Superan. Funds net	Cash and Government Secs.	Non- Capital Investments	Stocks	Building Society Advances		
Southern.....	1929	153 1	5 0	...	2.7	3.9	7.8	1.6	2.1	0.1	...	
	1932	159.3	3.8	...	2.9	4.5	8.3	2.8	2.1	0.2	...	
	1936	160.8	8.4	1.3	3.5	5.4	8.4	3.8	1.7	0.1	1.2	
	1937	160.8	10.7	2.5	3.7	5.6	8.4	4.9	1.9	0.1	0.1	
Gt. Western	1929	167.3	6.9	...	2.1	2.2	22.2	1.1	3.4	1.2	...	
	1932	167.2	13.8	...	2.4	2.5	12.6	0.1	3.1	1.2	...	
	1936	169.7	15.0	5.5	3.3	2.9	14.7	3.6	2.7	1.0	1.9	
	1937	169.7	15.7	5.5	3.5	3.0	14.8	4.0	3.1	1.0	0.8	
L.M.S.	1929	428.3	20.2	...	7.2	23.2	27.5	4.3	8.6	1.3	...	
	1932	419.8	23.3	...	7.8	25.2	24.3	2.8	6.4	1.3	...	
	1936	429.8	24.7	2.7	12.0	27.8	27.3	4.7	6.7	Neglig.	4.3	
	1937	429.8	26.9	4.7	13.2	28.5	28.7	6.1	8.0	Neglig.	1.5	
L.N.E.R.	1929	329.0	15.3	...	6.6	6.8†	13.9	0.1	6.7	0.9	...	
	1932	331.7	17.7	...	6.9	8.5†	9.6	0.3	5.0	0.7	...	
	1936	332.3	19.5	1.0	9.4	7.9†	13.4	0.7	5.5	0.5	3.6	
	1937	332.3	20.3	1.8	10.1	8.0†	13.5	1.8	6.8	0.5	1.3	

* From Railway Finance Corp. and London Electric Transport Finance Corp.

† After deducting amounts invested.

which shows the deterioration in the net balance of the two items between 1929 and 1937:—

(Thousand £)

	S.R.	G.W.	L.M.S.	L.N.E.R.
Received in general interest less interest paid for superannuation.....	1929 +149.5	+568.0	+74.5	-180.4
	1937 -53.7	-216.4	-960.7	-639.7
Net deterioration.....	1929-37 203.2	784.4	1,035.2	-459.3

The final effect of these movements on the companies' net profits have, of course, been modified by such factors as grants received from the Treasury under the Development (Loan Guarantees and Grants) Act of 1929, and, more particularly, by the return on the new capital assets in which the railways' funds have been invested.

Unquestionably, the statutory form of accounting which the railways are bound to employ is in part responsible for the way this particular problem presents itself. When a railway company replaces worn-out equipment, it can only charge to revenue the cost of replacing what has gone. If the new asset is a better asset—a more powerful locomotive or an electrically- instead of a gas-lit coach—the "betterment" must be charged to capital and not to revenue. No doubt the Inland Revenue would apply the same rule to an ordinary industrial concern in arriving at the profit liable for income tax. But any reasonably conservative board would prefer to treat as a revenue charge the normal "betterment" involved in keeping equipment up to date—which, in the long run, means *competitive*—and would so reckon it in the company's published accounts. The railway form of accounting allows larger earnings to be shown, but requires more frequent calls for fresh capital. So long as the profits allow reasonable allocations to be made to reserve, without keeping the return of capital unduly low, there is no great difference between the two systems. But in a world where dividendless stockholders constantly press their claims, on the one hand, and trades union leaders keep jealous watch on profits, on the other, the statutory accounting of the railways does not ease the directors' task. By industrial standards, revenue tends to benefit at the expense of capital; and in practice the whole of the profits shown is distributed in dividends.

So long as this system continues, the normal improvement and modernisation of the railways will call for considerable sums of capital, and sooner or later the problem of raising the capital may well become acute. In a normal industrial concern a solution would doubtless be sought in a reorganisation of the existing capital. Hitherto, such a suggestion has been countered by the argument that the companies' assets, taken as a whole, stand in their books at less than their replacement cost to-day. The real question, however, concerns earning power rather than book values. An ordinary industrial concern would recognise that part of its earlier capital expenditure, though still represented by assets, was no longer profitable, and should be written off. If the equity stocks were reduced to a nominal value justified by current earnings it would be possible, in favourable market conditions, to raise fresh capital by the issue of ordinary stock. But so long as profits are in a declining trend there must be difficulties in the way of that solution, since even after a capital reorganisation the market will not be anxious to take up new stock.

Alternatively, there might be some extension of the system of indirect Government guarantee for new capital. That capital would necessarily have a prior charge; but if it could be invested to earn more than its cost, the equity would benefit, and ultimately it might be possible to re-establish the balance by issuing equity stocks. Except on the Great Western, however, that solution must remain somewhat remote. As a final alternative, the policy of liquidating non-railway assets (already illustrated on a small scale in sales of non-railway land by the L.M.S. and of Tyne Docks by the L.N.E.R.) might be further developed. Under this plan the railways might float off their ancillary undertakings as separate concerns, the shares of which could be issued to the public. But only commercially sound parts of the undertakings could be liquidated in that way, and the operation might amount only to parting with good assets to provide money for less good. In any event such a policy would almost be one of desperation.

Our detailed review, in fact, leads us to the conclusion that the paradoxical but profoundly significant, that unless the ways can re-establish their profits, the capital problem must in time become acute. Accordingly, we propose to consider present and future earnings in a final article.

Wool Textile Shares

WHEN the directors of Courtaulds, Ltd., referred last week to "the present stagnation pervading the whole textile industry" wool textile shareholders, in particular, felt the force of their words. For, quite apart from current indications of a recession in the woollen trades, recent company news has been particularly cheerless. The Woolcombers' report, published this week, reveals a sharp fall in profits; another coming concern, Isaac Holden, has recently halved its interim dividend; and William Hollins, which showed signs of a long-awaited recovery in 1936, suffered a disappointing setback last year.

In such circumstances it is perhaps remarkable that woollen textile shares have not suffered even greater rebuffs in the market. Woolcombers' ordinary stock, after this week's fall, yields no more than 5.7 per cent. gross. Patons and Baldwins' £1 stock units have fallen from a high level of 69s. 6d. last year to 44s. 4½d.—an appreciable setback, but not much more serious than the fall in leading industrial shares. Has the process of adjustment been taken far enough?

It is a long-standing investment rule—subject, like all rules, to important exceptions—to measure their prospects according to movements in wool prices. The test is necessarily rough, and must be verified by the state of the woollen trades in general. But the "inventory risk" is peculiarly real for certain sections of the industry,

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yet virtually absent, in its direct form, for others. Ranked according to investment stability, the combers come first. They work entirely on commission, and thus avoid the direct risk that falling prices may involve heavy losses on stock valuations. The latest balance sheet of Woolcombers, as at December 31st last, shows that "stores and work in progress" amounted to as little as £65,277 out of total assets of £2,027,161. These "stores," moreover, probably consisted of such materials as coal, olive oil, and machinery parts. The typical spinning and weaving concern, on the other hand, has large stocks and work in progress at any given time, and is forced to cover its raw wool requirements a considerable time ahead.

Thus we find that, in striking contrast to Woolcombers' position, the balance sheet of Patons and Baldwins last May showed stocks amounting to £3,569,208, out of total assets of £6,875,468. Combing business is, of course, affected indirectly by the trend of wool prices, which plays an important part in spinning activity. The combers, in other words, cannot control their turnover, though they have effectively controlled their combing rates since the formation of the Woolcombers Mutual Association in 1933, and have also eliminated much surplus capacity. Yet, even in the combing sections, there is evidence that spinner-combers and outside combers have recently been attracting business from members of the Association.

While the stock risk is important for the woollen spinner and manufacturer, however, differences in organisation between individual concerns prevent its rigid application as a precise test of profits. Of the three manufacturers whose record is given in the accompanying table, Patons and Baldwins are spinners of specialised hand-knitting yarns, Kelsall and Kemp is a woollen manufacturing firm with its own spinning plant, while Salts (Saltaire) is a worsted concern which covers every process from combing to dyeing. In these circumstances, the distinction which some investors make between stock risks in spinning and manufacturing becomes somewhat undependable.

For broad purposes, nevertheless, wool prices still rank with activity in the wool textile industry, as a key indicator of combing and spinning profits. Accordingly, in the table which follows we have shown movements in unemployment and total wages paid (the latter index covers about two-thirds of the industry) as a guide to woollen textile activity, and the prices of merino 64's tops and the *Weekly Wool Chart* combined index for wool, tops and yarns, as a representative guide to movements in wool prices. The annual averages cover pre-depression, depression and recovery years, and a comparison of the January figures with those of the corresponding month last year is also included:—

	Annual Averages					Monthly Averages	
	1929	1932	1935	1936	1937	Jan., 1937	Jan., 1938
Unemployment (%).....	13.9	20.8	13.0	9.2	10.2	7.1	21.1
Index of wages paid (1930 = 100).....	116.4	93.3	101.2	106.5	109.4	107.2	93.2
Merino 64's tops (d. per lb.)	38.5	23.3	28.1	32.9	35.6	38.0	27.1
"Weekly Wool Chart" index of wool, tops and yarns (July, 1914 = 100)	128	69	82	99	121	124	95

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A substantial setback, both in trade conditions and prices, is indicated by each of the monthly comparisons. At first sight, however, there is no direct evidence of an appreciable reduction in actual activity last year, but the annual averages mask a continuing reduction in business since last midsummer. The Woolcombers' setback is not wholly explicable by rising costs; it also reflects a reduction of perhaps 25 per cent. in woollen activity since last summer. Wool prices, again, were well maintained until August, but the slow marketing of the new clip has been associated with a fall of 31½ per cent. in wool values during the past six months. And this fall has yet to be reflected in the current financial results of wool manufacturers.

In our next table total profits and equity earnings and distributions are given for five leading concerns. Comparison between the two tables shows that direct inference between indices of prices and activity and profits cannot be pressed too far. The year 1932 was more favourable for the companies than the indicators might have suggested. But in recent years the correlation between prices and profits has been more close, so far as the manufacturers are concerned:—

(TRADING PROFITS IN £000's)

	1929	1932	1935	1936	1937	Ordinary Shares (d)		
						1937 High	Present Price	Gross Yield
Combers								
Woolcombers (Dec. 31):								(%)
Total profit.....	151.0	164.7	233.7	232.1	155.3	9½	5/5.7	5.4
Earned for ord. %	14.6†	22.4†	46.2†	44.6†	24.8†			
Paid %	11.4†	11.4†	26.4†	26.4†	21.4†			
Isaac Holden (June 30):								
Total profit.....	49.6	24.4	50.2	59.3	46.4	65.6	32/6	10.2
Earned for ord. %	11.1†	0.2	11.3†	14.9†	11.0†			
Paid %	10†	6.4	11.4†	13.4†	12.2†			
Patons & Baldwins (Apr. 30):								
Total profit (b).....	227.4	426.1	363.2	551.0	595.8	69.6	44/4½	7.5
Earned for ord. %	3.9†	13.9†	10.4†	20.5†	19.5†			
Paid %	5†	7½†	10†	12½†	12½†			
Kelsall & Kemp (June 30):								
Total profit.....	44.2	71.4	41.3	65.7	77.2	21/10½	13/6	7.4
Earned for ord. %	Nil	5.7	Nil	6.7	10.0			
Paid %	2½	5	Nil	5	5			
Salts (Saltaire) (Mar. 31):								
Total profit.....	131.0	153.0	224.9	350.9	300.7	12/3	3/9	13.3
Earned for ord. %	Nil	Nil	41.3†	133.6†	96.1†			
Paid %	Nil	Nil	25	50	50			

† Tax free. ‡ Allowing for participation rights of preferred ordinary, which received 100, 125 and 125 per cent. for the three years. (a) Interim for current year reduced from 5 to 2½ per cent. f.t. (b) After debenture interest throughout and (1932-37) after exchange losses. (c) 1929 and 1932, calendar years. (d) £1 denomination, except Salts (Saltaire) 1s.

It is justifiable, therefore, to examine the position of the last three concerns in relation to wool price movements more closely. Patons and Baldwins, as we have seen, carried stocks of £3,569,208 last May. This valuation, however, took account of a hidden reserve against a fall in prices; while its amount was undisclosed, it is known that, a year earlier, the company had £385,000 set aside as a stock reserve, and the last balance sheet showed undistributed profits of almost £1 million and a capital reserve of £480,000. Though no accurate estimate can be made of last year's addition to the stock reserve, a generous amount would be needed to offset the entire fall in wool prices since last May. Doubtless this company, along with other manufacturers, has allowed stocks to run off, but the fall in prices may well affect the current year's profits. In today's conditions, the prudent reserve policy of past years stands fully justified.

The last report of Kelsall and Kemp, the Rochdale flannel and blanket manufacturers, showed that the parent company's stocks amounted to £318,024. No particulars about the basis of stock values were given by this company, though the stability of the stock figures between June, 1936, and June, 1937, suggests, either that physical stocks had been reduced or that conservative values were employed last year. To calculate the effect of falling wool prices since last June on this figure might be misleading, for the reasons already discussed; and the recent announcement of a main-

tained interim dividend of 2½ per cent. suggests that profits are running at least at the 1935-36 level. The company, however, follows a steady depreciation policy which, coupled with an appreciable preference dividend charge, tends to magnify the movement in equity earnings.

There remains Salts (Saltaire) whose capital structure, since its reconstruction, provides an example of high gearing *in excelsis*. The company has in issue £1,000,000 of 5 per cent. debentures, £350,000 of 5 per cent. loan stock, £600,000 of 7 per cent. non-cumulative preference capital, and £60,000 each of participating preferred ordinary and ordinary shares. The last balance sheet, at March 31, 1937, showed that stocks at cost or market value amounted to £1,739,860—almost exactly half the total assets. Investments in subsidiary companies stood at £816,441, a figure which covers some further stock values, while the issue of loan stock last July was specifically intended to finance increased stocks, together with the purchase of interests in four other concerns. The razor-edged equity of Salts (Saltaire) is particularly liable to be affected by any recession in trade and in wool values.

On the whole, it seems doubtful if wool textile shares, even after their appreciable falls, are yet discounting the full effects of the potential setback in profits which may be experienced during the current financial year. The excellent dividend record of Woolcombers may be advanced in justification of the relative low yield of 5.7 per cent. gross on the ordinary stock. Yet the numbers employed by representative woolcombing concerns fell by 21½ per cent. between January, 1937, and the corresponding month this year. More vulnerable, as the yield figures suggest, are the manufacturing concerns. It would be premature, at this stage, for holders of worsted spinning shares, like Salts (Saltaire), and Illingworth Morris, to count on early benefits from voluntary co-operation to reduce rate cutting and redundant machinery. The background of the attempts to introduce such a scheme was described in our issue of February 26th, and its initial "send-off" is referred to on page 580. But Bradford itself is fully conscious of the difficulties which must be overcome if any scheme is to be effective. Wider technical differences are to be found in the practices of individual worsted spinners than in those of cotton spinners. "Lancashire's Remedy," therefore, may not be exactly Yorkshire's relish. Altogether, a rather cautious appraisal of woollen textile company prospects seems to be indicated, even assuming that the worst of the fall in wool values has already been seen.

Leviathan of Insurance

IN the modern business world, mere size is not everything, but it nevertheless counts for much. During the whole of the present century the size of the business unit has tended to increase. Is there a limit to the economic advantages of large-scale enterprise? Obviously, one method of approaching the problem is by a study of the experience of some of the largest organisations in Great Britain to-day—the London, Midland and Scottish Railway, which has £437 millions of capital invested in its railway and ancillary services; the Halifax Building Society, with its total assets of £123 millions; Imperial Chemical Industries, with its issued capital of £72 millions; and, last but not least, the Prudential Assurance Company, with its present assets of £330 millions and total income in 1937 of £55 millions. The Prudential, whose latest accounts are the subject of the present article, has long been much the largest British insurance company. Its history has shown that the handling of an annual revenue greater than that of many of the world's sovereign political States is certainly not incompatible with economical administration and increasing prosperity. And the story of progress was fully maintained in 1937.

A few items taken from the past year's accounts will give some slight idea of the company's immense size and vigour. The four Prudential approved societies at the close of 1936 had a membership of 3,600,000. Exclusive of these societies, the company's total assets increased by some £14½ millions in the single year 1937. New policies issued in the ordinary branch during the year totalled 99,000, for total sums assured of £32½ millions, while in the industrial branch the total new policies were 2,445,000 and the sums assured £66 millions. The ordinary branch premium income last year increased from £13,230,000 to £13,726,000, but annuity consideration moneys fell from £1,387,000 to £877,000. Net interest income increased, but the rate of interest earned, after deduction of tax, was 1s. 1d. per cent. smaller at £4 8s. 3d. per cent.

In the industrial branch an increase of £841,000 to £22,297,000 in premium income afforded a satisfactory indication of permanence in the policies issued. That impression is confirmed by the statement in the report that the average duration of existing whole-life premium-paying policies exceeds eighteen years. In another respect, also, the Prudential's experience in 1937, as in earlier years, was encouraging; for the year witnessed a further fall in the expense ratio. In 1920 that ratio was 40.5 per cent. of the premiums paid. Since then it has fallen every year, and in 1937 it was 22.7 per cent., against 22.8 per cent. in 1936. A similar experience is common to other large industrial insurance companies, but none shows so small a ratio as the Prudential. The difference is, however, explainable in part by the Prudential's practice of paying bonuses to its agents, allocated out of each year's surplus. The allocation amounts to about 3 per cent. of the premium income, and is excluded in arriving at the published expense ratio.

The Prudential makes an annual actuarial valuation of its life assurance liabilities. In the table at the head of the following page, we show the results disclosed by the valuation of December 31, 1937, with the corresponding figures for 1936. On the basis of the 1937 valuation, the company has declared reversionary bonuses at the same rates as in

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RESULTS OF ACTUARIAL VALUATION.

	1936 £	1937 £
<i>Ordinary Branch</i>		
Surplus earned during the year	2,873,636	3,045,602
Capital profits	85,327	30,248
Brought forward from previous year...	558,742	596,428
	3,517,705	3,672,278
To bonuses to policyholders	2,629,149	2,729,683
„ bonuses to shareholders	277,528	288,198
„ special contingency fund	14,600	15,100
„ carried forward to next year	596,428	639,297
	3,517,705	3,672,278
<i>Industrial Branch</i>		
Surplus earned during the year	6,680,810	5,995,584
Brought forward from previous year...	577,636	588,864
	7,258,446	6,584,448
To bonuses to policyholders	4,026,737	4,044,192
„ special contingency fund	293,000	297,000
„ bonuses to shareholders	878,722	894,094
„ bonuses to outside staff	671,123	706,629
„ strengthening reserves	800,000	...
„ carried forward to next year	588,864	642,533
	7,258,446	6,584,448

1936. In the ordinary branch the rate is 46s. per cent. for whole life assurances and 40s. per cent. for endowment assurances. In the industrial branch the rate is 32s. per cent. The bonus is calculated on the sum assured in each case. It is fair to say that while the ordinary branch bonus rates are satisfactory, their level is not particularly noteworthy in comparison with that of British offices in general. On the other hand, the industrial branch bonus rate stands out as a remarkable achievement. There have been no changes in the bases of valuation in the ordinary branch, which are OM 3 per cent. for assurances and a^(f) and a^(m) 3 per cent. for annuities. In the industrial branch, the English Life Tables (No. 10) replace the corresponding No. 8 Tables, and interest has been taken at 2½ per cent. instead of 3 per cent. The cost of this change was in part met by sums of £1,200,000 and £800,000, which were set aside in 1935 and 1936 as additional reserves. We may assume, however, that the total cost was, in fact, well over the £2,000,000 provided in this way.

We may next consider the results of the Prudential's large and important general branch. This is, in effect, the aggregate of a variety of other departments of insurance business, whose figures for the last two years are set out in the next table. Their total net premium income last year was £2,638,000—a figure which exceeded that of 1936 by £33,000. The fire insurance figures of the company's American subsidiary, the Prudential Insurance Company of Great Britain, located in New York, are not included in our summary of results:—

	1936 £	1937 £
Fire	111,091	90,397
Employers' liability	14,350	962
Motor	15,844	62,891
Miscellaneous	3,107	7,791
Sickness and accident	42,016	45,727
Marine	...	60,269
Sinking fund	54,926	23,201
Fees	17,432	19,324
Exchange	44,668	20,318
	185,998	163,238
Net interest earnings	111,282	119,411
	297,280	282,649
Less : Income tax	30,000	30,000
N.D.C.	...	15,000
	267,280	237,649
Cost of dividend	133,333	133,333

Transfers of £100,000 and £47,600, respectively, were made last year to the investment reserve fund and "additional reserve" in the general branch. The balance sheet

is subdivided in respect of both liabilities and assets into six groups.

The investment policy of a company with £330 millions of total assets is obviously a matter of moment to the Stock Exchange and investors in general. Actually, the ordinary and industrial branches account, respectively, for £123 millions and £192 millions of the whole. Our last table shows how the combined assets of these life assurance branches are invested:—

	1936 Amount £	Per cent. of Total Assets	1937 Amount £	Per cent. of Total Assets
Mortgages, including loans on policies	48,672,183	16.2	43,185,928	13.7
British Government securities and T.F.A. stocks	87,113,347	28.9	89,668,507	28.5
Indian, Colonial & Foreign Government securities..	16,693,727	5.5	16,474,776	5.2
British Municipal and County securities	5,302,950	1.8	5,277,056	1.7
Colonial, Foreign Municipal & Provincial, etc., securities	5,734,641	1.9	5,429,655	1.7
Debenture stocks	48,042,759	16.0	52,827,646	16.8
Preference & Guaranteed stocks	26,622,079	8.8	28,837,890	9.2
Ordinary stocks	34,194,079	11.4	38,080,860	12.1
Reversionary interests, properties and other assets	28,512,442	8.5	34,837,253	11.1
	300,888,207	100.0	314,619,571	100.0

It will be seen that the Prudential holds nearly £90 millions of securities either issued or guaranteed by the British Treasury, representing more than one-fourth of the total assets. Last year, the amount invested in debenture stocks rose by £4½ millions, and the total in preference and guaranteed stocks by £2½ millions. The increase under the heading of ordinary stocks, however, was nearly £4 millions. On the other hand, the percentage of total assets represented by mortgages (including loans on policies) declined last year from 16.2 to 13.7. Included in the latter total is an item "loans on stocks and shares," which declined last year from £16,224,000 to £9,282,000. The aggregate market value on December 31st last of the Stock Exchange securities in each branch exceeded their book values; while in addition there are investment reserve funds amounting to £5,100,000. Contingency funds total £7,363,000 and there is a general branch additional reserve fund of £1,143,000.

For many years now, shareholders in the Prudential have obtained a highly satisfactory return on their investment. There are two classes of shares: the "A" of £1 denomination, fully paid; and the "B" of £1, on which 4s. is paid up. The "B" shareholders are entitled to 75 per cent. and the "A" shareholders to 25 per cent. of the divisible profits in the general branch, but the "B" shares do not participate in the surpluses of the life branches. Dividends on both classes of shares are free of tax. For 1937 the rate of dividend on the "A" shares paid has been increased from 19s. 0½d. to 19s. 5½d. per share. Of the total dividend some 18s. 11d. is provided by the ordinary and industrial branches and 6½d. by the general branch. The rate of dividend, free of tax, on the "B" shares was increased a year ago from 43½ per cent. to 50 per cent. and payment is at the latter figure this year.

The results summarised in this article show clearly that the Prudential—the leviathan of British insurance—shared in general prosperity during 1937. Its business and assets continued to expand and the total amount paid to its shareholders was again increased. The company's experience at least suggests that in insurance a high level of efficiency is compatible with large-scale organisation; that here, as in industry, mass production may have a place—though not an exclusive place, as the results of the medium and small-sized British offices testify.

Finance and Banking

Arms, Politics and the Franc.—Just as the political position in France appeared to be reaching some measure of stability, as a reaction to external events, another storm has blown up which has overthrown the Chautemps Ministry and left a trail of destruction in the franc market. The immediate reason for the storm was the financing of the French Government's re-armament programme. This calls for a loan to the tune of 15,000 millions francs, to be raised in the near future. M. Chautemps and his financial advisers were rightly convinced that in the present state of the capital market in France there was no reasonable prospect of raising this money on terms that would not shatter what is left of French Government credit. Hence M. Chautemps' request for special powers to carry through the immediate financial and labour policy of the Government. To the Left of M. Chautemps this demand was interpreted in terms of some amendment of the forty-hour week; to his Right, in terms of exchange control. Consequently, Ministerial and exchange crises flared up simultaneously, and as usual proved mutual stimulants.

Francs have therefore been sold both on speculative account and by holders of capital still fleeing the French markets. From a rate of 154 quoted at the end of last week the franc has fallen in London to 158½. The French Exchange Fund has intervened in the market, but with the intention of braking rather than rigidly pegging the rate. Its gold resources, as may be judged from the recent transfer of gold from the Bank of France to the Fund, must be exiguous. The latest return of the Bank of France shows that the Bank has advanced another 800 million francs to the State.

The Unemployment Fund's Investments.—The annual report of the Unemployment Insurance Statutory Committee provides in its appendices detailed information of the investments held for the Fund at the end of each year. A comparison of the last two of these tables shows, therefore, how the £23 millions surplus of the Fund accumulated during 1937 was invested. These are the relevant details:—

	Dec. 31, 1936 £	Dec. 31, 1937 £
5 per cent. Conversion Stock, 1944-64	...	9,078,353
4½ per cent. Conversion Stock, 1940-44	1,899,000	20,000,000
1 per cent. Treasury Bonds, 1939-41	28,978,100	30,000,000
Ways and Means Advances	1,200,000	1,200,000
Treasury Bills	...	1,250,000
2½ per cent. Treasury Bonds, 1937	8,794,400	...
Interest and cash	14,390	...
Total	40,885,890	61,528,353
Cost price	40,610,287	63,506,223

It will be seen that the Fund's investments continue to be held in extremely liquid form. The bulk of the funds provided last year by the excess of current income over expenditure and by the repayment of the 2½ per cent. Treasury bonds held for the Fund were invested in Conversion 4½ per cents. and 5 per cents.

Of special interest is the first appearance in these investments of Treasury bills. The intrusion of this item is significant not in itself but for the light it sheds on what has always been a mystery and source of curiosity in the market, namely the rate at which Treasury bills allotted through the tap are issued. The appendix already referred to shows that the cost price of the £1,250,000 Treasury bills held at the end of 1937 was £1,248,640. This indicates that the bills in question, provided of course they conformed to the normal three months' currency, were bought for the Fund at an average rate of 8s. 9d., or 1¼ per cent. If, as must be presumed, these bills were issued through

the tap, here is the first specific indication yet available that tap bills are discounted at a rate appreciably below the tender rate. At no time during the three months preceding the end of last year did the weekly tender rate for Treasury bills decline below 10s. 1.55d. per cent. If, on the other hand, these bills were bought in the open market and resold to the National Debt Commissioners for account of the Fund, the profit taken by the intermediaries must have been substantial, judged by present-day discount market criteria, since at no time during the period in question would it have been necessary to bid under ½ per cent. in the market for getting the hot bills.

February Clearing Bank Averages.—The "cash" of the clearing banks fell by £8½ millions in February as compared with January, owing mainly to the reduction of Government securities held by the Bank of England. This decline in cash was accompanied by a corresponding movement among other assets, with the exception of advances, which were £13.8 millions higher than in January. This last movement probably reflects in part the grant of banking accommodation for the temporary financing of tax payments. Other items among the assets have also moved in accordance with normal seasonal trends. Bills discounted show a reduction of £43.4 millions, which is in keeping with the reduction of the tender issue of bills during the last quarter of the financial year.

	Feb., 1937	Oct., 1937	Nov., 1937	Dec., 1937	Jan., 1938	Feb., 1938
Capital and reserves	132.5	132.5	132.5	133.3	136.0	136.0
Acceptances, etc.	115.0	115.6	114.9	114.0	111.0	108.9
Deposits (including undivided profits, etc.)	2,236.2	2,275.2	2,272.9	2,293.3	2,292.4	2,243.4
Total liabilities	2,483.7	2,523.3	2,520.3	2,540.6	2,539.4	2,488.3
Cash	226.9	230.7	231.6	241.0	247.8	259.3
Cheques, balances and items in transit	64.2	62.9	65.8	77.9	64.5	65.4
Money at call	161.2	159.7	154.8	158.5	149.0	149.9
Discounts	305.1	294.6	296.0	298.5	329.8	286.4
Investments	655.8	624.6	619.4	620.4	621.2	618.4
Loans and advances	888.0	967.3	969.8	962.5	918.3	962.6
Investments in affiliated banks	23.5	23.5	23.6	23.7	23.9	23.9
Cover for acceptances, etc.	159.0	160.0	159.3	158.1	158.4	152.4
Total assets	2,483.7	2,523.3	2,520.3	2,540.6	2,539.4	2,488.3

The smaller outstanding volume of bills is also apparent in the fall of £9.1 millions in short loans. Investments show a slight reduction which suggests that the rise in this item in the preceding month had not the significance widely attributed to it in the market. As a result of this general contraction of assets, deposits have fallen by £49.0 millions. The cash ratio, at 10.64 per cent., is higher than in February, 1937, when it stood at 10.12 per cent. The decline in liquid assets, such as bills and short loans, during the past twelve months probably accounts for this policy of working to a higher cash ratio.

Banco Nacional Ultramarino.—Eight years of recuperation have now allowed the Banco Nacional Ultramarino to come out with a drastic scheme of reconstruction. This Portuguese institution was severely hit by the 1929 slump. Since that year it has paid no dividend and published no accounts apart from those privately submitted for the approval of the Portuguese Government. In recent years, however, it has been evident from the increased activities of the bank that the damage of the crisis years was slowly being repaired. Profits were being put aside to reconstitute the bank's liquidity and to prepare for the inevitable reconstruction of capital. The scheme now published involves a reduction of the capital from Esc. 93,650,110 to Esc. 40,000,000. Of the written-down

capital Esc. 15,000,000 is to be allotted to old shareholders in the ratio of one new Esc. 100 share for every five shares of Esc. 90 held. The remaining Esc. 25 millions will consist, as hitherto, of 25,000 preference shares of Esc. 1,000, held by the State. The whole sacrifice thus rightly falls on the equity holders—a rare instance of justice in company reconstruction which in this case was no doubt facilitated by the fact that the State was the preference shareholder. Following the reduction of the capital, power will be sought to increase the ordinary capital from Esc. 15 millions to

Esc. 50 millions, and the new shares will be offered for subscription, preference being given to existing ordinary shareholders. The bank is to remain for an indeterminate period under the control of the Portuguese Government. Since 1931 this control has been maintained through an administrative board, which has taken over the functions of the board of directors. The board consists of eight administrators, of whom four are Government nominees, and a chairman, who is also appointed by the Government.

MONEY MARKET NOTES

Foreign Exchanges

THE fresh break in the French franc which is discussed in a preceding Note has provided the focal point of foreign exchange movements during the past week. Most other changes in rates have been reactions to that major influence. At first the control operations in francs, involving as they did substantial sales of sterling, caused sterling to take part of the pressure and to weaken in terms of dollars, guilders and Swiss francs. But after appreciating to 5.00½ on Monday the dollar has relapsed to around 5.01½, as developments in Wall Street have proved a deterrent to the influx into the United States of the capital which during the past week has been leaving the Continent. The fall in the French franc has put a severe strain on the belga. Capital has been leaving Belgium on the theory that despite the rigid link of its currency with gold and the strong reserve position, Belgium will not be able to ignore a depreciation of the French franc which carries that currency to a substantial discount on the Belgian franc. Already that discount has widened this week to 6 per cent. The supporting operations effected by the Belgian authorities this week have involved appreciable sales of gold to the British Exchange Account. Quite independent of the movements in the franc has been a further slump in the free Argentine peso rate. From 19.10 the rate has this week fallen to 19.40. Thus the benefit to exporters to the Argentine recently granted through the abolition of the exchange surcharge has been more than lost. This week's fall in the peso is explained by the withdrawal of all support by the central bank and by the sluggishness of the normal demand.

market syndicate, while maintaining its application price at £99 17s. 6d., saw its allotments scaled down from 33 to 30 per cent. As the average rate of discount worked out at 10s. 0.94d. per cent. it is evident that substantial tenders must have been put in at £99 17s. 6d.

	Mar. 11, 1937	Mar. 3, 1938	Mar. 10, 1938
Bank Rate	2	2	2
London Deposit Rate...	12	12	12
Short Loan Rates:			
Clearing Banks	12-1*	12-1*	12-1*
Others	8	8	8
Discount Rates:			
Treasury bills	12	12	12
Three months' bank bills	17½-8½	17½-8½	17½-8½

* Viz. ½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¼ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

The sudden acceleration in loan expenditure on re-armament shown in recent Exchequer returns is causing the weekly issues of Treasury bills to hold at a level well above normal for this period of the financial year. This week, as last, the amount on offer is £45 millions, against maturities of £50 millions. Supplies of money remain ample and loans against bonds have been readily available from outside lenders this week at ½ per cent.

The Bullion Market

In spite of the renewed flight from the franc the public demand for gold in the open market this week has been small. On most days the Exchange Equalisation Fund has been a buyer on balance; and partly for this reason the authorities have decided to drop the price by ¼d. each day, though over the week as a whole movements in the dollar exchange have been such as to make for a higher sterling price of gold. Thus, while the price has come down steadily since Friday of last week from 139s. 9½d. to 139s. 6½d. the premium on the dollar shipping parity has fallen even more steeply, namely, from 14½d. to 10d. Conditions in the silver market have been quiet, though quotations have moved with some abruptness. On Tuesday, for example, the spot quotation fell by ¾d., which was the widest daily movement recorded for many weeks. India continues to provide the main support of the market. Bombay stocks are now running low and Bazaar buying is the principal feature of the market. In addition there are still remnants of the bear position in silver built up in India towards the end of 1937 to provide a source of persistent technical support for the market.

Chinese Government silver continues to reach this country via Hong Kong in substantial quantities.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Mar. 4 ...	139 9½	14½pm	171	20½	19½
" 5 ...	139 9	12½pm	78	20½	20
" 7 ...	139 8½	11½pm	254	20½	20
" 8 ...	139 7½	10pm	343	20½	19½
" 9 ...	139 7	11pm	240	20½	19½
" 10 ...	139 6½	10pm	229	20½	19½

* Above or below American shipping price. The New York price of silver remained at 45 cents per ounce - 999 fine during the week.

The Bank Return

Movements shown by the Bank return covering the week to March 9th are small. The most important are a fall of £1.4 millions in bankers' deposits and a rise of £1.1 millions in public deposits. These compensating changes are in part accounted for by revenue payments. Bankers' deposits at £114,279,741 are over £20 millions higher than they were at the corresponding date of last year. Government securities show an increase of £775,000 on the week, a movement which may accord with the aggressive special buying of bills witnessed in the open market in the past few days. There was an increase of £916,000 in the note circulation over the week. Other securities in the Issue Department, which have been declining for some time, were reduced during the past week from £381,000 to £28,000. Last May they stood at over £5 millions.

	Mar. 10, 1937	Feb. 23, 1938	Mar. 2, 1938	Mar. 9, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	464.5	474.5	478.3	479.3
Banking Dept.				
Reserve	50.1	52.6	48.8	48.0
Public Depts.	17.0	16.7	12.4	12.6
Bankers' Depts.	93.8	105.6	115.7	114.3
Other Depts.	37.7	35.5	36.0	36.1
Govt. Secs.	90.1	97.4	104.4	105.2
Discounts and Advances	4.2	6.5	7.1	6.5
Other Secs.	22.3	19.5	21.0	21.5
Proportion	33.7%	33.3%	29.9%	29.4%

The increase in the note circulation as compared with corresponding 1937 figures continues to fall. The gap was further narrowed over the past week from £17.4 millions to £14.8 millions. Hoarding of sterling notes is not what it was at this time last year. Nor is the expansion in the domestic demand for currency so obvious.

Investment

Blows for Wall Street.—The London market this week has given exaggerated importance to the few investment pointers in the week's news. Re-armament is to cost more than £1,500 millions, but most observers had expected that the Prime Minister's statement was already discounted more fully than, in fact, it was. Yet, after a day of concern over the budgetary outlook and, ironically enough, of disappointment with armament company news, the market took a turn for the better, in which bear covering appeared to play no little part. The more telling blows, however, have been reserved for Wall Street. The failure of Richard Whitney and Company, an old-established firm of bond dealers, has been followed by some disturbing revelations. Although the direct repercussions of the failure appear to be small, there is general agreement that Wall Street could well do without publicity of this sort at the present juncture. Nor has the market attempted to conceal its disappointment with the Interstate Commerce Commission's freight rates award. Wall Street was expecting an effective increase of 10 per cent. in freights, but the over-all increase is of the order of 5 per cent. Coal (other than anthracite), iron ore, and agricultural and forestry products are not affected. According to the Commission's estimate, the increase in rates will provide additional revenues of \$270 millions, based on the 1936 traffic, but in the railways' view, the benefit will not amount to more than \$170 millions annually.

In view of the current trend of traffic—car-loadings are down to depression levels at present—it is clear that the railways will need most, if not all, of the prospective increase in railway income for revenue purposes, and will have little margin to spare for maintenance expenditure. Wall Street's recent hopes of re-recovery have been based largely on the prospect of railway capital expenditure. Perhaps these hopes will now be centred on increased capital expenditure by the utility companies. The T.V.A. has this week proposed the purchase of private utility plants in the south-eastern states for "actual legitimate cost, less depreciation." Although this basis would be unacceptable to the companies, Mr. Willkie, president of the Commonwealth and Southern Corporation, has submitted a basis for negotiation, and there are signs that the White House would welcome a *modus vivendi* between public and private undertakings. Its potential effects upon capital construction, however, would necessarily be delayed and meanwhile Wall Street is capable only of drift.

Home Railway Policy.—The meetings of the L.M.S. and L.N.E.R., together with a speech by Mr. Holland Martin, chairman of the Southern Railway, to the Railway Stockholders Union, have provided authoritative indications of railway policy during the past week. At more than one point, Sir Josiah Stamp's survey to L.M.S. stockholders on Thursday showed a suggestion of optimism. Sir Josiah fairly weighed the effect of rising costs against increased railway charges, and expressed the hope that the increased ordinary dividend might be improved upon in 1938. Excluding the benefit of the increased charges, a decline in revenue from merchandise has occurred during the first two months of this year, which has been made good by receipts from heavy freights and passengers. The general prospect for the system, it appears, is that trade may be at about the same level as last year, or perhaps a little better. Net financial results for 1938, therefore, will reflect the increase in rates and fares for nine months, less the increase in wages costs for seven months, together with any general increase in costs of supplies. Partial experience of the increase in charges, which came into operation last October, suggests that the estimate of additional revenue for the L.M.S. of £2,200,000 is justified. Increased wage costs, compared

with 1936, involve £1,830,000, and increased costs of materials £2,230,000 in a full year. Of this joint increase of over £4 millions, however, a large part will not be felt until 1938-39, thanks to forward purchases. On the operating side, Sir Josiah gave several telling examples of improved efficiency, but on the question of electrification, he made it plain that so far as electrification was required for national purposes, as distinct from its value to the railways as such, public funds and not stockholders' funds must finance it.

Mr. Holland-Martin was concerned largely with the "gold mine" which electrification had provided for the Southern Railway. The main line schemes of the past five years have involved capital charges of £4½ millions—the total expenditure, of course, has been greater, since other eventually necessary improvements have been introduced at the same time—while receipts have increased at the rate of £640,000 per annum. The over-all return is thus 14 per cent. on the capital. Actually, the Brighton line has produced a return of 21 per cent., the Eastbourne section of 12 per cent., and the Portsmouth line, during its first six months' operation, of rather more than 9 per cent. In other words, the company has tackled electrification projects in order of their potential return. Future prospects of electrification are good, but not so impressive as these results. Mr. Holland-Martin disclosed the interesting fact that electrification schemes were required to show a minimum return of 4 per cent. of capital expenditure, after allowing for differences in operating costs between steam and electric working, and must also hold out prospects of a generous increase in new revenue. Mr. William Whitelaw's principal topic at the L.N.E.R. meeting was concerned with the company's renewals policy. Hitherto the company has been forced to cut its coat for maintenance according to each year's cloth. Renewals charges in 1936 and 1937, however, have been based on a provision formula similar to that adopted by the other main line companies. After the extensive rebuilding programme in recent years, arrears of rolling stock renewals have been largely wiped out. Apparently, the company's substantially smaller increase in maintenance expenditure last year, compared with other lines, is due in part to economies in the company's shops. Since the chairman referred to the prospect of a further reduction in repairs and partial renewals during the current year, stockholders may anticipate the current year's results with greater confidence—provided that receipts during the year continue encouraging.

Industrial Profits in February.—Profits of industrial companies reporting in February usually show greater stability than those of January companies, and no especial significance attaches to the relatively small increase in profits of 5.52 per cent. last month. The record of net profits and percentage increases for the past two years is given in the following table:

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
Feb.	205	30,427,925	9.80	March	207	53,554,168	12.52
March	236	33,391,656	17.39	April	245	31,712,217	23.36
April	254	38,660,148	9.66	May	255	25,053,946	14.09
May	269	27,354,879	9.41	June	265	43,924,563	21.19
June	214	26,140,561	13.50	July	193	15,260,299	19.62
July	228	14,337,131	15.69	Aug.	62	6,042,402	9.41
Aug.	47	5,562,452	14.21	Sept.	81	7,259,607	27.80
Sept.	107	9,074,987	12.32	Oct.	177	14,884,260	26.97
Oct.	146	8,104,438	18.69	Nov.	206	23,579,407	20.25
Nov.	177	15,591,516	13.49	Dec.	152	18,101,112	14.69
Dec.	175	18,438,723	15.49	1938			
Jan.	110	13,222,882	15.92	Jan.	107	13,832,382	19.99
Feb.	208	27,956,388	8.95	Feb.	202	29,792,378	5.52

* After debenture interest.

The stability of February's profits is partly explained by the fact that Imperial Tobacco alone accounts for 36 per cent. of total profits, but for only 7 per cent. of the increase. Gas and electricity companies together provide some 17 per cent. of the month's total profits. Numerically, however, the largest single group is investment trusts, which show a 9 per cent. rise in earnings. Shops and stores are another important section, but their profits are only £36,947 higher at £2,118,331.

Shareholders' Protection Association.—The S.P.A.—the mere initials are now quite familiar to investors—has completed its fifth year. The report of the executive committee for 1937, indeed, records that its activities are now too readily taken for granted; in fact, the accounts show a small deficiency for the second year in succession, and the continued support of individual investors is still required. In view of the work which has been successfully undertaken on behalf of the investor—and particularly the small investor—the appeal for increased membership deserves a full measure of response. The Association's prestige increases in proportion to its success and support, and an annual subscription of ten shillings is not a high price to pay for vigilant examination of all matters affecting shareholders' rights, and in particular, preference shareholders' rights.

Electricity Reports

Metropolitan Electric.—This undertaking, which supplies part of the central London area and a thriving industrial district extending as far west as Maidenhead, continues to record steady progress. Dividend policy has not settled down to that regularity which is characteristic of most companies in the industry. For some years an ordinary dividend of 10 per cent. was paid, but in 1936, an additional Jubilee bonus of 2½ per cent. was paid. Last year's 10 per cent. dividend has been supplemented by a 2 per cent. bonus, to which no specific description is attached. A comparative table of earnings follows:—

	1935 £	1936 £	1937 £
Gross Revenue:—			
London Area	498,716	537,830	561,671
Western Area	721,551	874,124	967,487
Total	1,220,267	1,411,954	1,529,158
Net Revenue:—			
London Area	141,964	174,623	169,657
Western Area	212,595	313,868	285,849
Interest and dividends	173,505	200,994	237,896
Total	528,064	689,485	693,402
Sinking funds, depreciation and reserve fund	178,220	242,511	250,369
Interest	57,551	57,186	52,208
Preference dividends	22,500	22,500	22,500
Ordinary stock:—			
Earned	269,793	367,288	368,325
Paid	250,000	331,250	338,496
Earned %	11.0	15.1	14.0
Paid %	10	12½	12
To No. 2 reserve fund	12,677	12,496	19,106
Carried forward	143,215	151,104*	161,826

* After providing £25,000 debenture premiums

Part of the undertaking, of course, is subject to the provisions of the 1925 Act, but the greater part is independent. The accounts show the division with admirable clarity, all figures for each item in the two areas being shown separately, with the single exception of the net revenue account, which is published without sub-division. The division of the final balance, however, is to be found in the balance sheet under the London area and the Western area, so that it should be possible to perfect the otherwise admirable clarity of the accounts. The £1 ordinary stock units yield £5 3s. 3d. per cent. at 46s. 6d.

North Metropolitan Electric.—Output and sales of this undertaking have long shown more rapid progress than the average. Last year, as the following table indicates, the rate of progress was again high, though less rapid than for previous years:—

	1935	1936	1937
Total consumers	296,606	336,722	375,067
Units sold (millions)	495	597½	691
Increase (%)	17	21	16
Net revenue	794,825	855,443	914,332
Interest charges	65,031	80,374	80,628
Depreciation and reserve funds	327,670	337,352	374,082
Reserve and redemption funds	31,762	31,762	47,387
Preference dividends	84,000	84,000	84,000

Ordinary shares:—			
Earned	286,362	321,955	328,235
Paid	251,001	278,151	278,151
Earned %	11.8	12.1	12.4
Paid %	10	10	10
Contingency fund, etc.	30,000	30,000	39,383
Carried forward	49,862	63,666	74,367

Analysis of the figures shows that sales through the company's own distribution undertakings still show the most rapid progress, with an increase of 19.1 per cent. against 25.4 per cent. in 1936. This group accounts for 43 per cent. of total output, against 38 per cent. in 1935. Sales to other distributors last year increased by 12.7 per cent. against 16.7 per cent. for 1936. The higher figure for the company's own distribution undertakings is not attributable solely to greater enterprise, for the other distributors supplied in bulk may be said, in general, to serve areas whose electrical development began at an earlier date. The report states that the Southgate Borough Council have given notice to purchase that part of the company's undertaking governed by the Southgate Order of 1904. In view of the Government's intentions to rationalise distribution, it may be doubted if this transfer will be consummated. It might, however, have some effect in reducing earning power of what is, probably, one of the most remunerative of the company's component sections. The £1 ordinary stock units at 47s. yield £4 5s. per cent.

Scottish Power Company.—The financing of large construction undertakings which require some years to reach the revenue-earning stage involves considerable difficulties for public companies. One of the few examples in recent years is furnished by the Grampian hydro-electrical developments of Scottish Power. As we show in the following table, this undertaking is still in the stage where substantial charges of interest to capital are required. It is clear, however, that the greater part of the capital expenditure of the subsidiary companies (with a book value of over £8,000,000) is now in a full revenue-earning position. Profits during the past three years are analysed below:—

	1935	1936	1937
Trading profits of undertakings	547,669	615,827	670,588
Interest charged to capital	5,037	12,391	23,943
Total	552,706	628,218	694,531
Depreciation	162,196	188,328	201,329
Income tax	56,883	72,824	88,514
Available gross revenue	333,627	367,066	404,588

Parent company's expenses	22,587	23,532	24,716
Interest on loans	8,199	8,721	11,570
Preference dividends	102,300	100,650	111,575
Ordinary stock:—			
Earned	200,541	234,163	256,727
Paid	200,260	231,800	228,000
Earned %	8.0	8.1	9.0
Paid %	8	8	8
Carried forward	8,106	10,468	10,695*

* After allocating £28,500 to general reserve.

In the absence of information concerning the division of capital expenditure between civil works, whose claim for depreciation is relatively smaller, and the normal physical assets of electric supply undertakings, it is impossible to assess the adequacy of the allowance made for depreciation. The appropriation of £200,000 is apparently less than

the wear-and-tear allowance established for income tax purposes. But it may, nevertheless, be adequate, and on a reasonable view of depreciation it is probable that the dividend paid is approximately covered by available earnings. The £1 ordinary stock units yield £5 14s. 3d. per cent. at 28s.

British Power and Light.—The report of British Power and Light reveals a small setback in the consolidated earnings of the Corporation and its subsidiaries, and earnings for the ordinary capital are reduced by £6,000. The setback is attributed to increased costs arising from the abnormally low rainfall in North Wales. From the North Wales Power Company's accounts it appears that £10,000 has been taken from the Contingencies Reserve, "which was established for this and similar purposes," but the significance of the transfer is somewhat nominal, since the same amount is re-allocated out of the year's earnings to the Fund. Profits for the past three years are analysed below:—

	1935	1936	1937
Units sold (millions) (excluding C.E.B. and special contracts)	100.8	112.3	126.4
Increase per cent.	15.5	12.2	12.5
Consolidated Figures	£	£	£
Revenue from sale of energy (ordinary consumers)	619,000	705,208	806,743
Net profit	364,514	401,383	409,638
Reserve for depreciation	93,906	112,631	121,421
Income tax	38,531	49,740	58,262
Debenture interest, etc.	70,542	67,836	65,551
Preference dividends	46,500	45,937	45,188
Ordinary stock:—			
Earned	115,035	125,239	119,216
Paid	78,614	87,697	106,575
Earned per cent.	8.8	8.6	7.8
Paid per cent.	6	6	7

The report includes a consolidated balance sheet of the Corporation and its subsidiaries, and a consolidated profit and loss account, for which the board is to be commended. It appears that the depreciation allocation is about £10,000 in excess of our standard scale; on the basis of the latter provision, consolidated earnings for the year would be equivalent to just over 8 per cent. on the ordinary capital. The £1 ordinary stock units yield £5 per cent. at 28s.

Electrical Distribution of Yorkshire.—Steady progress was maintained by this company last year. Sales increased by 12.7 per cent., and net revenue, after provision for taxation, was £19,343 higher at £252,206. Earnings for the ordinary capital, however, are reduced, for the directors have made a further increase in the allocation to depreciation and reserve account. Profits during the past three years are analysed below:—

	1935	1936	1937
Units sold (millions)	42.7	48.6	54.8
Increase (%)	15.8	13.7	12.7
Net revenue (after tax)	195,483	232,863	252,206
Interest and bank charges	2,877	9,606	730
Depreciation & reserve account	50,000	70,000	100,000
Preference dividends	32,550	32,025	48,239
Ordinary stock:—			
Earned	110,056	121,232	103,237
Paid	104,625	102,938	101,250
Earned %	9.5	10.6	9.2
Paid %	9	9	9
Carried forward	42,237	56,181*	58,168

* After charging £4,351 issue expenses.

Allocations to depreciation and reserve account on the latest scale would appear to be somewhat in excess of the provisions calculated according to our standard scale. The £1 ordinary stock stands at 42s. to yield £4 5s. 9d. per cent.

HALIFAX

BUILDING SOCIETY

LARGEST IN THE WORLD

ANOTHER RECORD YEAR

TOTAL ASSETS—122 MILLION POUNDS

RESERVES—5 MILLION POUNDS

Extracts from the 85th Annual Report to be presented to the Shareholders at the Annual General Meeting at Halifax on Monday, March 28th, 1938.

MORTGAGES

During the year the sum of £20,943,616 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 £6,080,910, and now stands at £98,276,899, the average amount owing per mortgage being £410.

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 Trustee Securities, have been maintained, and, together with Cash at Banks and in hand, amount to £23,634,393.

SHARE AND DEPOSIT FUNDS

The Share and Deposit Funds increased during the year by £7,783,560 and the total funds of Investing Shareholders and Depositors now stand at £117,089,819.

TOTAL ASSETS

The total Assets of the Society now amount to £122,626,007, an increase of £8,298,431.

ACCOUNTS

The new accounts opened during the year and the total number of accounts open at the year was 712,414, being an increase of 29,799 accounts.

PROFITS

The balance of profit for the year, after payment of expenses and provision for Income Tax, National Defence Contribution, and all interest due to Depositors up to the date of the accounts, and for depreciation of office properties, amounted to £3,034,531, out of which appropriations have been made to Shareholders of interest and bonus £2,585,706; to Staff Superannuation Fund £50,000; and to General Reserve £400,000.

RESERVE FUNDS

The total Reserve Funds and Undivided Profit now amount to £5,066,167.

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 Balance Sheet free on application

Head Offices—
PERMANENT BUILDINGS, HALIFAX

London District Office—
HALIFAX HOUSE, TRAND, W.C.2
City Office—62 MARK LANE, E.C.2

BIRMINGHAM—26-28 Colmore Row
LEADS—3, Commercial Street

BELFAST—14 Donegall Square West
LIVERPOOL—37 Dale Street

EDINBURGH—75 George Street
MANCHESTER—130 Deansgate

GLASGOW—119 St. Vincent Street
SHEFFIELD—51-55 Surrey Street

PRESIDENT—Sir ENOCH HILL, F.C.I.S.

OVER 395 BRANCHES THROUGHOUT THE KINGDOM

Company Notes

Imperial Airways' Future.—The outspoken criticisms of the Cadman Report have actually been followed by a rise in Imperial Airways ordinary shares, from 22s. 9d. to 24s. 3d. Future dividend prospects are necessarily the key factor in valuing the shares, but they are difficult to assess. Fifteen months ago the shares still stood over 50s. and were clearly discounting a generous increase in dividend payments. The raising of the ordinary dividend last year from 8 to 9 per cent. incurred no little criticism, for it was clear that, while the subsidy had been reduced, the dividend and a substantial part of the obsolescence provision were provided by the public purse. The Cadman Committee introduces the novel recommendation that as the position of Imperial Airways envisaged in the Report should be securer than that of normal commercial companies, the restriction of dividends to the limits "usually associated with public utility companies" would accordingly be proper. This proposal is not brought into sharper focus by the Government's declaration that, within the limitations of existing contracts, the suggestion will be considered in connection with further assistance by way of subsidy. The Government interest in the company's distribution policy has acknowledged the need to raise new money from the public—although official intervention last year was widely held responsible for the decision to issue one million ordinary shares at no more than 30s. per share, when the market value of the existing shares was appreciably higher. On the clearest interpretation, it would seem that shareholders should regard a 9 per cent. dividend as a maximum.

* * *

It is more difficult, on the other hand, to define the minimum. Future revenue conditions have been entirely changed by the Empire Air Mail services, with new subsidy conditions and Post Office payments. The subsidy arrangements may be periodically adjusted according to operating experience and costs, but the only guide to potential dividend possibilities lies in a provision that, if the company appeals against any reduction in the subsidy on the provisional triennial basis already arranged, an allowance shall be included of working costs equal to "10 per cent. of the capital employed in the scheme." This ratio, however, would not necessarily be equivalent to 10 per cent. on the share capital. Again, what is the accepted rate of dividend for public utility concerns? The British Sugar Corporation operates under a basic dividend of 4 per cent., while electricity companies in the London area are restricted to basic dividends of 7 per cent., and the Gas Light and Coke Company to a basic dividend of 5 per cent., with actual payments under sliding scale of 5.6 per cent. Meanwhile, the company must sooner or later raise more capital. According to the prospectus published last June, the directors were then contemplating an issue of preference shares. The eventual financial return from operating the Empire service cannot be assessed at present, but the prospective loss of some part of the revenues from European services, under the proposed pooling scheme, and the smaller loading ratio on the new routes, are factors which deserve the shareholders' attention. The revised European services should, however, assist British Airways, which made a loss during the year to September, 1930. A holding of 63,947 £1 shares in this company represents the principal asset of Hillman's Airways, whose 5s. shares now stand at 2s. 6d.

* * *

Courtaulds' Prospects.—For a comprehensive view of Courtaulds' prospects the investor is well advised to

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**DON'T BE VAGUE—
ASK FOR
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await Mr Samuel Courtauld's speech. There was a general impression of long-term confidence in his remarks at this week's meeting, which acted as a counterpoise to more than one trace of concern for immediate business prospects. At home, Mr Courtauld is perplexed about the cause of the setback in the textile trades. There is apparently some sign of new buying of viscose yarns, but a "substantial increase" will be required if the Preston factory is to be started up. If operations are commenced, moreover, the benefit for this year's accounts will be small. Secondly, the return on "Fibro" is at present limited, for the present low prices for cotton and wool, coupled with a 50 per cent. increase in wood-pulp costs, are combining to close the margin of profit. The chairman hopes, however, that both factors will prove transient. It is clear, however, that the American business is the least favourably situated. It has substantial, though not serious, stocks. And its contribution to the parent company's revenue will in any case be smaller this year, even if profits are maintained. It will, in fact, take substantially the whole of the current year, on the kindest estimate, for American Viscose to regain its lost ground. It is reassuring, however, that rayon fibres have retained their position, despite the textile setback. That is a factor of predominant long-term importance. And holders of Courtaulds' shares, on this long-term basis, will agree that Mr Courtauld has enhanced his reputation for frank speaking by sharply rebuking the critics of the so-called "pessimistic" announcement accompanying the dividend. Mr Courtauld's view of this matter might well be read by some other company directors who are prone to issue statements, usually in the opposite sense.

* * *

Vickers and Cammell Laird.—Immediately after the publication of the Defence Estimates and the Premier's warning that re-armament would cost more, the dividends of two of the most important industrial participants in the re-armament programme—Vickers and Cammell Laird—were announced. In each case, the distributions are very conservative, and they have greatly disappointed the market. Vickers is maintaining the ordinary dividend at 10 per cent., profits having increased from £1,162,610 to £1,351,055, and earnings on the ordinary capital from 15.8 per cent. to 20.2 per cent. Cammell Laird's profits have increased from £146,449 to £223,707, and although the earnings on the ordinary capital have increased from 10.8 per cent. to 16.8 per cent., the dividend has been increased only from 5 per cent. to 8½ per cent. On second thoughts, the shares recovered part of their setback. Companies participating so considerably in the re-armament programme as these concerns must necessarily be hyper-conservative in distribution policy. The re-armament programme will not last indefinitely, and provision must be made for the future. There can be no doubt that both companies will continue to enjoy high earning power under present conditions. Vickers-Armstrongs has twice as much naval shipbuilding work in hand for 1938-39 as any other company, and its naval contracts for the coming year are nearly 50 per cent. higher than they were in 1937-38. Cammell Laird's naval contracts show a less spectacular increase, but the company's business is second only to Vickers-Armstrongs. Again, contracts for gun-mountings, which are made by Vickers-Armstrongs, will this year increase by 10 per cent., and there will be an even greater increase in the demand for armour-plate, of which the English Steel Corporation, owned entirely by Vickers and Cammell Laird, is the most important supplier. Consequently, the profit-earning capacity of these companies is assured. It is from this standpoint, rather than from the point of view of rapid increase in earnings and dividends, that investors should consider the prospects of heavy armament companies. The fact that they are, in effect, "recession-proof" gives them investment attractions which other concerns in heavy industry do not possess. At 21s. 4½d., the 10s. shares of Vickers yield £4 18s. per cent., while the 5s. shares of Cammell Laird yield £4 17s. per cent. at 8s. 7½d. For shares in companies with a guaranteed order-book such prices are probably not excessive.

THE PRUDENTIAL ASSURANCE CO. LTD.

Points from the Speech of
SIR EDGAR HORNE, Bart.

Chairman of the Company, at the 89th Annual General Meeting held at Holborn Bars, London, E.C.1, 10th March, 1938.

Comparisons with 10 Years Ago

	1927	1937
Ordinary Branch Income	£15,600,000	£20,300,000
Industrial Branch Income	£22,400,000	£31,000,000
General Branch Income	£1,700,000	£2,900,000
Total Assets	£209,000,000	£330,000,000

The Year's Work

NEW BUSINESS. In the Ordinary Branch the new sums assured were **£32,457,000**, the largest amount of new business in the history of the Company.

PRUDENTIAL OVERSEAS. New sums assured through Overseas Branches exceeded **£8,000,000**.

WAGE-EARNERS' ASSURANCE. In the Industrial Branch the amount received in premiums increased by **£840,000**. The amount paid in claims by death or maturity of endowments was **£10,774,000**, an increase of **£2,028,000** compared with 1936. Bonus additions to claims and surrenders during the year amounted to over **£2,361,000**. The expenses of the Industrial Branch were brought down to **22.7 per cent.** of the premiums.

POLICYHOLDERS' BONUSES. The rates of reversionary bonuses in the Ordinary Branch are maintained at **£2.6.0 per cent.** for Whole Life and **£2.0.0 per cent.** for Endowment Assurances, and in the Industrial Branch at **£1.12.0 per cent.** for policies in Great Britain and Northern Ireland.

NATIONAL HEALTH BENEFITS. Through the Prudential Approved Societies, with their membership of 3,700,000, a sum of **£4,656,000** was expended on benefits. Dental benefit alone cost **£566,000**.

BRITISH ASSETS. Over 81 per cent. of the assets are invested in the United Kingdom. Only 8.8 per cent. of the assets are invested outside the Empire.

Total Income Exceeds £1,000,000 A WEEK

Swan, Hunter Recovery.—In 1936, Swan, Hunter and Wigham Richardson experienced a setback in profits, but the directors' decision to draw on non-trading revenue and part of the credit balance to pay the 7 per cent. dividend showed well-placed confidence in the prospects for 1937. Profits, after excluding £30,863 non-trading credits in 1936 and £22,641 last year, increased from £178,516 to £275,953. The allocation for depreciation is slightly increased at £32,808, and ordinary earnings have advanced practically to the full extent of the increase in total profits. The following table shows that the 9 per cent. ordinary dividend is covered by earnings of 11 per cent. :—

	1935	1936	1937
Profits	£236,022	£178,516	£275,953
Depreciation	27,858	30,518	32,808
Fees	1,471	1,505	1,413
Debiture service	14,773	14,773	14,448
Preference dividend	47,391	47,391	47,391
Ordinary shares :			
Earned	144,528	84,329	179,893
Paid	85,553	119,774	153,996
Earned %	9.4	4.9	11.0
Paid %	5	7	9
To reserve	50,000	...	50,000
Carried forward	35,255	30,673*	29,210†

* Including £30,863 non-trading credits. † Including £22,641 non-trading credits.

The company has a considerable volume of naval work on hand, including one battleship, two cruisers and four destroyers, and a certain amount of mercantile tonnage. During the past few months, however, mercantile orders have not been freely placed with shipbuilders, and their immediate prospects thus depend very closely upon naval work. Swan, Hunter should obtain their due share of naval business, but the current quotation of 24s. 6d. ex dividend for the ordinary shares, against last year's high level of 36s. 10½d. shows that the market's estimates of future earnings have been considerably revised. The shares yield the comparatively high return of £7 7s. per cent.

The Week's Steel Results.—A number of commercial steel companies have issued acceptable results this week. The 1937 profits of Lancashire Steel Corporation, for instance, have risen by no less than 42 per cent. to £804,765, a figure which is double the 1934 level. Provision for central depreciation is even more substantial than before, at £175,000 against £150,000. Tax provisions, however, absorb £235,169 against £97,403, and earnings for the ordinary capital have increased to 10.9 per cent. against 6.9 per cent., after deducting £25,000 staff fund allocation in each year. Despite the increased earnings ratio, the dividend of 7 per cent. is maintained, and reserves receive £100,000. The company's progress is reflected likewise in the balance sheet. Net additions to plant in 1937 were £163,477 against £65,700, and current assets as shown in the balance sheet are 16 per cent. higher at £1,815,661. It is generally expected that the ordinary shares may be put on the market in due course. Profits of Baldwins, Limited, have not yet been announced, but the dividend is unchanged at 10 per cent. It is, of course, payable on an increased ordinary capital of £2,494,737, following the 1936 issue of £415,789 new shares which did not rank for dividend until 1937. Earnings in 1936 would have represented 12.9 per cent. on the increased capital, and while the market was expecting at least some improvement in profits, it had at one time hoped for an increased dividend even on the larger capital. Millom and Askam Hematite Iron for many years have paid no ordinary dividend, but in 1936 the equivalent of 15.5 per cent. was earned on the ordinary capital as written down dividend last year's scheme. Dividends have been resumed at 10 per cent. payment for 1937, out of earnings of £1,196,269, and a surplus of £76,100 over the ordinary dividend, coupled with £24,000 from the carry-forward enables the directors to put £50,000 to reserve and to write £50,000 off fixed asset value. The latter,

after giving effect to the reorganisation, now stand at £591,167 against £914,453, and investments in subsidiaries are more than halved at £267,900. Yields of 5.8 per cent. on Baldwins and 5.6 per cent. on Millom and Askam shares indicate a relatively confident market view of the current year's prospects.

Halifax and Abbey Road.—The reports of the two largest building societies in the country have certain features in common. In both cases, the number and value of new advances was lower last year than in 1935, and a small drop occurred last year in the number of outstanding mortgages in the £500-£1,000 class. The Halifax Society, one of the country's largest financial institutions, records a satisfactory year. Some 33,795 new advances were made during the year to January 31st last—an increase of 6 per cent.—the amount involved being £20,943,616, against £20,488,753. This recovery, however, was insufficient to offset the decline which occurred in the previous year and the level of 1935-36 was not regained. The balance of profit (after deposit interest) amounts to £3,034,532, against £2,904,665, and total assets have now reached the impressive total of £122.6 millions. The Halifax Society deals chiefly in mortgages of moderate size; roughly four-fifths in number of the outstanding mortgages represent debts not exceeding £500. The proportion of such mortgages for the Abbey Road Building Society is about one-half. In 1937 this Society advanced £6,756,952 on 10,380 mortgages, representing a decline of 10 per cent. in value and 24 per cent. in number, compared with small increases between 1935 and 1936. The balance of profit, however, was slightly higher at £1,529,540, compared with £1,507,038, despite increased charges, particularly for income tax and N.D.C. Comparison of the mortgage assets in the last three balance sheets suggests that small mortgages, up to £500, are assuming increasing importance. In number, such mortgages now represent 50 per cent. of the total, compared with 44 per cent. in 1936. Though the experience of individual societies varies widely, the building society reports already available suggest that new advances in 1937 were rather lower.

Mexican Oil Developments.—It is impossible to reach any firm conclusion regarding this week's Mexican oil developments, except that they have run true to Mexican form. On Monday the companies were faced with the Supreme Court's ultimatum to conform with the Labour Board's wage award (the terms of which were referred to in last week's issue of *The Economist*, page 514) by mid-day, Mexican time. The companies, realising the desperate character of their struggle, had apparently decided on passive resistance, and it was widely believed that direct intervention by the Mexican Government and oil workers would follow. The evening, however, apparently found the oil companies' representatives and President Cardenas in conference, seeking a way out of the present impasse, although a sum of 500,000 pesos, which is represented as part payment of "wages" due in respect of the strike last May, was placed under embargo at the bank. The outcome of the conference appears to be a postponement of the award for three days. It has been suggested that domestic oil prices might be increased to cover the margin between the concessions which the companies are willing to pay (for "willing" it is perhaps permissible to substitute "able") and the costs imposed by the award. Mexican Eagle shares have been an erratic market throughout the week. They closed at 7s. 6d. last Friday, fell further to 6s. 10½d. on Monday, rallied sharply to 8s. 4½d. on Tuesday, and closed at this price on Thursday. As we go to press it seems improbable that this week's respite will produce an acceptable compromise.

Consolidated Mines Selection.—Shareholders in this Kaffir finance concern who had been expecting an increased dividend for 1937 obviously paid more attention to the investment than to the marketing side of the company's business. Dividends and interest at £82,500

show a further expansion; but profit on share dealing amounted to no more than £156,060, compared with £225,150 in 1936 and £186,440 in 1935. The change in Kaffir market conditions early last year is thus vividly reflected. Taxation, including N.D.C., naturally absorbs more than before; and the allocation to reserve has been reduced to £25,000 compared with £50,000 in each of the two preceding years. After paying 25 per cent. on the shares, against 30 per cent. previously and 27½ per cent. in respect of 1935, a somewhat increased balance of £35,860 is carried forward. On the basis of last year's dividend, the yield at the reduced price of 26s. for the 10s. share exceeds 9½ per cent. This appears generous, but it may possibly not be excessive in view of the uncertain outlook for the current year. The company will doubtless receive an increased distribution upon its holding of Mawchi shares, and possibly upon certain of its West African interests; but the repetition of the 4s. per share dividends from Anglo-American Corporation and Anglo-American Investment may be less certain.

Other Company Results.—An increasing number of industrial results have been published this week, and our usual analysis of profit and loss accounts, beginning on page 606, contains some 80 companies in all. Groups well represented include electric power companies, the heavy industries and investment trusts, while the miscellaneous section includes some important accounts, including those of British Portland Cement and Provincial Cinematograph Theatres. The results are discussed on page 577 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings commence in this issue on page 587. Points discussed by Sir Josiah Stamp and Mr William

Whitelaw at the *London, Midland and Scottish* and *London and North-Eastern* meetings are referred to on page 569. At the *Britannic Assurance* meeting, Mr J. A. Jefferson disclosed that the net rate earned in the industrial branch last year amounted to £4 11s. 2d. per cent., while the expense ratio showed a substantial fall of 1.86 per cent. to 31.38 per cent. Mr J. Wilcock Holgate, at the *Refuge Assurance* meeting, expressed the view that while life assurances are numerically well distributed, their low average amount suggests an extensive field for development of new business. Record new business was reported at the *Standard Life* meeting, and premium income last year exceeded the £2 millions level. Net interest earnings exceeded 4½ per cent. on the funds. A challenging review of "cheap money" was voiced by Sir Ernest J. P. Benn at the *United Kingdom Provident Institution*. He put the case for the saver, and declared that the industrial value of cheap money could be over-stated. Sir Charles Fergusson reported to members of the *Equitable Life Assurance Society* that it had been decided to employ the new mortality tables of the Faculty and Institute of Actuaries and the stringent interest basis of 2½ per cent. At the meeting of the *Hungarian General Credit Bank* it was disclosed that deposits made with the bank had grown at a faster rate than the average accumulation of deposits in Hungary, while foreign liabilities had fallen. Mr George Balfour, addressing shareholders in *Midland Counties Electric Supply* showed that since 1922 the number of consumers had increased from 4,172 to 134,102, and the units sold from 23.8 millions to 419 millions. Sales of units in 1937 increased by 16 per cent. At the *Harrods, Limited*, meeting, Sir Woodman Burbidge expressed pleasure with the results of D. H. Evans in the first full year after rebuilding. Sir Harold Snagge pointed out at the *D. Napier and Son* meeting that orders in hand had grown tenfold from the level of £101,000 in September, 1932, when the company's fortunes were at their lowest. Sir Edward Cook explained at the *National Bank of Egypt* meeting in Cairo that the strong reserves built up in the prosperous years justified a relatively small reduction in the dividend.

THE STOCK EXCHANGES

London

TICKET	ACCOUNT
MARCH 22	MARCH 24

THE new account opened with a complete absence of sparkle. Values tended to ease in all sections, from gilt-edged down, and after the Prime Minister's statement that re-armament would cost more than the scheduled £1,500 millions, conditions became even more depressed on the cheerless Budget outlook. Some resistance in prices towards the end of business on Tuesday, however, developed into a mild rally, in which bear covering played some part, and mid-week prices, for no ostensible reason, were as mildly confident as Tuesday's had been gloomy. Except in gilt-edged, however, the recovery was not fully maintained.

Gilt-edged stocks opened reasonably firm, with fractional rises in most of the leading "irredeemable" issues. Business remained small, however, and the market showed a complete lack of resistance to unsettled conditions on Tuesday. Yet the market had again lost its Budget fears in mid-week, and maintained a firm tone, particularly in the undated stocks. The South Shields scrip opened at ½ discount, but some demand was reported in mid-week for Corporation of London scrip.

Austrian bonds were disturbed in the foreign market, but a rally occurred in most European issues in mid-week. Continued buying of Chinese issues was

associated with reports from New York of efforts for a settlement. The latter centre, however, did not put the dollar bonds higher.

Home rails were initially depressed, for the market was quite unable to absorb small selling. The traffics, however, provided a much-needed stimulus, and Great Western and Southern were prominent on Wednesday. The further depreciation of the free peso found jobbers unwilling to take Argentine rail stocks, and prices were easily depressed without any appreciable volume of selling.

Until the mid-week rally occurred, *industrial shares* were unsupported. The Baldwins and Cammell Laird dividends, quickly followed by the Vickers announcement, exerted a depressing influence on the whole steel share list, but a partial recovery occurred in mid-week. Electrical equipment shares showed only a small response to the improvement, but a number of motor shares moved higher on Wednesday, after a depressing start. Imperial Airways found sufficient encouragement from the Cadman report to close 1s. 6d. higher at 24s. 3d.

Courtaulds advanced in anticipation of the chairman's speech (see page 572) but reacted later, while other textile shares continued indifferent. There was no material demand for brewery and tobacco shares, and while most of the shipping issues staged a mid-week rally, they failed to maintain their gains.

Lower levels for the miscellaneous leaders attracted some small support in mid-week, and the bears immediately responded to the signal by covering their open positions. The improved prices, however, were not held, and prices were again feeble on Thursday.

A very quiet start in the oil market was followed on Wednesday by noticeably more cheerful tone and some expansion of turnover though there was no specific reason for the improvement. Mexican Eagle were again the centre of interest, for reasons set out on page 574. Anglo-Ecuadorian were depressed on news of the company's liability to income tax, but shared in the mid-week recovery. Business in rubber shares declined further. A moderate improvement and less selling was reported on Wednesday, but prices of many shares were hardly tested. Shares followed the general trend.

At first *mines* were dull, and prices sagged. Quotations then became somewhat firmer, though little business was passing, and finally there was a more cheerful undertone and some broadening of interest. Wednesday's improvement in Kaffirs was, however, technical, and turnover remained at a low level. Paris, after holding firm Monday, supported the miners' payers later. Rhodesian copper responded to the recovery in the price.

is £143,091 against £143,682. Carry-forward, £446,992, compared with £380,879.

British Insulated Cables.—A new profit record was reached in 1937 of £821,358, comparing with £765,695. Final ordinary dividend 10 per cent., plus cash bonus of 5 per cent., making 20 per cent. (same as for 1936, but on capital as increased by the 20 per cent. scrip bonus). To reserve, £100,000 (same), and depreciation allowance

(Continued on page 606)

Prices, Year 1938	Last year	Prices, Year 1938	Last year
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[illegible]

Prices, Jan. 1938				Last two Dividends				Name of Security	Price, Mar. 9, 1938	Change since Mar. 2, 1938	Yield Mar. 9, 1938	Prices, Jan. 1938				Last two Dividends				Name of Security	Price, Mar. 9, 1938	Change since Mar. 2, 1938	Yield Mar. 9, 1938																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
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25/3	22.6	Nil	Nil		Iron, Coal, &c. - cont.							55	48.6	6 b	5 a	Finlay (Jas.) & Co. £1	48.9	...	4 10 3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 30% basis. (e) Including bonus of 5% free of tax. (f) Yield worked on a 2 per cent. basis. (g) Calculated at 18½ annas per share of Rs. 9. (h) Annas per share. (i) Free of Income Tax. (j) Yield worked on 35% basis. (k) Yield on 16½% basis. (l) Highest price 132- and 25 per cent. dividend on old shares, before 50 per cent. capital bonus. Yield at 25 per cent. = £ 6. 5s. 0d.; at 16 per cent. = £ 4. 0s. 0d. (m) Paid on £300,000 more capital than in preceding year. (n) Dividend before the 200% capital bonus 4s. per share. (o) 17½ per cent. cash dividend and 7½ per cent. in deferred ordinary stock.

Industry and Trade

Worsteds Spinners' Re-organisation.—On March 3rd, over four hundred firms of British worsteds spinners, mainly situated in the West Riding of Yorkshire, met in Bradford to consider means of eliminating redundant machinery, and consequently, price-cutting. A committee was appointed and proposals were adopted for an investigation into the possibilities of price control and purchase of redundant plant. The initial expenses are to be covered by a levy of a penny per spindle, payable in two instalments. It is understood that any scheme which may be evolved will be a voluntary one. Preliminary investigations, classification of spindles, and adaptation of plans like those of the cotton spinners and the wool combers to fit worsteds spinners' needs, may take anything from six months to a year. It is estimated that support has already been received from two-thirds of the industry.

Purchase and scrapping of redundant plant will probably be easier than price fixing. The difficulties in the way of price-fixing are (a) the variety of raw material qualities with no fixed published prices for present or future dates, such as rule in the cotton futures market, and (b) the marked variation in spinning costs between one firm and another. Price control would necessitate investigation of offenders' books—a degree of inquisition unknown in wool textiles since war-time State control. Some owners who operate plants, bought at bankruptcy prices, are quite satisfied with existing margins. Indeed, the interests and conditions of the worsteds spinners are so diverse that the prospects of the inception of a voluntary scheme are unpromising.

Liverpool Steam Ship Owners.—The annual report of the Liverpool Steam Ship Owners' Association expresses the views of a representative body of ship owners in this country. In the report for 1937 satisfaction with last year's improvement in international trade and freight rates is tempered by anxiety concerning the future. The report expresses grave concern at the deterioration of our balance of payments, especially as the Board of Trade's estimate of shipping income in 1937 may have again been over-estimated. In the view of the Liverpool Ship Owners, the rise of British manufacturing costs, due partly to re-armament, is disquieting in that it increases the difficulties of British exporters. The prosperity of shipping cannot be maintained by one-way employment alone, "even if it were possible for the nation . . . to maintain its imports by drawing on its capital reserves and borrowing." The principal event of the year in the domestic affairs of British shipping, the report points out, has been the evolution of a scheme of voluntary co-operation which came into force at the beginning of 1938. The Association, however, strongly criticises the coal

selling schemes which are "operating to create price levels above those for competitive fuel in the open world market and in consequence to loss of custom in that market."

Malaya's Tin Tactics.—To induce the restricting producers to maintain their loyalty to a commodity control scheme is always difficult on a falling market. In the case of the tin scheme the difficulties are aggravated by reason of the fact that the low-cost producers are under-assessed and therefore at present making disproportionate sacrifices to keep the tin scheme in being. News from Malaya this week suggests that the authorities in that country may be beginning to kick against the pricks. The Government is considering a scheme whereby the F.M.S. miners will be allowed to produce an extra percentage during the April-June quarter. Since the excess production will be deducted from the quotas for the succeeding quarters, while the tin will be held in bond at the smelters' works in Singapore and Penang, the proposal does not violate the principles of the tin scheme. Its ostensible object is to alleviate the country's unemployment problem; though, in view of the fact that production must subsequently be curtailed, it seems a rather roundabout method of achieving this end. On the other hand, it has been suggested that political motives are involved. The Government's proposal draws attention to the serious labour problems consequent upon the restriction of tin production, and it may conceivably be argued that if Malaya has adequate stocks the *raison d'être* for the proposed buffer pool disappears. At all events, this latest development suggests that the problems of the International Tin Committee will not be easily resolved. A piquant situation may arise when production in Malaya has to be drastically curtailed at the end of June.

Motor Registrations Decline.—Ever since the beginning of the present season last September, the motor industry has been suffering from a decline in the demand for its products; and the January registrations unfortunately show that this downward trend continues. Owing to seasonal variations in demand, the registration figures in any month can be seen in perspective only by comparison with those of the same month a year earlier. For the fifth successive month, the January figures, on this basis, showed a decline. Private cars registered for the first time totalled 24,858 units, against 28,820 in January, 1937, a drop of 13.7 per cent. In recent months, however, a shift in demand has been evident from the higher to the lower-powered categories, with the result that new sales in the 8 horse-power class have actually exceeded those of a year earlier; but even this consolation is lacking in the January figures. The decline in sales of the more popular types may be illustrated as follows:—

	January, 1937	January, 1938
8 h.p.	7,332	6,714
10 h.p.	7,846	7,428
12 h.p.	3,820	3,752
14 h.p.	3,334	2,305

Increases compared with a year earlier were rare—being confined to the 17, 21 and 30 horse-power classes. Meanwhile, new sales of goods vehicles in January were 10.8 per cent. smaller in 1938 than in 1937—7,256, compared with 8,132. A modest increase in sales of certain categories of diesel-engined vehicles was insufficient to offset a sharp setback in practically every category of petrol-driven goods vehicle.

Employment in February.—On a superficial view the latest employment returns are not unsatisfactory, for the number of insured persons at work in Great

Britain increased from 11,309,000 on January 17th to 11,324,000 on February 14th. This increase in employment, moreover, was accompanied by a decrease in the number of unemployed on the registers of the employment exchanges of Great Britain, from 1,827,607 to 1,810,421. But there is usually a seasonal increase in employment between January and February. And if allowance is made for seasonal influences, the February returns appear less encouraging. Indeed, the increase in the number employed between January and February was less marked than usual. Thus, our index of employment, which is adjusted for seasonal variations, declined slightly, from 110.1 (1935) to 110.0 in January to 110 in February. Compared with a year ago, the position is not so satisfactory. Last month was only 20.6 higher than in February, 1937, while the number of registered unemployed showed an increase of 238,000. The incidence of recent changes in unemployment is shown below:—

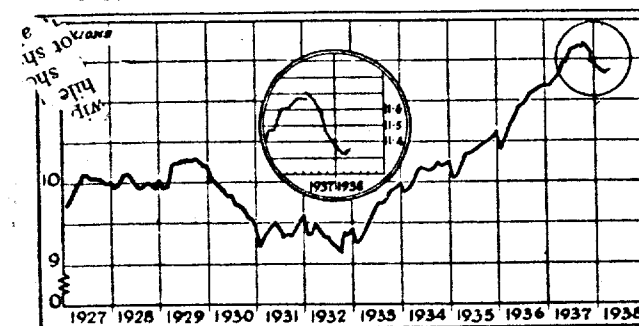
Industrial Group	Numbers in Thousands			Percentage of Insured Persons Unemployed	
	Feb. 22, 1937	Jan. 17, 1938	Feb. 14, 1938	Feb. 14, 1938	Approx. change since Feb. 22, '37
Coal-mining	136.8	99.5	98.7	11.4	- 3.9
Engineering	45.6*	55.6	57.1*	6.9	+ 0.7
Motor vehicles, cycles and aircraft	14.2	23.3	27.0	7.7	+ 3.2
Metal goods manufactures	32.5	49.2	53.2	15.8	+ 3.2
Building	156.5	196.5	174.5	16.9	+ 1.6
Public works contracting	117.2*	115.5	112.0*	38.1	- 3.7
Cotton	39.9	78.6	91.6	22.4	+12.6
Woollen and worsted	17.0	48.7	47.0	21.1	+13.7
Tailoring	19.1	36.3	29.0	13.5	+ 4.5
Hotel, boarding-house, etc., service	72.9	82.0	83.1	18.7	+ 1.7
Distributive trades	205.3	205.5	212.4	10.3	+ 0.2
All persons registered (including other trades)	1572.0	1827.6	1810.4	...	...

* These figures are not strictly comparable, owing to the change made last September in the method of counting the number of unemployed persons.

With the exception of coal-mining and public works contracting, unemployment shows an increase in all the industries enumerated in the table. The determination has been most marked in the cotton, and woollen and worsted industries, in which unemployment has increased by 51,660 and 29,960 respectively during the past year.

The accompanying diagram shows the trend of the number of insured persons employed in Great Britain since 1927. Employment marked a peak last autumn, but

NUMBER EMPLOYED IN GREAT BRITAIN

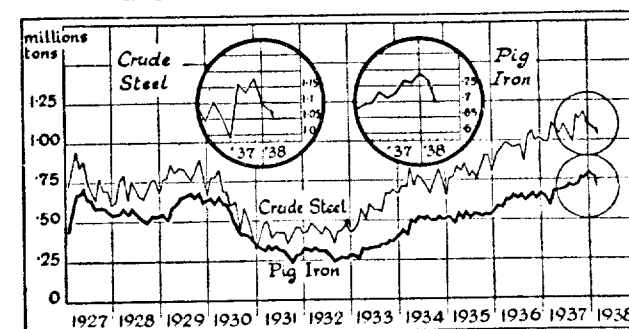


has since shown a marked decline. Nevertheless, employment still remains substantially above the 1929 level. There is normally a seasonal improvement between January and May. So far, however, the seasonal increase in employment has been less marked than usual.

Lower Steel Production.—The latest returns of the British Iron and Steel Federation reveal a slight decline in the output of pig iron and crude steel between January and February. The production of pig iron fell from 761,100 tons in January to 693,300 tons in February, and the output of steel ingots and castings declined from 1,081,400 tons to 1,057,600 tons. Calculated on a daily basis, however, production actually showed an increase,

from 24,540 tons to 24,760 tons in the case of pig iron, and from 41,600 tons to over 44,000 tons in the case of steel ingots and castings. Moreover, production last month remained well above the level of February, 1937, the increase amounting to 89,600 tons in pig iron and 61,700 tons in steel ingots and castings. The trend of the production of pig iron and crude steel since 1927 is shown in the accompanying diagram.

IRON AND STEEL PRODUCTION



Despite the decline in the demand for a number of steel products, such as tinplates, consumption remains heavy. Stocks of pig iron and steel, however, have recently tended to increase. The volume of new business, moreover, remains well below current output, and in the absence of a revival of buying during the next few months, operations may have to be curtailed. But as the import duty on pig iron may be re-introduced, and those on steel raised, at the end of this month, a serious deterioration in the British iron and steel industry may be averted.

Cheaper Quicksilver.—The London spot price of quicksilver was reduced by 2s. to £12 15s. per flask of 76 lbs. during the past week. Well over £15 per flask was paid on the open market a year ago, but even the present reduced figure would not be possible without the co-operation of the Italian and Spanish agents. Despite the substantial requirements of the defence programme (quicksilver being used in scientific instruments and in anti-fouling paint) demand for the metal is slow. Fears of a shortage as a result of the hostilities in Spain caused many of the larger consumers to anticipate their requirements last year—but the expected scarcity has not occurred. From the beginning of the civil war the Spanish Government has controlled the mines at Almaden and the quicksilver port of Alicante and exports from the latter have proceeded at a record rate. Moreover, Italy, the second largest producer, produced 2,305 metric tons last year, against a previous record of 1,998 metric tons in 1929. Supplies were therefore very plentiful last year, when British imports amounted to 1,655,000 lbs., compared with 1,284,000 lbs. in 1936. In view of the fact that this expansion of British imports has continued in recent months, consumers are now showing great reserve. Only a sharp

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contraction of supplies would suffice to improve the tone of the markets. That this is unlikely may be realised when it is pointed out that both Italy and Spain are in urgent need of foreign exchange and that the export of quicksilver is one of the easiest means of satisfying that need.

Wolfram Supplies and Prices.—Mainly owing to the reserve of consumers, the market in wolfram has recently been very quiet and prices have declined. Chinese ore is now quoted around 68s. per unit, against 85s. at the beginning of the year and 125s. to 130s. in the autumn of 1937. For most peace-time uses wolfram is still too dear, and other steel alloy metals (especially molybdenum) are tending to take its place. Armament demand remains heavy; and the existence of a war in China—which normally supplies up to two-thirds of the world's requirements—makes it scarcely surprising that rumours of a shortage of supplies have, until recently, kept prices at a high level. China's exports last year, however, amounted to 165,178 metric quintals, against 70,499 quintals in 1936. This extraordinary increase was by no means due solely to the heavy shipments made before the outbreak of hostilities; for even in December exports were 12,421 quintals, against 10,041 in December, 1936. The bulk of the Chinese supplies comes, in fact, from the extreme South and South-West—a part of the country which, besides being outside the area of hostilities, has direct rail communication with French Indo-China. This consideration, coupled with the fact that the exports provide much-needed supplies of foreign exchange, makes it improbable that Chinese wolfram supplies will suffer any drastic curtailment in the near future. Fears of a shortage thus rest on very flimsy foundations. But if there is no likelihood of a shortage, the present price level is definitely too high, and the downward adjustment of quotations may be expected to continue.

Petroleum on the Farm.—Much information of practical value to farmers is contained in a booklet, issued by Shell-Mex and B.P. Limited, entitled "Petroleum and Agriculture." An opening article describes the many uses to which the various types of tractor can be put on the modern farm. The improvement in tractor performance is illustrated from data collected under the Nebraska Testing Scheme in the United States. From the inception of the scheme in 1920 until 1926, tractor

weights were reduced by nearly 40 per cent. and fuel consumption by 35 per cent. Since then, tractor design has been more or less standardised, recent developments having been mainly concerned with adapting the tractor to an ever-widening range of uses—and especially to the needs of the small mixed farm. To-day, thanks to developments like row crop equipment, pneumatic-tyred drive wheels and a much greater range of sizes and types, tractors are being used for every kind of operation. The completely horseless farm has, in fact, become a practical possibility. Its relative economy arises from the fact that a power-driven appliance enables a man to control more power. The full benefit of the tractor economy is not secured unless the tractor is fully loaded and is provided with suitably designed implements.

Trade Marks for India.—At the Legislative Assembly at Delhi the Government is embodying in a Bill its policy for the registration of trade marks. This is the consummation of about seventy years' controversy. Hitherto India has been practically the only important country content to rely on advertisement as the sole means of trade mark protection. There has been no register or public record of trade marks, and little or no remedy against infringement except that available under common law. It was not possible for India to join any international conventions covering trade mark and patent rights; nor for any manufacturer or merchant domiciled in India to obtain registration of a trade mark in countries where a domestic registration was a preliminary condition. The new Bill, closely following British law and practice, will clearly define trade marks, stipulate what may and what may not be registered, introduce classification of goods, define the rights of trade mark proprietors and provide remedies and reliefs for infringements; and a Register will be established. One section corresponding to Section 8 of the 1937 British Act provides for registered users; and a word or words in the Indian vernacular language, if a dictionary word, can be registered, even if the corresponding word in English or other languages is already registered or pending. Many marks now in use in India may have to be cancelled as being merely descriptive or laudatory. The dominating position of the merchant or importer class is being specially studied, with a view to adjusting equitably the rival claims of the actual manufacturers of the goods on the one hand and those of the importers on the other.

INDUSTRIAL REPORTS

This week's batch of reports from industrial centres does not reveal any significant change of trend in the major branches of activity. In general, new business remains limited, in contrast to the usual revival in many trades at this time of year. The decline in new orders remains most marked in the export trade. Although the total consumption of steel continues at a high level, stocks are increasing. Our Cardiff correspondent already uses the term "depression" in referring to the iron and steel industry in South Wales. Domestic demand for coal remains active, but export business is declining. If it were not for the operation of the selling schemes, our Newcastle correspondent points out, a severe fall in prices would probably have taken place. There has been no improvement in the cotton industry, and some spinners and manufacturers have described their sales this week as the smallest for a long time.

Coal

Cardiff.—New business remains very restricted. The contract commitments of the collieries are not enough to absorb output, and working time is being lost in nearly all parts of the

coalfield. In these circumstances, approved prices are easier for spot shipments, but the Control Board is resisting the attempts of buyers to exploit the weakness of the market for immediate shipment by firmly maintaining their provisional quotations for backward positions. In this policy they are being helped by the fact that there is little coal in the hands of speculative middlemen, and monthly quantities due to contractors are being cancelled if they are not taken.

There are two contracts in the market, particularly for Spain and Portugal, but they have not yet been placed. Shipments at the South Wales ports last week totalled 395,500 tons, compared with 390,900 tons the previous week and 402,522 tons in the corresponding period last year. The depression in the iron and steel industry is reacting unfavourably on coke and industrial coals. Quotations for coke are slightly lower. Patent fuel is quiet but unchanged. Pitwood prices are weaker, and Portuguese supplies have been reduced from about 25s. 6d. to 24s. ex ship.

Glasgow.—The shipping branch of the coal trade remains dull, and the

tonnages despatched last week showed a sharp drop to 176,000 tons, against 230,000 tons in the previous week and 253,000 tons in the corresponding week of last year. All the usual overseas markets appear to be "off" for the time being, and only some tentative inquiries are being received. In connection with the big Swedish railways order, tenders have now been put in by one or two Scottish firms, at prices ranging from 17s. to 18s. per ton.

The home trade is also showing some sectional slackening, but is on the whole still satisfactory. Coastwise trade is rather quieter, the Irish trade having slowed down during the past week or two. Prices for shipping business remain easy.

Newcastle-on-Tyne.—Shipments of coal and coke from the North-East are disappointing, and if it were not for the operation of "controlled" coal selling, there is every reason to believe that a severe fall in prices would have taken place. Production is maintained, an indication that the industry is indebted to local trade for its present position. The Northumberland steam market is steady; collieries are working

well enough at present, but there is still a lack of forward inquiry. Durham collieries have a regular trade, most of them being comfortably booked for the greater part of this month. Patent oven coke is easy owing to the lack of export trade.

COAL OUTPUT AND EMPLOYMENT

District	Week ended February 19, 1938		Week ended February 26, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	291.9	45.6	303.3	45.5
Durham	713.3	117.8	716.9	117.9
Yorkshire	982.3	143.2	996.9	143.3
Lancs, Cheshire and N. Wales	365.7	69.1	368.0	69.0
Derby, Notts & Leicester	761.9	98.7	766.0	98.8
Staffs, Worcs, Salop & Warwick	428.7	67.8	428.8	67.8
South Wales and Monmouths	821.2	137.6	825.3	137.5
Other English districts*	124.8	22.5	124.1	22.6
Scotland	653.8	91.4	657.5	91.2
Total	5,143.6	793.7	5,186.8	793.6

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

London.—According to the weekly report of the London Iron and Steel Exchange, quiet conditions rule in the markets, although there is little indication of a decline in the tonnage passing into consumption. Most consumers have purchased their requirements for as far forward as they care to commit themselves, and as a consequence it is not expected that great activity will rule

in the market for the next month or two. At the same time, expectations that the import duties will be raised at the end of March has led to a rush to deliver materials purchased abroad at a time when the stringency in the British market was at its height.

New business in British and foreign pig iron has been limited, and stocks have accumulated at the producing and consuming works. At the current rate of consumption, however, it should not be long before stocks are reduced to more normal proportions.

In the semi-finished steel department full supplies are now available for all classes of consumers, and this has enabled the finishing works to overtake arrears of orders.

The demand for steel is steady, but at full capacity, contracts are being worked off more quickly than new business is coming forward; but it is still difficult to place orders for near delivery for some descriptions of steel. Whilst export business remains quiet, Continental prices have shown a firmer tendency as a result of the recent meetings of the British, Cartel and American steelmakers.

Sheffield.—The tendency in the iron and steel market is towards easier conditions. So far as iron is concerned supplies are well in advance of demand, and there is no immediate prospect of revival, consumers being adequately covered by contract, in many cases up to the end of the first half of the year. A re-imposition of the duty on imported iron, for which application is

to be made, would, it is argued, go a considerable way to straighten matters out.

Demand for basic steel billets is as strong as ever, and business in acid billets continues good. Stainless steel sheets and wire rods continue very active. Prices are unchanged.

Business in the scrap market is limited, especially for iron, prices of which are showing a sagging tendency. Heavy foundry cast iron is quoted at 70s.-75s. per ton, and heavy wrought iron for shearing has dropped to about 82s. 6d. per ton. High-speed steel is obtainable down to £60 per ton.

Middlesbrough.—Whilst the output of Cleveland foundry pig iron is not large, stocks are accumulating at makers' works. Local foundries are consuming the Midland and Continental iron which they were obliged to purchase some time ago owing to their inability to secure local iron. It is expected that the import duty on pig iron will be re-imposed at the end of this month, whilst imports of semi-finished steel will be restricted to the import quota.

In the steel departments arrears of delivery of some classes of material have been overtaken, and orders for light sections and for sheets could be delivered fairly promptly. The heavy finished departments continue busy and have good order books.

Blast-furnace coke supplies are now in excess of the demand, and owing to the reduced inquiry for export, the position is easier. Local merchants have no difficulty in disposing of heavy steel-melting scrap at official prices.

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	Mar. 2, 1938	Mar. 9, 1938		Mar. 2, 1938	Mar. 9, 1938		Mar. 2, 1938	Mar. 9, 1938
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel).—			METALS (per lb.)—cont.			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, May	93½	88½	Tin, N.Y., Straits spot	42.00	41.87½	Cotton, Am. Mid., Mar.	9.15	9.07
Winnipeg, May	127	120	Lead, N.Y., Spot	4.50	4.50	Lard, Chicago, May	8.82½	8.75
Maize, Chicago, May	593½	587½	Spelter, East St. Louis, spot...	4.75	4.50	Petroleum, Mid-cont. crude		
Cats, Chicago, May	303½	29½				33 deg. to 33-90, at well,	116	116
Rye, Chicago, May	76½	62½	MISCELLANEOUS (per lb.)—			per barrel	149.8	144½
Early, Winnipeg, May	64½	62½	Cocoa, N.Y., Accra, March ...	5.87	5.74	Rubber, N.Y., smk. sheet spot	141½	149½
METALS (per lb.)—			Coffee, N.Y., cash	51½	51½	Do. Apr.	131½	
Copper, N.Y., Domestic spot...	9.72½	9.67½	Do. Santos, No. 4	7½	7½	Sugar, N.Y., Cuban Cent.	96	
Producers' export	10.00	9.95	Cotton, N.Y., Am. mid., spot...	9.24	9.16	deg. spot	3.15	3.0

BRITISH WHOLESALE PRICES

	Mar. 2, 1938	Mar. 9, 1938
CEREALS AND MEAT		
GRAIN, Etc.—		
Wheat—		
No. 2, N. Man. 496 lb.	s. d. 57 6	s. d. 56 0
Eng. Gaz. av., per cwt.	8 0	7 11
Liv. March, per cental	7 5	7 4
Flour, per 280 lbs.—		
Strait, d. d. London	35 6	35 6
Manitoba, ex store	38 6	38 0
Barley, Eng. Gaz. av.	12 4	12 5
Oats	8 5	8 5
Maize, La Plata, landed, 450 lb.	32 9	32 6
Rice, No. 2 Burma, per cwt.	8 0	8 0
MEAT—		
Beef, per 8 lbs.—		
English long sides	4 10	4 8
Argentine chilled hinds	4 4	4 3
Mutton, per 8 lbs.—		
English wethers	4 8	4 8
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 8	4 8
Pork, English, per 8 lbs.	6 2	6 4
BACON (per cwt.)—		
English	102 0	102 0
Dutch	96 0	96 0
Irish	104 0	104 0
HAMS (per cwt.)—		
Canadian	96 0	98 0
United States	88 0	88 0
OTHER FOODS		
BUTTER (per cwt.)—		
Australian	115 0	117 0
New Zealand	117 0	117 0
Danish	125 0	124 0
CHEESE (per cwt.)—		
Canadian	75 0	76 0
New Zealand	67 6	68 6
English Cheddars	68 0	69 0
Dutch	62 0	62 0
COCOA (per cwt.)—		
Acara, li.	31 6	32 6
Trinidad	40 0	40 0
Grenada	43 0	45 0
COFFEE (per cwt.)—		
Santos sup. c. & f.	31 0	31 0
Costa Rica, medium to good	50 0	50 0
Kenya, medium	45 0	45 0
EGGS (per 120)—		
English (15-15½ lb.)	11 3	10 9
Danish (15½ lb.)	10 3	9 6
FRUIT—		
Oranges, Jaffa	9 6	9 9
" Brazilian	17 0	16 6
Lemons, Malaga	10 0	12 9
" Sicilian	10 0	10 3
Apples, Amer. (var.)	10 0	14 0
" " (var.)	7 0	7 9
Grapes, Almeria	11 0	11 0
Grapefruit, Jaffa	10 0	9 0
LARD (per cwt.)—		
Irish, finest bladders	64 0	68 0
U.S.	51 6	51 6
PEPPER (per lb.)—		
Black (in Bond)	0 27 8	0 27 8
White, unstock	0 41 8	0 41 8
SATIN (per cwt.)—		
2 ½" wide	6 0	6 0
2 ½" wide to you & not shipm.	5 4½	5 3
our	23 0	23 0
the	23 6	23 6
ir		

	Mar. 2, 1938	Mar. 9, 1938
SUGAR (per cwt.)—cont.		
Crushed	s. d. 21 3	s. d. 21 3
Granulated	19 10½	19 10½
Home Grown	19 0	19 0
TEA (Auction Average) (per lb.)—		
N. India	13 89	13 71
S. India	14 91	14 93
Ceylon	16 61	16 62
Java	12 32	12 19
Sumatra	11 45	11 39
Africa	12 69	12 39
Total	14 45	14 23
TOBACCO (per lb.)—		
Virginia stemmed and un-	s. d. 0 8	s. d. 0 8
stemmed, common to fine	2 6	2 6
Rhodesian stemmed and un-	0 9	0 9
stemmed	1 10	1 10
Nyasaland stemmed and un-	0 7	0 7
stemmed	1 4	1 4
East Indian stemmed and un-	0 7	0 7
stemmed	1 10	1 10
TEXTILES		
COTTON (per lb.)—		
Raw, Mid-American	5 12	5 09
" Sakellaridis, F.G.F.	8 56	8 50
" Giza, F.G.F.	7 61	7 55
Yarns, 32's Twist	10 8	10 8
" 40's Twist	10 8	10 8
Cloth, 32 in. Printers, 116 yds.	s. d. 18 3	s. d. 18 3
" 16, 32's & 50's	24 9	24 9
" 36 in. Shirtings, 75 yds.	10 6½	10 6½
" 38 in. ditto, 38 yds.	9 6½	9 6½
" 39 in. ditto, 37½ yds.	9 6½	9 6½
" 16, 15, 8½ lb.	9 6½	9 6½
FLAX (per ton)—		
Livonian ZK	69 0	69 0
Pernau HD	70 0	70 0
Slanetz Medium, 1st sort	85 0	86 0
HEMP (per ton)—		
Italian PC	71 0	71 0
Manilla, Mar.-May "J2"	26 0	26 0
JUTE (per ton)—		
Native 1st mks, c.i.f. H.A.R.B.	18 15/0	18 12/6
Feb.-Mar. c.i.f. Dundee, Feb.	17 15/0	17 12/6
Mar.	17 0	16 15
SISAL, African, Mar.-May.	17 0	16 15
SILK (per lb.)—		
Canton	7 9	7 9
Japan	6 9	6 9
Italian, raw, fr. Milan	6 9	6 9
WOOL (per lb.)—		
English, Southdown, greasy	16	16
" Lincoln hog, washed	14	14
Queensland, scd. super combg.	24	24
N.S.W. greasy, super combg.	13	13
N.Z. greasy, half-bred 50-60	12	12
" Crossbred 40-44	11	11
Tops—		
Merinos 70's average	29	29
" 61's	20 2	27
Crossbred 48's	15	16
" 46's	14½	15½
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	19 6	19 6
Durham, best gas, f.o.b. Tyne	21 6	21 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d. d.	109 0	109 0
Bars, Middlesbrough	20 0	20 0
Steel rails, heavy	202 6	202 6
Timber	22 6	22 6
NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	40 5 0	39 17 6
Three months	40 10	40 2 6
Tin—		
Standard cash	186 10	185 17 6
Three months	186 10	185 17 6
Lead, soft foreign—		
Cash	15 6 3	15 10 0
English, pig	15 7 6	15 12 6
Spot	14 7 6	14 3 9
Aluminium, ingots and bars	100 0 0	100 0 0
" rolling billets	102 0 0	102 0 0
Nickel, home and export	180 0 0	180 0 0
Antimony, Chinese	67 0 0	67 0 0
Wolfram, Chinese	68 0 0	68 0 0
Platinum, refined	6 10 0	6 10 0
Quicksilver	12 15 0	12 15 0

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—

	Mar. 2, 1938	Mar. 9, 1938
GOLD, per fine ounce		
in paper bags 20 to ton (free, non-returnable)	139 10	139 7
SILVER (per ounce)—		
Cash	1 8½	1 8½
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area,		
in paper bags 20 to ton (free, non-returnable)	42s. per ton	
4-ton loads and upwards		
CHEMICALS—		
Acid, citric, per lb., less 5%	s. d. 1 0½	s. d. 1 0½
" Nitric	0 2	0 2
" Oxalic, net	0 5	0 5
" Tartaric, English, less 5%	1 1½	1 1½
Alcohol, Plain Et. yl	12 0	12 0
Ammonia, carb.	20 0/0	20 0/0
Sulphate	7 14/0	7 14/0
Arsenic, lump	35 0/0	35 0/0
Borax, gran.	13 6	13 6
" powder	15 0	15 0
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4	0 4
Sulphate	10 0	10 0
Soda Bicarb.	10 0	10 0
Crystals	5 0	5 0
Sulphate of Copper	18 15/0	18 15/0
COPRA (per ton)—		
S.D. Straits, c.i.f.	12 17/6	12 7/6
HIDES (per lb.)—		
Wet salted, Australian	0 5	0 5½
West Indian	0 3/8	0 3/8
Cape	0 4/8	0 4/8
Dry and Drysalted Cape	0 6½	0 7
Market Hides, Manchester—		
Best heavy ox and heifer	0 4½	0 4½
Best cow	0 3/8	0 3/8
Best calf	0 4/8	0 4½
INDIGO (per lb.)—		
Bengal, g.d. red-vio. to fine	5 6	5 6
LEATHER (per lb.)—		
Sole Belugas, 8 14 lb.	2 1	2 1
Bark Tanned Sole	2 2	2 0
Shoulders from DS Hides	0 7	0 7
" Eng. or WS do.	0 9	0 9
Bellies from DS do.	0 5	0 5
" Eng. or WS do.	0 6	0 6
Dressing Hides	1 4	1 4
Ro. Eng. Calif. 20/35 lb. per doz	3 6	3 6
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit, No. 1, London	1 5½	1 5½
Petroleum, Amer. rid. brl. Lond.	0 10½	0 10½
Fuel oil, in bulk, for contracts	0 35½	0 35½
ex incl. 11 miles	0 42½	0 42½
ROSIN (per ton)—		
American	13 12/6	13 10/0
RUBBER (per lb.)—		
St. rubbed smoked sheet	0 7½	0 6½
Prime hard Para	0 6	0 6
SHELLAC (per cwt.)—		
IN Orange	42 0	41 0
TALLOW (per cwt.)—		
London town	19 0	19 0
TIMBER—		
Swedish u/s 3 x 8	22 10/0	22 10/0
" 2½ x 7	22 0/0	22 0/0
Canadian Spruce, Dis.	23 10/0	23 10/0
Pitchpine	11 0/0	11 0/0
Rio de la Platte	35 0/0	35 0/0
Teak	27 0/0	27 0/0
Honduras Mahogany logs c. it.	0 12 0	0 12 0
English Oak Planks	0 6 0	0 6 0
English Ash Planks	0 7 0	0 7 0
VEGETABLE OILS (per ton net)—		
Linseed, naked	27 12/6	26 17/6
Rape, refined	36 0/0	35 0/0
Cotton-seed, crude	19 10/0	19 0/0
Coconut, crude	18 15/0	17 12/6
Palm	16 15/0	15 7/6
Oil Cakes, Linseed, Eng.	9 15/0	9 15/0
Oil Seeds, Linseed—		
La Plata, Mar.	12 11/3	12 10/0
Calcutta	14 6/3	13 15/0
Turpentine	s. d. 31 9	s. d. 32 0

LONDON MIDLAND AND SCOTTISH RAILWAY COMPANY

IMPROVEMENT IN NET REVENUE MAINTAINED

PASSENGER RECEIPTS BEST SINCE 1929

INCREASING COSTS

ELECTRIFICATION POLICY

CURRENT YEAR'S OUTLOOK

SIR JOSIAH STAMP'S REVIEW

The fifteenth annual general meeting of the London Midland and Scottish Railway Company was held at Friends House, Euston Road, London, N.W.1, on Thursday, March 10, 1938, Sir Josiah Charles Stamp, G.C.B., G.B.E., chairman of the company, presiding.

The Chairman: I will now ask the assistant secretary to read the notice convening the meeting.

The assistant secretary (Mr G. R. Smith) read the notice accordingly.

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.

ADMINISTRATION

It is with great sorrow I have to refer to the fact that during the past year we have lost by death three members of our board.

On August 14th Sir Arthur Rose died, after a short illness, at the early age of 62. He was a man of wide experience, high capabilities, and sound judgment. He was also an indefatigable worker for the company, and represented us on MacBraynes and the Scottish Motor Traction Companies, and his work for the country, especially as Commissioner for Special Areas in Scotland, is well known; indeed—and it is a sad thought—had he spared himself more in public service he might still have been with us.

You will remember that a year ago we reported that Mr Ismay was away on sick leave. In June last he resigned, and he passed on several months later. There thus came to an end a long family connection with the old London and North Western and the London Midland and Scottish Railway Companies, and we have suffered a great loss, especially in our shipping interests.

Another long family connection, this time with the Midland and London Midland and Scottish Railway Companies, ended by the death on November 23rd of Mr Douglas Vickers. He had been a director for thirty-five years, and his industrial and engineering experience and his friendship and counsel will be greatly missed. He also rendered great service as a British Representative on the Permanent Commission of the International Railway Congress Association.

As you will have seen from the report, Mr Murray, unable to travel regularly to London owing to ill-health, resigned his seat at the board, but I am glad to say we still have the benefit of his experience and advice on the Scottish Committee in Glasgow. His place has been taken here by Sir Robert Greig, who joined our Scottish Committee on February 22, 1934, and has a great knowledge of agricultural and Scottish interests.

Viscount Runciman, who you will remember resigned from the board in 1931 on his appointment as President of the Board of Trade, has been re-elected a director, and the company are fortunate in again having the benefit of his wide experience and specialised knowledge.

We have also been fortunate in the accession to the board of Sir Robert Burrows, who has extensive knowledge of the large industrial and commercial interests of Lancashire.

You will share our satisfaction that His Majesty the Coronation Honours conferred a knighthood on Sir William Wood, our Vice-President for Finance and Service Departments, who has rendered fine service to British railway interests generally.

I regret to say our chief accountant, Mr Taylor, has retired

through ill-health. He has been succeeded by his assistant, Mr George Morton.

RESULTS OF THE YEAR

I should like to mention before coming to a review of the 1937 results, that in conjunction with the other railway companies we have, with the consent of the Minister of Transport, omitted shillings and pence from our full published accounts.

For the fifth year in succession we have an improvement in net revenue. The various results are given in detail in the summary before you, and I need not repeat the details of the railway receipts, but it is interesting to record the fluctuations of the last nine years:—

	Railway Receipts.	Per cent. of 1929.
1929	£ 73,195,000	100
1930	68,241,000	93.2
1931	63,223,000	86.4
1932	58,507,000	79.9
1933	58,185,000	79.5
1934	60,572,000	82.8
1935	61,658,000	84.2
1936	64,463,000	88.1
1937	67,234,000	91.9

and the improvement has been maintained in 1938, the results for the first eight weeks of the year showing an increase of £317,000 over 1937, which is a little better than our anticipations.

1937 AND 1929 COMPARED

Since the low-water mark in the railway receipts of 1933 the recovery has been fairly generally spread over the various classes of traffic, but it is interesting to compare 1937 with 1929. The decreases against 1929 are:—

	£	Per cent.
Passengers	1,385,000	6.4
Parcels, &c.	344,000	4.9
Merchandise (Class 7 and upwards)	3,155,000	14.4
Merchandise (Classes 1 to 6)	314,000	4.6
Coal	538,000	3.8
Live Stock	236,000	28.8
Miscellaneous	Increase 11,000	1.7
	£5,961,000	8.1

The passenger receipts are the best since 1929, and although 6.4 per cent. below 1929, they show a steady improvement each year since 1933, which is continuing in 1938. We carried 46 million passengers in 1929, and last year were only 1,700,000 short of that figure, but in passenger miles there was an increase from 7,672 million miles to 8,104 millions, or, say, 6 per cent.

MARKED DECLINE IN GENERAL MERCHANDISE

The decline in general merchandise (Class 7 and upwards) is marked, and it is here that we suffer most from the effects of competition. While we had this severe loss in receipts done as measured by ton-miles was 99.9 per cent. increased at level, and the reduction in revenue was mainly due to the same cause.

effects of less short distance traffic and reduced rates. The former factor can be readily appreciated when I add that the average length of haul in the eight years increased from 70.4 to 76.6 miles, although 1937 itself showed a reduction of one mile—the first year which has shown a reduction since the L.M.S. was formed.

The receipts from coal and low-grade traffics covered by the term "Classes 1 to 6" have recovered well and will, I hope, reach the 1929 level in 1938.

The livestock figures are very bad and reflect the Irish difficulties.

RAILWAY EXPENDITURE

I have compared the traffic receipts last year with 1929, and without giving you each intervening year the corresponding reduction in railway expenditure is 6½ per cent., and you will bear in mind the large proportion of railway expenditure which is unaffected by the volume of traffic. We are thus doing substantially more actual work than in 1929 at considerably less working cost.

Compared with 1936 the expenditure increased by £2,387,000, and the main cause is the large increase in prices of materials and rates of wages I mentioned a year ago. I told you that we could then see three-quarters of a million additional for price advances, but the increase has been much more severe. The growth in railway expenditure is made up of:—

	£
Maintenance	941,000
Operating expenses	1,352,000
Other	94,000
	£2,387,000

INCREASED MAINTENANCE COSTS

As in 1936, the increase in maintenance of way and works and rolling stock is due to the growth in prices of labour and materials, the renewal provisions alone increasing by £493,000. The increase in operating expenses, while due partly to the growth in traffic, is largely a reflection of increased rates of wages and prices of coal; we were fortunately aided in the last two months of the year by considerably better operating conditions than in 1936, when we were heavily handicapped by unfavourable weather.

The railway net receipts total £13,636,000, an increase of £385,000 over the previous year, and are disappointing compared with the successive increases of roundly £1,000,000 in each of the three previous years, but the chief reason was beyond our control and the costs capable of control were reduced.

As regards the other businesses I need say little. The net results from road transport, steamers and docks again show the highest figures in any year, the docks being aided (at the expense of steamers) by increased charging powers which Parliament granted us last year. Canals have gone a little worse owing to special damages due to floods, while hotels and air services I refer to later.

I have previously explained to you the effect of increased merchandise receipts on the collection and delivery, and this year the result is an increased loss of £55,000; whilst the expenditure, increased by £102,000, the expenditure, mainly for the reasons I have explained in relation to other accounts, increased by £157,000. The net result compared with 1929 is, however, an improvement of £280,000 and, with slightly higher receipts than in 1929, expenditure has been reduced by £260,000.

THE NET RESULT

The net result from all businesses is an increase of £306,000, and cellaneous items add another £2,000, which reflects on the one hand improvements in joint lines and in capital account investments, and on the other hand reductions in interest items.

The net revenue of £14,356,000 or £308,000 more than in 1936 regarded by some as small in relation to the growth of gross receipts, but the severe increase in prices is, as I have shown, the chief cause, and I must warn you that the full impact of this rise has not felt in 1937. On the other hand, the benefit of increased charging powers granted to us, which I am explaining later, was felt in three months only of 1937.

BALANCE SHEET ITEMS

As to the balance sheet, you will observe that the loan to the Railway Finance Corporation, which I have already fully explained, is a receipt of a capital nature, for technical reasons, and is added to capital account, is increased by nearly

£2,000,000, savings bank deposits have increased by £1,220,000 and reserves of various descriptions by £570,000.

On the last item I should add that the renewal provisions for all businesses set aside during the year out of revenue expenditure in accordance with our usual practice, amount to £5,630,000, an increase of £606,000, mainly due to increased prices. A critic has suggested that we are unduly conservative in this policy, but my reply is that we do not live from "hand to mouth" and our provisions are very carefully considered on their merits and are those appropriate to our responsibilities to the public and to the proprietors.

Our capital outlay has been mentioned by another critic. I have told you before, and repeat, that none is authorised without the fullest justification from the net revenue aspect. This year the largest part of the total of £2,250,000 is £1,650,000 for rolling stock. We expand or contract our stock according to probable requirements such as for the heavy freight traffic in December last (the "peak" since the Great War) and the unique "peak" in passenger traffic early last year due to the Coronation of King George VI.

CAPITAL EXPENDITURE FIGURE

At amalgamation our capital expenditure stood at £437,000,000. In 1929 it had grown to £448,500,000, and in the eight years since then it has grown by £8,200,000 to £456,700,000. Of that £8,200,000, £4,000,000 is due to investments in road transport undertakings, but, to hark back to our net revenue, this £4,000,000 gave us a direct return in 1937 of £360,000, or 9 per cent., and I need not repeat what I explained before regarding the excellent return from our modernisation of equipment generally, and particularly our rolling stock.

The investments, other than those in capital account, amount to £28,250,000, an addition of nearly £3,000,000, a reflection largely of the reduction of the rates and rate relief suspense account as the over-payments are being recovered. We have still nearly £1,500,000 to recover, but it is coming in rapidly.

Stocks of stores have risen by £1,300,000, or 20 per cent., mainly again owing to prices, but partly to building up reserves of certain supplies owing to difficulties we experienced in obtaining deliveries at certain times during last year.

The outstanding traffic accounts show an increase of £415,000 arising from the increased traffic.

I explained last year that our net revenue results for 1936 were the best since 1929 and that we hoped to maintain and improve upon them in 1937. We have actually done so, and the additional 5s. per cent. dividend proposed on the ordinary stock will, we hope, be improved upon in 1938.

RATES AND CHARGES

Since 1929 the Railway Rates Tribunal have been holding their annual reviews of railway charges in accordance with the Railways Act, 1921. As you know, an important function of the tribunal is to fix rates, fares and charges which will, so far as practicable with efficient working, yield to us a prescribed annual net revenue known as the "standard revenue," and they are required when making their periodical reviews to make general modifications of the charges, where necessary, to enable such standard revenue to be earned. I need hardly remind you that if on any such review net revenue exceeds the standard, 80 per cent. of such excess is to be devoted to reducing the charges.

Now it is common knowledge that the railway companies have not yet been able to earn their standard revenues. The deficiency in our case was at its maximum—£10,600,000—in 1932, and the deficiency in 1936 was still £6,500,000. The Tribunal have throughout adopted the practice of inviting the suggestions of the railway companies as to the possibility of meeting the deficiencies. At each annual review from 1929 to 1936 the companies informed the Tribunal that, in their view, an increase of charges would not be likely to yield an increase of net revenue. On each such review the Tribunal found that the undertakings of the companies had been conducted with a view to economy, but having regard to the companies' submissions on charges no increases were authorised. There has, however, been a marked improvement in the trade of the country generally since 1935 which justified a more optimistic view of the future, and after careful consideration the companies came to the conclusion early last year that a moderate increase in charges would improve their net revenues materially, without prejudicing the continuance of the favourable trend in trade and industry. Accordingly, they submitted proposals for increases in charges, with the object of assisting the Tribunal in carrying out the duty imposed on them, although they recognised that this increase would still leave them short of their standard revenues.

THE RAILWAY COMPANIES' SUBMISSION

The railway companies appreciated that different descriptions of traffic would respond in different degrees to an increase in charges, but they felt that there were strong reasons against any differentiation in the application of the increase. They were of opinion that an increase of 5 per cent., applied generally, would yield some increase of revenue, though possibly not to the full extent of 5 per cent., with a corresponding addition to the net revenue. There was therefore no justification for leaving any description of traffic untouched by the increase, and the railway companies felt that any discrimination in favour of any particular traffics would be inequitable and would be resented by those interested in other traffics. In those circumstances the proposals laid before the Tribunal were for a general increase of 5 per cent. or thereabouts, to apply to all charges subject to the jurisdiction of the Tribunal, the estimated addition to net revenue in a full year being, in our case, £2,200,000.

THE TRIBUNAL'S DECISION

The hearing before the Tribunal occupied 16 days, and at the conclusion they decided to modify the standard and exceptional charges substantially as proposed. This decision took effect from October 1, 1937, but it did not apply to fares in respect of intra-London suburban passenger services, as these are governed by the London Passenger Transport Act, 1933.

We have not yet had a full year's experience of the effect of the Tribunal's decision, but the partial experience so far appears to justify the estimate we put forward. Although not its objective, this addition to our revenue will offset to a considerable extent the increased cost of labour and materials which we have felt severely.

INCREASED PRICES

This increase in costs is partly due to the increased wages bill, which has followed from the wages agreements I will refer to later, and to the effect of the cost of living on wages rates of certain grades which move with that index. While this increase is due very largely to a restoration of reductions in the period of extreme depression, the level of wages costs is higher now for various grades than before the so-called cuts and the addition to us in a full year over the costs of 1936 is £1,830,000.

The other factor is the marked increase in prices of coal, iron, steel, timber, provender and in fact nearly all our purchases. Taking as a whole the present addition to our costs over 1936 through increased material prices, after allowing for certain recent reductions from the highest levels, is at the rate of £2,230,000 in a full year.

While these two factors will together add about £4,000,000 per annum to the costs of 1936, the effect on revenue is a little less because of capital elements and so forth, and in any event a large part of the impact will not be felt until 1938-39 owing to the use of earlier purchases.

The effect on the revenue expenditure for 1937 was, as mentioned in the directors' report, an addition of £1,875,000.

ELECTRIFICATION

Three years ago I told you what our general policy is regarding electrification and although some of the factors involved may have altered a little, there has been no change in the main position since then. I must refer to the subject again, however, because I have seen the incorrect statement made in responsible quarters that we had asked for public assistance towards the cost of undertaking electrification schemes. This must be due to a misunderstanding of a statement I made, on a suggestion of further electrification, that insofar as electrification is required certain national values distinct from, or over and above the value of the railways, that was a matter for public funds and not railway shareholders' funds.

Exactly the same comments apply to other statements that we have received material assistance from the Government, to presume through the Railway Finance Corporation. These arrangements were mutual. We on our part agreed to undertake certain specified works which would not otherwise have then been entered upon, but which became justified with cheaper money obtainable by a Treasury Guaranteed Loan, in turn covered by an obligation to issue L.M.S. debenture stock as collateral security. The Government advantage lay in the additional employment created by the placing of orders in the industrial areas.

Shortly our standpoint is, firstly, that works shall not be undertaken by us at the stockholders' expense for non-railway purposes and, secondly, that we have neither asked for nor received any public

assistance for anything done or proposed to be done for railway purposes.

ELECTRIFICATION OF THE WIRRAL LINE

The electrification of the passenger services on the Wirral Section, one of the works carried out under the provisions of the Government Guaranteed Loan arrangement, was put in hand to join up the section of the lines on the Wirral Peninsula to the Mersey Railway, so that passenger trains can run to and from Liverpool Central and West Kirby and New Brighton without the change that has hitherto been necessary at Birkenhead Park. The line will be opened for electric service on Monday next.

This will speed up the service considerably and offer a convenient and comfortable route in and out of Liverpool, and in many instances should enable workers in Liverpool to get home to their midday meal. During the rush hours a ten-minute service will be run between West Kirby and Liverpool and also between New Brighton and Liverpool, and in the off-peak hours there will also be an improved service.

THROUGH SERVICES

In order that the same trains may run over both the Mersey Railway and the Wirral Section, the Wirral line has been electrified on the 600-volt third-rail system. By arrangement with the Mersey railway the L.M.S. trains will run between West Kirby and Liverpool Central and the Mersey Company's trains will run between New Brighton and Liverpool Central.

Power is taken from the Liverpool Corporation by duplicate cables through the Mersey Railway Tunnel to the main sub-station at Birkenhead North, which is the principal point of control. From there, 11,000-volt lines are taken to the other five sub-stations on the system.

Many new technical features have been introduced on the system, such as in the design of the third rail, in welded bonding and in air-operated doors on the rolling stock. The stock is of a light type and the equipments have been designed and laid out specially for easy and economical maintenance. One interesting feature is that all the outer sub-stations are controlled from a main sub-station at Birkenhead North, there being no sub-station operators at the other sub-stations.

WAGES

In February last year I mentioned that the Railway Staff National Tribunal had from August, 1936, reduced the 2½ per cent. deduction to 1½ per cent.

In April last the three Railway Trade Unions submitted claims for the restoration of the remaining 1½ per cent. deduction and the conditions of service which were modified at the time the percentage deduction was made in 1931. In addition they asked for certain improvements in conditions of service.

The claims of the Unions were discussed under the standing scheme of negotiating machinery, and, as agreement was not reached, they were submitted by the three Unions to the Railway Staff National Tribunal on July 1, 1937. The Tribunal, under the chairmanship of Sir Arthur Salter, issued a decision under which the 1½ per cent. deduction ceased to apply as from August 16, 1937. The Tribunal also conceded certain improvements in other directions, including increases to the lower-paid staff.

The cessation of the 1½ per cent. deduction was also applied by agreement to the railway shopmen, and in the settlement covering this section of our staff, made at the National Railway Shopmen's Council, it was agreed to grant a week's annual holiday with pay to all shopmen commencing with 1938.

COST TO THE COMPANY

The total cost to the company of giving effect to these decisions, including the application of the findings to other staff similarly affected, is £1,215,000 per annum.

Further increases in the labour cost have followed on the rise in the "cost of living." The rates of pay of certain staff included in the various National Agreements affecting clerical and conciliation grades are subject to an increase or decrease of 1s. per week on a rise or fall of 5 full points in the "cost of living" index figure compiled by the Ministry of Labour. The recent additional expenditure to the company on this account is approximately £285,000 per annum.

The average number of staff employed during 1937 increased as compared with 1936 by 5,705 (or 2½ per cent.), but at December 31st our staff was 7,056 more (or 3.1 per cent.), than at the same date in 1936. Consequent upon the increases I have mentioned in labour costs, including those in August, 1936, and the employment of

additional staff to meet the increase in volume of business, our labour bill for 1937 was £1,890,000 greater than in 1936.

TRANSPORT ADVISORY COUNCIL

You will remember that a Transport Advisory Council was appointed composed of 29 representatives of the transport industry, including three for the railways and from time to time the Minister has referred various questions to it. It was also the intention that it should examine, on its own initiative, the broad issues of transport problems. Accordingly, three years ago it began an investigation of service and rates in relation to goods traffic borne by rail, canal, road and coastwise shipping, and decided that the first part of the investigation should be into the road transport section.

THE QUESTION OF CHARGES

On the question of charges the Council reports that all forms of transport should, where practicable, be rate controlled, and points out that while the railways are controlled by an elaborate rate structure, canals are to a very limited extent subject to maximum rates and coastwise shipping and road hauliers are entirely free from rate control. They considered what should be done in regard to road transport and reached two conclusions, namely (1) the internal organisation must be regarded as an essential preliminary to further progress; and (2) the stabilisation of wages, working conditions and rates within the industry requires to be dealt with before serious progress can be made in its relation to other forms of transport.

The special committee appointed to examine the present position as regards wages has recommended that the wages and conditions of service should be subject to new regulation machinery which would ensure that there would be uniformity of practice throughout the country and that minimum wages would be enforced. The Transport Advisory Council recommended that effect should be given to these proposals by the legislature at the earliest possible moment that it is desirable to fix some reasonable time limit within which the machinery should become effective, observing that "the settlement of this question will be a great step forward; indeed, no real co-ordination as between road and rail would be possible without it."

COUNCIL'S RECOMMENDATIONS

On the rates side the Council recommend that as a first step opportunity should be afforded for the road hauliers to build up a structure of charges for their own industry in relation solely to factors affecting road transport, without necessarily relating them to charges in other forms of transport. It was not suggested that road charges should be quoted on some cast-iron system, but rather that the structure as a whole should be elastic, and be capable of adjustment by simple and quick procedure. It was agreed, however, that there must be suitable machinery for enforcement of agreed road rates as between road operators themselves; also to set up statutory Area Rates Committees; to appoint Area Rates officers who would approve or modify schedules of agreed rates put before them by the Rates Committee in their area; and appoint a Road Rates Tribunal for the whole country consisting of a representative of the road industry, a representative of traders and an independent chairman.

The railway companies did not ask that there should be any form of compulsory agreement as to rates, but preferred that any agreements should be entirely voluntary, and the road members concurred in this view, agreements being terminable at reasonably short notice by either party to lapse until replaced by a new agreement. The Council suggested that conferences should be held as early as practicable.

The Minister of Transport has announced that the Government accept the broad principles of the Report and propose to introduce legislation accordingly.

OUTLOOK FOR 1938

Comparing the two months already elapsed with 1937 there has been, ignoring the 5 per cent. rate increase, a decline in the revenue from general merchandise, but it has been made good by an increase in minerals, coal and passengers. Although in many particular industries in 1938 it would have difficulty in maintaining the 1937 results, the general prospect over our system is that trade as a whole may be just about the same level as in 1937—perhaps a little above it. If this proves to be the case, the net financial results will then reflect the increase in rates and fares for nine months, less the increase in wages for seven, and also less any

general increase in the cost of our supplies. Economies in working continue to be made in many directions, and although road competition remains severe the position of our undertaking compares very favourably with that of railways generally throughout the world.

I now move: "That the report now read, with the statement of accounts, be received and adopted."

Mr E. B. Fielden (deputy-chairman) seconded the resolution.

STOCKHOLDERS' VIEWS

In the course of discussion Councillor J. Wilson congratulated the Chairman on his speech and the directors, officials and staff on the successful manner in which they had handled the increased traffic during the year under review. He expressed regret at the illness of the Secretary and said that he would like to take the opportunity of saying how greatly he appreciated his services to the company. Although he was secretary to the largest organisation in the British Isles, he always replied personally to any stockholder who sent him a letter containing constructive suggestions.

Mr E. C. McAdam said that he was glad to see that the chairman had safely returned from his trip to Australia, and expressed the hope that he had come back full of ideas for increasing the profits of the company and for keeping down expenditure.

Sir Charles Stuart-Williams said that in his view the results of the operation of the line during the past year had been extremely satisfactory and he was sure that all stockholders desired to express their appreciation.

The Chairman, replying to a question as to whether he would do anything towards amalgamating the four main line railway companies, said that most of the advantages that could be expected from amalgamation had been secured in recent years by pooling schemes and co-operative working. There was not much which could be got by an amalgamation of the four companies in the way of further financial benefits and there was no lack of common front in dealing with general problems, such as relations with trade unions.

The resolution was carried unanimously; the dividends as proposed were approved, and the retiring directors and auditor were re-elected.

The proceedings terminated with a vote of thanks to the chairman, directors, management and staff.

D. NAPIER AND SON, LIMITED

A DEFINITE IMPROVEMENT

The twenty-fourth ordinary general meeting of D. Napier and Son, Limited, was held, on the 4th instant, at Acton.

Sir Harold Snagge, K.B.E., the chairman of the company, said that shareholders no doubt would feel some concern at finding once again in the report the unhappy paragraph relating to the non-payment of a dividend on the 8 per cent. non-cumulative preference shares or on the ordinary shares. He hoped, however, that they would not allow their very natural disappointment to obscure the favourable features in the accounts, which definitely indicated marked improvement in the company's position and prospects.

He believed, indeed, he was justified in going further and in saying that there was ground for thinking that the end of the period of waiting had been reached at last, that the profit and loss account and balance sheet showed a much better state of affairs all along the line, and, unless all the calculations of the board were upset, it might fairly be regarded as presaging a resumption of dividends at no distant date. A trading loss of £24,902 at September, 1936, had given place to a trading profit of £58,172—a trading swing in the right direction of £83,000. After making all the usual deductions and providing for depreciation they were carrying forward to current year's accounts the sum of £99,534 compared with £88,051.

Their orders in hand—the surest barometer of all—had grown upwards of tenfold from the modest figure of £101,000 at September, 1932, when the company's fortunes were at their lowest ebb. At the close of last year they stood at the highest figure reached in the company's history, and the board had reason to think that the current year would show no falling away.

The board had concentrated all efforts on developing and producing aero engines which should satisfy the demands of aircraft designers and the somewhat capricious requirements of the Air Ministry. To that policy the board proposed rigidly to adhere. Thanks in the main to Major Halford, who had been responsible for designing the "Rapier" and "Dagger" engines, the leeway had in a large measure been made up. They had in hand development work of great importance in regard to which he was precluded from speaking with any precision, but upon which they had reason to build the highest hopes.

The report was adopted.

UNITED KINGDOM PROVIDENT INSTITUTION

£63,000,000 OF ASSURANCE

A HIGHER RATE OF INTEREST

INVESTMENT PROBLEMS AND POLICY OF CHEAP MONEY

SIR ERNEST BENN'S PLEA FOR JUSTICE FOR SAVERS

The ninety-seventh annual general meeting of the members of the United Kingdom Temperance and General Provident Institution was held on Wednesday, March 9, 1938, in the Incorporated Accountants' Hall, Victoria Embankment, London, W.C.

Sir Ernest J. P. Benn, Bt. (the chairman and managing director), in opening the proceedings, said:—My lords, ladies and gentlemen, I move the adoption of the accounts which are before you and the directors' report on the ninety-seventh year of the work of this wonderful Institution.

TRADE PROSPECTS

The year's account has received an appreciable benefit from better dividends secured from your industrial investments and future accounts will suffer should there be any setback in trade. We can, I think, be reasonably hopeful in this much-discussed matter. All the known factors taken together point towards continuing prosperity. Employment figures reach totals beyond anything thought possible a few years ago. Unemployment figures tend more and more to indicate the growth of a valuable social service, rather than unemployment as the term was formerly understood. We have over three million new houses. Some people talk as if the only economic value of a house was in its building, and forget that every house is the permanent foundation of a continuing trade in all things that make it a home. Budget prospects are better than was generally expected, and nearly all the indices and statistics with which we are satiated provide grounds for optimism. But we cannot assess the unknown factors, such as, for instance, the psychological factor.

If everyone believes that a slump is coming, and acts accordingly, then undoubtedly a slump will arrive. Attention should, I think, be called in this connection to a curious new phenomenon. There is, I suspect, a risk of a new political technique. Governments are vulnerable, and rightly vulnerable, according to the state of trade prevailing during their tenure of office. They may have little or much to do with that state of trade, but they cannot escape blame, nor will they fail to take credit, as the circumstances permit. If in the future it is to be considered the duty of the Opposition, whatever Government is in power, to promote the slump psychology in order to damage that Government, a serious new threat to prosperity will appear upon the scene. Having regard, however, to the quality and experience of our electorate, I cannot think that any such sinister device can possibly benefit those who are foolish enough to adopt it.

THE FIVE MILLIONS

I am very proud to report to you that the year 1937 took us above the five million mark in new business.

If the Institution were a company, with its eye upon dividends, you as shareholders would be gratified to note this spectacular advance in the amount of business done. Being a mutual institution, and having no shareholders, we look upon the matter from a rather different point of view. We exist to confer upon the public the benefits of economical and adequate life assurance, and we measure our success in the fulfilment of that mission by the response of the public to our endeavours. To have put upon our books in a single year £5,000,000 of new assurance means profit and added security to all our members, but it also means that a few more thousand people have come within that privileged class which we call the assured.

As we are a mutual institution, every new member is a new agent, and if the new members whom we welcome to-day speak as well of the United Kingdom Life Office as the old members have done in the past, we can look forward with confidence to the future rate of business.

It is widely thought that social advancement can be secured by the raising of wages and the increase of the incomes at the lower end of the income scale. That very natural opinion is only true if it is held as part of a wider view. France and America have each provided us in the recent past with illustrations of the dangers of simple processes such as all-round increases in wages, or wholesale distributions of borrowed money.

The truth is that an increase in income is only good provided that a proper proportion of that income is saved—that is to say, that the due relations between capital expenditure and expenditure for consumption are maintained.

This is where our five millions, and the general increase in life assurance, claim an important place in public affairs.

If we look at the savings banks, the building societies, the friendly societies, the insurance offices, and, in our case, at our £5,000,000, there is no doubt that our people, with their traditional wisdom, are doing their utmost to save a full proportion of the higher incomes which better times are placing at their disposal. This is not a matter which the experts can arrange for us. It concerns the breeding and the sound common sense of the individuals who compose this nation, and from it we can derive a complacency about our security and the future state of trade which is, unfortunately, not available to less happily-favoured peoples.

CHEAP MONEY

Year by year I have felt it a duty to utter a warning against the forcing of a cheap money policy. Last year I talked about the "five per cent. mentality." To-day we have the satisfaction of finding ourselves a good step nearer to that ideal.

You will remember that I speak for the savers, and I think it is time to speak even more emphatically. We savers have for too long suffered the injustice of a one-sided market, a borrowers' market, forced upon us by artificial means. As savers, we can claim to be at least as valuable to the community as the spenders, and far more valuable than the spendthrifts. I am not speaking on behalf of the money-owners, the wealthy, the capitalists, as those terms have for so long been understood, or misunderstood. Your report shows you that our average policy is £759. I speak, therefore, for many thousands of hard-working people, tradesmen, clerks, civil servants, schoolmasters, and the like, each of whom, by dint of a lifetime's saving, hopes to leave behind him or her £759. In the great majority of cases this is all they will leave. I am entitled to speak for all members of provident societies of all kinds, whose funds together constitute the bulk of all the money which is now so much managed.

These people, and as a class they embrace practically the whole population, are ignored, on their saving side, by the advocates of cheap money.

I am one of those who think that the commercial and industrial value of cheap money can be overstated, and that view is confirmed by the experience of the last few years. In 1929, when the Bank rate was 6½ per cent., joint stock bank advances totalled £990,000,000. In 1937, with a 2 per cent. Bank rate, the banks have only been called upon to lend £924,000,000 to the whole of their customers.

So little does industry appear to appreciate the value of this cheap money that the banks have been driven to employ it by increasing their investments to two and a half times the 1929 level, although the investment of funds has never been regarded as more than a subsidiary function of a bank.

Happily this position is slowly, albeit too slowly, righting itself, and, as I have reminded you, there is already a marked tendency towards a better rate of interest. I notice that in Holland (for this difficulty is not peculiar to us) the life assurance offices and savings banks have formed a "front of large investors" to uphold the rights of the unprotected policy-holder and depositor, and are declining to subscribe to municipal loans at the present unremunerative rates.

The improvement in the rate of interest experienced during the year has, of course, resulted in a substantial depreciation in the values of your investments. Seeing, however, that we have never taken any credit for the artificial appreciation caused by the cheap money policy, we are free from worry as those puffed-up values steadily subside. We have ample reserves and are fully prepared for a return to natural capital values with their appropriate rates of interest, such as will enable us to maintain intact our splendid benefit and bonus records.

MONEY MANAGEMENT

We are very grateful to the Chancellor of the Exchequer for his recent loosening of the control on foreign investments, and in time we shall benefit from this restoration of some of our former freedom. But in the money market at home we are still said to be "managed." Nobody seems to know exactly what is meant by "management," and there is a general uncertainty as to who does the "managing."

The British Constitution is, happily, unwritten. We have always been fortunate in a combination of respect for tradition with a liberty to do the right thing as dictated by the circumstances of the time. The present somewhat nebulous monetary arrangements are, therefore, altogether within our well-tried rules. If, however, as some people appear to desire, we are to commit ourselves to a definite and permanent policy of management, two urgent questions must be asked and answered.

Is it to be management by the Treasury, or management by the Bank of England? The constitution of the Bank was very carefully drawn so as to make it free from political and bureaucratic influences, and our safety for more than a century has depended upon that carefully devised system of check and balance. That question I merely mention, but do not propose to debate.

Secondly, and from your point of view a more pertinent question, is this. In whose interests is this management to be conducted? Is it the borrower's or the lender's: the people who want the money or the investors? Are we to be managed into spending, or managed into sound finance?

A WORLD PROBLEM

If the management of money is to be management by government, then further questions arise. Government is by its nature a borrower rather than a lender. Management may not, therefore, be a process of checks and balances, of managing fairly as between different interests, or redressing grievance and restraining abuse, but may degenerate into a one-sided device to enable Government to borrow cheaply. This is much more than a local question, and, like everything that affects the London money market, it concerns the whole world. Management is at its best in dictator countries.

It is quite possible that the management of money by Governments, in the interests of Governments, may have played some part in bringing about the deplorable armament position. The armament racers might have been handicapped if they had been limited to such money as they could tempt out of the pockets of the genuine savers.

I must not, however, widen the issue, but confine myself to management as it concerns the safe investment of insurance funds. Such modest management as has existed in the past has aimed at dear money when required by the circumstances, but the advocates of modern management appear to visualise a world in which money will become progressively cheaper. That, to my more limited vision, means a world in which saving becomes progressively less worth while.

Such a prospect has no attractions to members of a mutual insurance institution.

These are big and difficult questions, and my only justification for once again making mention of them is to support the plea that management, whoever does it, must be an all-round affair, conducted in the interests of all.

PUBLIC BORROWING

Whatever may be the merits of a cheap money policy at home, it is hard to see the advantage of a low rate of interest in the case of an overseas loan. Our own Dominions will always be welcome, and indeed preferential, borrowers in London, but, however we look at it, we cannot escape the conclusion that we have voluntarily, by our recent Treasury policy, conferred considerable benefits upon some of our sister kingdoms. Australia would be offended if we talked of subsidising her, and yet that is in effect what we have done. By recent operations Australia has saved £3,000,000 per annum in interest. That, however, is not the whole story, for we have also adopted the curious notion that commodity prices should also be managed—but upwards. Thus, for the export of a given quantity of wealth to Australia, we have arranged to receive a smaller return of wealth on interest account, and also to reduce our rightful dues still further by bolstering up the money value of the smaller quantities.

I hold no brief against Australia, and if her managers have been wise enough to take advantage of the folly of ours, she is to be very heartily congratulated.

One of the most obvious effects of control, even the limited control of to-day, is that industry is borrowing too little and Governments are borrowing too much. Public borrowings are now of two kinds—borrowings for new requirements and borrowings to replace maturing

debts, and it is noticeable how, especially with our local authorities, old debts almost always seem to require to be renewed. One sometimes wonders what has become of the revenues which at the time of the original borrowings were held up as the certain means of repayment, and of the sinking funds arranged for the amortisation of these loans.

The New Issue Market is obliged to consider its daily needs, and, being only the medium between the borrower and the permanent investor, may not always attach enough importance to the ultimate worth of a loan. As long-term investors, insurance directors are in a very different position.

A CASE IN POINT

A case in point is provided by the recent raising of £10,000,000 at 3½ per cent. by the Government of the Dominion of Canada. Part of the excuse for this flotation was the maturity of the 3½ per cent. Loan of 1888. Under the influence of a cheap money policy, and in the present circumstances of the market, the Government of Canada thought it necessary to do no more than mention the simple fact that the Loan of 1888 was about to mature.

I went to the trouble of looking up the prospectus of 1888. Messrs Baring Brothers arranged a loan on 50-year Land Grant Bonds of the Canadian Pacific Railway to be repaid out of the proceeds of lands. The Government of Canada guaranteed interest on the loan and accepted the position of trustees, the prospectus stating that

"the net proceeds of the sales of the said lands shall from time to time be paid over to the Government . . . to constitute a fund to be set apart and held by the Government exclusively for the purpose of satisfying the principal of the said bonds."

So far as I can ascertain, those very rigid conditions have been completely fulfilled, and this money raised in 1888 has been repaid in full to the Government of Canada, acting as trustees for the lenders who accepted Messrs Baring's invitation 50 years ago. Public finance in Canada, as well as here, seems able to escape the obligations and safeguards common to ordinary finance, and so the Dominion Government, as trustees, having received the whole of the money on trust, and being under the most specific obligation to hand it over to the lenders can come back to the same market and, without question asked, proceed to borrow fresh money, they having, so far as I can see, applied these trustee funds to other purposes in the meantime.

In justice to Canada, it should be said that there is nothing exceptional about this particular loan. I select it as a quite recent and typical example of public borrowing, to show how the forcing of a borrowers' market tends to weaken the safeguards formerly thought to be appropriate to the high standing of public finance.

RATE OF INTEREST

Our own accounts may at first sight appear to weaken these arguments, for we have earned 2s. 11d. per cent. gross and 2s. 1d. per cent. net more than in 1936. The net rate of interest on the book value of your funds stands at the highly satisfactory figure of £4 5s. 7d. per cent. We may be asked, with such a record, what is there to grumble about? That is a very short-sighted question, which overlooks all the care and caution of a long past.

New money, such as the £888,000 increase in our funds this year, has not and could not have been invested at these average rates. This increase in our interest earnings reflects the strength of our hidden reserves, and is also due in some measure to movements from one group of assets to another.

FUNDS

The Institution's funds grow steadily year by year, and, including the reserve fund, now stand at over £25,000,000, there being an increase in 1937 of £888,308.

It is not customary for the details of the business in force to be published, but I find in the chairman's speech in 1924 it was stated that the total of our policies amounted to £32,700,000, including bonus, and at that time the funds were £13½ millions.

On December 31, 1937, in addition to passing the milestone of £5,000,000 new business, the total sum assured by our policies, including bonuses, was over £63,000,000. The security for the fulfilment of each of these contracts when the time comes for payment is over £25 millions of funds, amply sufficient on the most stringent basis of valuation.

EXPENSES OF MANAGEMENT

The ratio of the commission and expenses of management to the total premium income shows an increase over the previous year of

.8 per cent., but, as has been explained on previous occasions, the amount of single premium business transacted distorts the crude expense ratio, and the actual rise is under .6 per cent.

In these days of keen competition the expenses of procuring new business must tend to increase, and it might well have been expected that our record new business of £5,000,000 would have been attended by a bigger increase in the expense ratio.

MORTALITY

It has been the custom from the early days of this Institution to report annually the result of the actuary's comparison of the deaths actually experienced and those expected.

It is common knowledge that the longevity of assured lives has improved very considerably since the days when this Institution was founded, and although changes in the standard of comparison have been made as further mortality tables have become available, it has become the normal custom, up to two years ago, for us to publish figures showing that the actual claims were on the average only about 70 per cent. of those expected. The value of these figures when the Institution's business was very young was considerable, as they provided a good indication as to whether we had made a profit from mortality or not. The strain on the office in meeting a death claim is the amount by which the reserve held against the policy falls short of the sum assured and bonuses, and as these reserves are now considerable, the crude comparison of the actual and expected deaths, without having any regard for the reserve held against the claims, tends to give a misleading impression as to the amount of profit derived from our favourable mortality experience.

In the last three reports the expected claims have been based upon the most recent tables of mortality, and, as was to be anticipated, the percentage of actual to expected deaths is much nearer 100. It is possible that we may at some time show a percentage exceeding 100, but even so, we may well have made a considerable profit from mortality. The question is a highly technical one, and the reason for my mentioning it is that we propose in future to discontinue the publication of these mortality figures in the annual report, and to deal with them only in the chairman's speech at the annual meeting, where their true significance can be more fully explained.

BONUS YEAR

We are now in the last year of another triennial valuation period. At the end of 1938 a valuation of the Institution's assets and liabilities will be made, and the surplus available for distribution to our with-profit policies will be known.

This office has always made its valuations on the most stringent basis, it being the declared policy of the directors to rank first the security the Institution gives. Our next consideration is to make each particular contract as remunerative as possible by the addition of periodical bonuses. I do not propose to indulge in any forecast as to whether the next bonus will be the same as, or a trifle higher or lower than, the substantial rates we are now paying, but I can say that the position to date is a thoroughly sound one. I am confident that, barring catastrophes, a with-profit policy in this office will turn out in the long run to be a more profitable contract than a guaranteed without-profit policy.

MANAGEMENT

Three important changes have occurred during the year among the higher ranks of your officials. Our distinguished secretary and actuary, Mr W. G. Barrett, upon whose guidance and wisdom we have relied for many years, reached the retiring age in the autumn, and, to the regret of the directorate and the staff, decided to enjoy the leisure to which his forty-three years in your service had given him an unquestionable right.

To fill the vacancy thus created, the directors appointed our accountant, Mr P. G. Leveritt, to the position of first officer of the Institution. Mr Leveritt's personal qualifications, allied to his long acquaintance with the work of the Institution and his intimate knowledge of all the branches as well as of the departments at the head office, fit him for the post in quite an exceptional way, and after an experience of only six months the board is satisfied that the interests of the Institution were never in safer hands.

Mr C. E. Kingham has figured for four years past as "assistant actuary." As, however, the actuary was also secretary, the term "assistant" had less than its usual meaning. Mr Kingham now carries on his well-qualified shoulders the full responsibility of actuary without prefix or suffix, and as the most distinguished pupil of the Barrett School he can be relied upon to guard us as securely as ever.

These two promotions have made room for the advancement of two more of the best of your servants, and Mr F. Ives thus becomes chief of the accounts department and Mr C. G. Maggs head of the Actuarial department.

In all these circumstances I have, for the fourth time, the honour to move the adoption of the report and accounts. With an improved knowledge of the past and the present, I am able to commend them to you with, if that is possible, an enhanced confidence in the future of the United Kingdom Temperance and General Provident Institution.

MARQUESS OF LOTHIAN'S SPEECH

The Marquess of Lothian, in seconding the motion, said:—After the masterly survey to which you have just listened, I think you will agree that there is no need for me to say very much about the annual report. Despite the unsettled condition of the world, the Institution marches steadily from strength to strength, and all the essential facts about its affairs are clearly set forth in the report and accounts and the chairman's address. As a Mutual Provident Institution, I think we can congratulate ourselves on the way in which its business is being conducted. Though we were all sorry to see our old friend, Mr W. G. Barrett, retire during the course of the year, the steady increase in our business is proof of the efficiency and loyalty of the staff. The principal problem which confronts the directors from week to week is that of where they should invest the funds of the Institution to the best advantage. The good old days of stable and gilt-edged securities are no more. The more expert the financier the more uncertain he seems to be as to where real stability is to be found. Safety clearly lies in distributing our investments over a wide variety of those fields which promise not only an adequate yield but security. This is a subject in which your chairman, assisted by Dr Bray, takes the closest interest and exercises an extraordinarily sane judgment, and the fact that the rate of interest on the insurance fund during last year was £5 4s. 9d. per cent. before tax was deducted is proof of the success with which he has directed your affairs. Moreover, though I do not use the word in a political sense, there are quite enough conservatively minded directors on the board to enable me to assure you that the rate of interest is not a result of any speculative investment of your funds. It is always a matter of reinsurance to me every year, when the comparative tables are prepared, to see that all the best insurance companies seem, broadly speaking, to be pursuing the same general policy of investment.

INCREASE IN ENDOWMENT BUSINESS

I believe that actuaries are satisfied that the "all life with profit" policy yields the maximum return to the policyholder. That a remarkable change has come over the insurance habits of the public can be seen from the fact that, whereas in 1905 the Institution's ordinary whole life and endowment business was divided in the proportion of 54 per cent. whole life and 46 per cent. endowment, in 1937 the whole-life policies comprised 28 per cent. and the endowments 72 per cent. It is difficult to assess accurately the reasons for this change. It is partly, I think, due to the fact that insurance policies are aggregated with the individual's other assets at death for purposes of death duties. People object to saving money in order that the State rather than their children or relatives should be the beneficiary. It is partly, I think, due to the social services, which means that once a child has had his education and is launched in life the risks of destitution are less than they used to be. It is partly, I suppose, that the individual wants to enjoy some of the fruits of his own abstinence in his own age, or at any rate to distribute his savings among those whom he wishes to benefit in his own lifetime rather than to wait for the State to take part of them after his death. At any rate, the change-over from all-life to endowment policies is a very significant indication of the changing social habits of our time. It is only further proof of the immense and growing importance which the principle of insurance has come to occupy in the conditions of modern civilisation.

LESSENING RISKS OF MODERN CIVILISATION

When I was in India recently I visited an asylum directed by a very able Indian doctor who had studied and visited mental hospitals both in England and the United States. I asked him whether he could detect any general differences in the causes of mental derangement in India as compared with the West. He replied that in India the main causes were physical, malnutrition, childbirth, and so on. In the West a much greater part was played by uncertainty and anxiety about the future. In the Indian village, though the standard of living may be terribly low, the individual has a life job and is part of a community which has some obligation to look after him in the

event of serious trouble. In the West few people who have not got independent resources of their own feel really secure either of employment or pension, and a great many are actually insecure or dependent on charity or the dole for a bare subsistence. Moreover, the West has lost its old faith that providence directs the individual life of man and therefore that it was not the individual's business to worry about what providence had decreed for him. For the great mass of the Indian population, on the other hand, fatalism is a corrective to anxiety and worry. If this Indian doctor is right, the extension of the habit of insurance is one method of diminishing these growing anxieties and doubts which are the cause of so much nervous illness in our time and which, if my Indian friend was right, are contributory factors in increasing the number of people who find their way to mental hospitals. The steady growth in our own business goes to prove that, consciously or unconsciously, more and more people are coming to realise that insurance is perhaps the best single contribution they can make to lessening the risks and uncertainties of modern civilisation.

LORD PLENDER'S REMARKS

Lord Plender, G.B.E., in supporting the motion, said:—Mr Chairman, ladies, and gentlemen,—In response to the chairman's wish that I should address you, I would like first to offer my congratulations on the very satisfactory report which has been presented to the members. The past year has again been one of ordered progress and marks a further record in the volume of new business transacted. Such progress and healthy growth are founded upon the financial strength and high reputation deservedly enjoyed by the institution, and upon the enterprising and yet guarded way in which its affairs are conducted.

May I refer now to wider matters? I see little signs in this country of any material retrogression in business generally in the near future. But it is not possible to look far ahead in these days, and whilst the country's internal trade is active the outlook for its foreign trade is less clear. There is the recession which has

occurred in the United States of America which, if continued, must adversely affect our foreign trade both directly and indirectly through the reduction in the purchasing power of the primary producing countries, of whose products the United States is a large consumer. There is further the unsettled state of Europe and the movement on the part of certain Continental countries towards more economic self-sufficiency, and there are also the deplorable conditions in the Far East.

CHANGES IN THE UNITED STATES

On the other hand, changes are apt to occur with bewildering rapidity in the United States, where there must be much leeway to be made up in the provision of capital goods and equipment, and the negotiations now in progress between our country and the United States in reference to a trade agreement should, if successfully consummated, and with due regard to our Imperial interests, have far-reaching and beneficial results.

And we must not ignore the conversations now taking place between our Government and that of Italy with a view to lessening tension and bring about a genuine understanding and good will. It is to be hoped that they will meet with solid success, and among other great issues contribute to a general improvement in international relations and trade.

Ladies and gentlemen,—It is not by pessimism that the ills of the world will be cured—(Hear, hear)—but rather by a belief in the vitality of faith and freedom, with strength to defend them which this nation strives to exemplify in its policy at home and in foreign affairs. (Applause.)

After discussion the motion was carried unanimously.

Alterations to a number of the rules of the Institution were moved by the Chairman, seconded by the Right Hon. Isaac Foot, and approved by the meeting.

A vote of thanks to the staff was proposed by Mr F. H. Elliott and acknowledged by Mr P. G. Leveritt.

Sir Thomas Barlow, Bt., K.C.V.O., M.D., F.R.C.S., moved a vote of thanks to the chairman, which concluded the proceedings.

year) and 13.4 million pengő current account deposits (155.7, against 142.3 million pengő in 1936). Deposits entrusted to the Bank have accordingly grown at a rate far in excess of the average accumulation of deposits in Hungary, and have reached the highest level recorded since the post-war stabilisation of the Hungarian currency.

Foreign liabilities of the Bank, figuring under the head of "Sundry Creditors," have experienced a further notable decrease by 4.8 million pengő, and figure accordingly at 24.7 million pengő, as against 29.5 million pengő in the previous year.

ASSETS

Cash in hand, clearing account deposits and accounts with banks and bankers show an advance totalling 4.2 million pengő. Debtors and bills show a material rise, viz. bills 4.2 million pengő (89.2, as against 85 million pengő in the previous year) and debtors 8.7 million pengő (138.3, as against 129.6 million pengő in the previous year), so that the aggregate advance of debtors and bills totals 12.9 million pengő (227.5, as against 214.6 million pengő in the previous year). It follows that the Bank satisfied the credit requirements of its customers to a great extent also during 1937.

CONSERVATIVE VALUATION

Stocks and participations figure at 57.1, as against 58.1 million pengő in the previous year. This valuation leaves considerable latent reserves.

Guarantees have been reduced by 1.7 million pengő (39.4, as against 41.4 million pengő in the previous year). This is due to a noteworthy decline in foreign liabilities of this kind, not included in the item "Sundry Creditors," which exceeds the increase of inland guarantees due to the enhanced business activity.

The inland branches of the Bank continued to develop a successful activity, and the foreign branches have likewise achieved satisfactory results. The course of business of the goods departments continued satisfactory.

Earnings derived from interests fell off somewhat in consequence of the continued shrinkage of the interest margin; on the other hand, an advance may be recorded in the earnings on commissions. The slight increase of expenditure resulted mainly from the engagement of new employees and from measures for the benefit of the staff, whereas general expenses do not show any noteworthy change as compared with the previous year.

The business results of the industrial undertakings controlled by the Bank have developed satisfactorily, special mention being due to the improvement in the degree of employment of industries producing capital goods.

REFUGE ASSURANCE COMPANY, LIMITED

PROGRESS MAINTAINED

REDUCTIONS IN EXPENSE RATIOS

INCREASED ALLOCATION OF PROFITS TO INDUSTRIAL BRANCH POLICY-HOLDERS

INCOME EXCEEDS £13,000,000

ASSETS £68,700,000

The seventy-fourth annual ordinary general meeting of the Refuge Assurance Company, Limited, was held, on the 7th instant, at the chief office of the company, Oxford Street, Manchester.

Mr J. Wilcock Holgate (chairman of the company) presided.

The Secretary (Mr J. W. Moss), having read the notice convening the meeting and the auditors' report,

The Chairman, in moving the adoption of the report and accounts, after referring to the retirement of Mr Albert Swift, the late agency manager, and the very valuable service he had rendered during a period of over 47 years, said:—

Gentlemen,—The report and accounts now before you afford, I think, gratifying evidence of the continued progress of this company during the past year, for though there was a tendency towards a slowing down in the upward trend of trade and industry in the latter part of the year, we were fortunate in that the general prosperity of the country was well maintained, and it is evident that the industrial recovery has been gradual and well-balanced. Even in times not distinguished by political doubts and disturbances as they exist to-day, it would surely be unreasonable to expect recovery to continue at one fixed pace; it is natural that there should occur halts and temporary fallings away; and in surveying the industrial position of this country and its future prospects it is encouraging to reflect how systematic has been our progress and upon how healthy a basis it has been built up.

In this connection the situation in America to-day is one which cannot but have its reaction here. In that country, as in others, the industrial position is largely conditioned by political needs and considerations, and it seems unfortunately clear that the general establishment of freer trade relationships, with all the benefits that they connote, must wait upon the advent of confidence in the world political situation.

FEATURES OF THE YEAR'S OPERATIONS

Arising out of our operations during the past year, several features call for special mention. In the ordinary branch the amount of our new sums assured has only once been exceeded in the history of the company, whilst in both branches the expense ratio has been appreciably reduced: in both branches also the mortality experience—as more favourable than in the preceding year, and was well within our expectation; whilst a reliable indication of the satisfactory nature of economic conditions generally is to be found in our high percentage of industrial branch collections of premiums and in the decreased demand for cash surrenders and loans in the ordinary branch.

MORTALITY

The period under review appears to have been one of light mortality generally, and certainly this was the case as regards policy-holders of this company. The normal seasonal maximum in February was higher than in the preceding year; but apart from this there was no indication of any such disturbing influence as an epidemic would exert. There was, as is usual, a close correspondence between the course of our industrial branch claim ratios week by week and that of the death-rate per thousand in the large towns in England and Wales; a correspondence which indicates how brief a period elapses between death and the payment of a claim, as may be shown in the accompanying diagram.

ACCIDENTAL DEATHS

Industrial assurance is so integral a part of the economic life of those classes of the community to which it is applicable that hardly a single disaster occurs on land or sea without involving the payment of claims under industrial assurance policies. In the single instance of the Brymbo Colliery explosion in July last the company paid the sum of £416, including £51 under an ordinary branch policy. In addition there was paid out in claims during the year in this branch alone a sum of £70,521 on account of deaths through accidental causes, of which £18,022 was accounted for by falls

at home or in the street—a striking illustration of the force of that element of the unexpected to which we are all subject, the financial effects of which it is the purpose of life assurance to mitigate.

COMBINED RESULTS

Turning now to the details of our results, our total premium income for the year amounted to £10,481,573, showing as compared with the previous year an increase of £191,798. The net interest income was £2,657,322, showing an increase of £72,447 over the corresponding figure for the preceding year. The amount paid in claims by death or maturity during the year was £6,648,810, including £3,683,847 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 £109,702,898. The aggregate surplus shown by the valuation of the two branches of the company was £2,229,015, and the total assets now stand at £68,709,610, having increased by £3,081,454 during the year.

ORDINARY BRANCH

In the ordinary branch, the number of new policies issued by way of periodical premiums was 54,961, at annual premiums amounting to £476,335, the sums assured thereunder amounting to £8,530,460, a figure which, as I have already said, has only once been exceeded in our history. In addition, there were issued during the year 821 single premium contracts, the premiums applicable thereto amounting to £133,085. It is again interesting to observe that of the total of £8,684,648 new ordinary branch sums assured issued last year, 33 per cent., or £2,866,893, represents individual assurances of £500 and over. In this connection it is remarkable to observe, from a study of the annual reports of the Commissioners of Inland Revenue, to how limited an extent the proceeds of life assurance policies appear in the estates upon which death duty is paid. In the financial year 1936-37, for example, duty was paid in respect of nearly 37,000 estates appearing under the heading "£100 to £1,000 net." Amongst these 37,000 estates the average amount of life assurance was no more than £86. I am tempted sometimes to wonder at an attitude of mind which can permit its owner to make so sparing a use of the one agency whereby there can be created an immediate estate, which by any other means of saving would take many years to build up and I am inclined to believe that whilst numerically, perhaps, life assurance contracts are well distributed, yet in their individual amounts there remains an extensive field in which we may exert our energies with advantage to the social order.



Trend in 1937 of
— Mortality in 126 Large Towns.
— Weekly I.B. Claim Ratios.

HUNGARIAN GENERAL CREDITBANK

SATISFACTORY RESULTS

PROFITS FURTHER INCREASED

The board of directors of the Hungarian General Creditbank have established, at their meeting on March 5th, the balance sheet for the business year 1937. The profit and loss account closes, less the amounts written off and exclusive of the profit brought over from 1936, with net profits of 2,553,702.32 pengő, as against 2,388,741.93 pengő in the previous year. This amount, plus the surplus of 2,479,959.83 pengő brought over from 1936, leaves net profits of 5,033,662.15 pengő to be dealt with by the general meeting.

ALLOCATIONS

With regard to the appropriation of these amounts, the board has decided to move to the general meeting to be held on March 29, 1938, that 500,000 pengő should be used to increase the ordinary reserve fund; 200,000 pengő should go to strengthen the depreciation fund; and 1,100,000 pengő should be used to endow the employees' pension funds, whereas the remainder of 3,233,662.15 pengő should be carried forward to the account of 1938.

The board's decision to propose these appropriations of the net profits and to declare no dividend has been mainly prompted by the uncertainty of the present international economic and political conditions, which do not seem to be favouring a resumption of dividend payments just now.

REVIVAL OF BUSINESS—INCREASED TURNOVER

The business activity of the Bank shows a further gratifying advance during 1937. Owing to the manifold relations existing between the Bank and the various spheres of Hungarian economic life, the revival of business in general is reflected in a corresponding development in the several fields of the Bank's activity as well as in the advance of its turnover. In this respect special attention is due to the increase of deposits and to the further decrease in the foreign liabilities of the Bank.

The turnover—cash turnover as well as that of pengő-current accounts and foreign exchanges—shows an advance in keeping with the revival of business; the number of customers has also increased.

ADVANCE IN DEPOSITS

The amount of deposits advanced by 20.7 million pengő (from 208.5 to 229.2 million pengő); hereof 7.3 million pengő constitute savings deposits (73.5, as against 66.2 million pengő in the previous

The ordinary branch premium income for the year was £4,627,836, showing an increase of £29,044 over that of the previous year, which takes into account a reduction in the payment of premiums under the new single premium policies of £41,344, as compared with 1936. The net interest amounted to £1,520,431, showing a net yield of £4 2s. 6d. on the assurance fund. The expense ratio was appreciably lower than that of the previous year, being 14.46 as against 14.89 in respect of 1936, and the life assurance fund now amounts to £38,224,041, showing an increase of £1,203,133 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 £1,755,977, which includes £696,032 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 £941,370, to allocate £104,597 to the shareholders, and to carry forward unappropriated the sum of £710,010.

INDUSTRIAL BRANCH

In the industrial branch our premium income amounted to £3,853,736, showing an increase of £162,753 over that of the previous year. The net interest income was £1,136,890, representing a net yield of £4 12s. on the life assurance fund, which increased during the year by £1,780,865, in addition to which there is an investments reserve fund amounting to £1,750,000. The expense ratio was again reduced, being 33.59, as against 34.27 in respect of 1936.

The average duration of the premium-paying contracts on our books shows a further increase, and is now twelve years. This fact should be considered in conjunction with a further decrease I am able to record in the number of policies falling out of benefit through the non-payment of premiums, which stands now at a figure lower than at any time in the last ten years. You will remember that I referred to this feature twelve months ago, when I remarked that it afforded evidence of the progress we are making in one of our deliberate aims—by careful selection of business and constant service to encourage our policy-holders to keep their contracts in force until the due emergence of the claims, whether by death or maturity. This service, of course, depends entirely upon our regular weekly or monthly calls at the homes of our policy-holders: and the system is one which exactly meets their needs. That this is so the size and steady growth of our business are themselves sufficient proof; and in this connection it was interesting to observe in the Press last June a note regarding a letter addressed to the Rehousing Committee of a certain municipality by the tenants of corporation flats, asking amongst other things that the committee should provide a door-to-door collection of the rents instead of the tenants having to make payment at an office set aside for that purpose.

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 rates of interest assumed are 2½ per cent. for all premium-paying contracts and 3 per cent. for free policies.

The resulting surplus is £473,038, which includes £120,297 brought forward from the preceding year. After the transfer of £50,000 to the investments reserve fund it is proposed to set aside £256,194 for allocation amongst the policy-holders in this branch, and from the remainder to allocate to the shareholders the sum of £45,403, the amount carried forward being £121,441.

ALLOCATION OF PROFITS TO POLICY-HOLDERS IN THE INDUSTRIAL BRANCH

It is the tendency, I think, in industrial assurance, and certainly our own deliberate aim, to make policies in this branch increasingly advantageous to their holders; and it is therefore with particular pleasure that I am able to-day to announce a very considerable increase in the sum we have found it possible on this occasion to allocate to our industrial branch policy-holders.

The ability to make this increased allocation is the direct outcome of the principle we have followed for many years of conserving our resources, with the deliberate purpose, as I have just said, of making industrial branch policies increasingly advantageous. The sum it is proposed to set aside on this occasion is £256,194, to be applied to increase to the latest and most favourable scales of benefit (where this has not already been done) the sums assured under all claims arising by death or survivorship between March 7, 1938, and March 5, 1939, under policies dated prior to January 1, 1933, the sums thus payable being then increased by 5 per cent. The effect of the scheme in specimen instances may be observed from the following

table, which illustrates also the increases in sums assured consequent on successive revisions of our prospectus:—

WHOLE LIFE				
6d. Weekly Premium				
Date of issue	Age at entry	Policy sum assured	Sum assured under claim	
		£ s.	£ s.	
1900	20	50 2	70 11	
	50	18 0	22 13	
1920	20	53 8	70 11	
	50	19 16	22 13	
1930	20	67 4	70 11	
	50	21 12	22 13	

ENDOWMENT ASSURANCE

6d. Weekly Premium				
Term	Date of issue	Age at entry	Policy sum assured	Sum assured under claim
			£ s.	£ s.
15	1925	20	14 14	17 9
		40	13 10	16 4
	1930	20	16 13	17 9
		40	15 9	16 4
20	1920	20	18 12	25 0
		40	16 10	22 1
	1925	20	21 0	25 0
		40	18 0	22 1
1930		20	23 17	25 0
		40	21 0	22 1

INVESTMENTS

Having regard to the unsettled political and economic situation throughout the world which, in some directions, has been accentuated during the year, the responsibility of your directors with respect to the company's investments has not been a light one and their policy relative thereto has not been materially altered from that of the immediately preceding years.

Turning to the balance sheets, I have already referred to the fact that the company's assets have increased during the year by £3,081,454 and now amount to £68,709,610.

Of the amounts standing against the various classifications in the balance sheets, the largest addition is £1,149,580 to those of British Government securities and securities guaranteed by the British Government, now amounting to £25,095,147. In this connection it will interest you to know that these securities, together with other trustee stocks, comprise over 50 per cent. of our Stock Exchange securities. Other principal additions to our funds appear under the classifications of railway and other preference and guaranteed stocks, railway and other debentures and debenture stocks, loans on parochial and other public rates, and Indian and Colonial Government securities, in the order named. There have been relatively minor reductions in mortgages on property, railway and other ordinary stocks, loans on the company's policies and foreign government securities.

The company has not escaped the consequences of the general fall in the market values of securities during the year. I am able to state, however, that despite the depreciation which has occurred the market values still very substantially exceed the amount at which the investments appear in the balance sheets, leaving intact the investments reserve funds of £3,500,000, which include £50,000 added during the year. It is noteworthy that during the second half of the year the company experienced in the aggregate a slight appreciation in the market value of its investments.

There has been little variation in the general geographical distribution of our investments, which is approximately as follows:—

	1936	1937
	Per cent.	Per cent.
Great Britain ...	82.75	82.84
Indian and Colonial ...	12.09	12.49
Foreign ...	5.16	4.67

The net interest received during the year amounted to £2,657,322 compared with £2,534,875 in the preceding year, showing an increase of £72,447 and giving a net yield on the combined assurance funds of £4 6s. 4d., against £4 7s. 11d. in 1936. Having regard to the financial conditions prevailing, this will, I think, be regarded as satisfactory.

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 668,000. During the year 1937 payments of benefit were made amounting to £687,087, including £75,477 in respect of maternity benefits. In addition, the further considerable sum of £62,441 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 47,824.

Before I conclude my remarks under this head I am sure you would wish me to pay tribute to the memory of the late Sir Thomas Neill, who preceded me in the chairmanship of the society, holding the position with great distinction for twenty years. He was not only one of the pioneers of National Health Insurance, having been one of the first Commissioners, but in his capacity as chairman of the Association of Industrial Assurance Companies and Collecting Friendly Societies he played a most valuable part in the development of industrial life assurance.

THE NATIONAL BANK OF EGYPT

EGYPT'S SOUND POSITION

DEVALUATION RUMOURS UNFOUNDED

The thirty-eighth ordinary general meeting of the shareholders was held, on the 10th instant, in Cairo, Sir Edward Cook, C.S.I., C.I.E. (the Governor), presiding.

BALANCE SHEET, DECEMBER 31, 1937

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	18,522,002	906	18,996,926	1 2
Egyptian Government	6,252,824	128	6,413,152	19 0
Sudan Government	928,232	225	952,033	1 0
Mixed Tribunals	1,772,456	359	1,817,904	0 0
Bankers' accounts	828,078	081	849,310	17 0
Cheques and bills payable	216,535	652	222,087	17 0
Rebate of discount on bills not yet due	2,596	937	2,663	10 6
Dividends unclaimed	27,564	171	28,681	4 0
Acceptances, etc.	1,622,030	896	1,663,621	8 8
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 ...	233,458	676	239,444	15 11
	36,577,930	071	37,515,825	14 3

Contingent liability for bills rediscounted, etc., £624,319, 13s. 10d.

ASSETS				
	L.E.	M.M.	£ST.	s. d.
Government securities and securities guaranteed by the Egyptian Government	19,115,353	688	19,605,490	19 3
Sundry securities	3,367,802	415	3,454,156	6 6
Advances on merchandise	2,259,171	899	2,317,099	7 8
Advances on securities	2,815,072	890	2,887,254	4 11
Advances otherwise secured	785,528	403	805,670	3 2
Sundry other advances	568,311	563	582,883	13 1
Bills of exchange	1,017,834	913	1,043,933	4 11
Local bills discounted	157,008	214	161,034	1 4
Buildings, furniture, etc.	213,933	974	219,419	9 2
Money at call and at short notice	1,594,125	000	1,635,000	0 0
Bankers' accounts	681,702	320	699,181	17 4
Clients' liability for acceptances, etc., as per contra	1,622,030	896	1,663,621	8 8
Cash:—				
Notes..... L.E.1,726,391 : 750				
Gold and silver coin, etc. 653,662 : 146	2,380,053	896	2,441,080	18 3
	36,577,930	071	37,515,825	14 3

A. ABDEL WAHAB,
S. WAHBA,
Directors.

E. M. COOK,
Governor.

TRIBUTE TO STAFF

The company's staff, both outdoor and indoor, have again given good service, and I have pleasure in expressing my appreciation of their efforts during the year under review both as regards efficiency of administration and business progress. Our relations with the Chief Office Staff Council and the Field Staff Association continue to be satisfactory, mutually based, as I hope, on an appreciation of present-day realities; and it is in the best interests of both staff and company that such relations should be carefully preserved.

CONCLUSION

Gentlemen, I have now much pleasure in moving the adoption of the annual report and accounts.

The report and accounts were adopted.

Messrs William Proctor Smith and James Wilcock Holgate were re-appointed directors.

Messrs Walton Watts and Company were re-appointed auditors. The meeting closed with a vote of thanks to the chairman.

PROFIT AND LOSS ACCOUNT

	L.E.	M.M.	£ST.	s. d.
Dr.				
Directors' remuneration.....	17,352	075	17,797	0 0
Current expenses	449,934	476	461,471	5 2
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	233,458	676	239,444	15 11
	1,139,495	227	1,168,713	1 1
Cr.				
Gross profit for the year ending December 31, 1937, after providing for depreciation of buildings and furniture, for rebate of discount, and for doubtful debts.....	915,372	153	938,843	4 8
Balance brought forward from last year	224,123	074	229,869	16 5
	1,139,495	227	1,168,713	1 1

ISSUE DEPARTMENT

	L.E.	M.M.	L.E.	M.M.
Notes issued			22,400,000	000
			22,400,000	000
Gold	6,240,583	308		
*British Treasury Bills and Treasury Bonds	4,959,416	692	11,200,000	000
Securities:—				
Egyptian Government Securities and securities guaranteed by the Egyptian Government ...	1,500,000	000		
British Treasury Bills and British War Loan	9,700,000	000	11,200,000	000
			22,400,000	000

* By authority of the Egyptian Government these Treasury Bills and Treasury Bonds are deposited in lieu of Gold.

GOVERNOR'S SPEECH

The ease with which Egypt, as compared with most countries, came through the world depression is evidence of the economic strength about which I have spoken to you on previous occasions. I must refer to it again to-day, for I have some remarks to offer on a matter intimately connected with her economic health, namely, her currency position.

A substantial fall in the price of cotton during the summer led to a recrudescence last autumn of the devaluation rumours which for a short time had been current, mostly abroad, the previous year. It was suggested that Egypt, in the first flush of her independence, might desire to follow recent fashion and try the effect of a New Deal. To you I owe an apology for referring to rumours so devoid of any foundation. In case, however, my remarks penetrate to quarters not so well informed regarding Egypt's monetary

system and her financial and economic position, I will give briefly the reasons why no one who knew the facts was in the least perturbed.

DEVALUATION RUMOURS UNFOUNDED

In 1931, Great Britain, finding it impossible, for economic and social reasons, to carry through the deflation that would have been necessary to maintain the gold parity of sterling, was obliged to abandon the gold standard. This course was followed almost at once by several other countries, including Egypt, and eventually by most. Thus, in maintaining unchanged in 1931 the parity of her currency with sterling, Egypt has already carried out her own devaluation. Her economy is now well adjusted to world facts; her budget is balanced, in fact as well as on paper; her public debt is actually less than it was before the war; her trade balance is satisfactory; her currency is soundly based, its volume is closely related to the needs of trade and there is no difficulty in maintaining its external value. The excellent reputation she has enjoyed for the prudence of her financial administration must surely have had much to do with her success in winning full sovereign rights.

Wantonly to abandon this enviable position and to set Egypt's feet on the slippery slope of a further and quite unnecessary devaluation, in order to raise the internal price of her cotton to the supposed benefit of producers and debtors, would not only be to work a fraud on creditors but, in addition, would be reckless folly. There would, it is true, be a rise in cotton prices and, for a short time, many cotton cultivators might be under the delusion that their lot had improved. But they, and still more the country as a whole, would soon find that they were worse off than before.

VOLUME OF ADVANCES AND PRICE OF COTTON

It is impossible to trace with precision the fluctuations of bank advances from year to year, for those banks whose domicile is abroad do not publish separate figures for their Egyptian advances, which in the aggregate must be considerable. It is probable, however, that our own monthly balance sheets indicate the general trend. These show that the volume of advances follows closely the price of cotton, although the pace with which the crop moves from the interior to Alexandria, and is thence exported, is also an important factor. On December 31st last our advances of all sorts amounted to about £6.5 millions, the average for the year being £4.8 millions. These figures are less than half those of 1928, in December of which year the average price of cotton was about \$38 and \$23 a cantar for Sakel and Ashmouni, respectively, as against \$14½ and \$10½ in December last. During the same period of ten years the percentage borne by advances to deposits has fallen from 38.7 to 24.0.

The average advances in 1937 were slightly less than in the previous year, and our net profits, after making provision for doubtful debts, have similarly fallen from £461,063 to £448,085. We propose, with your approval, to pay the same dividend as before, namely, 15 per cent., thus absorbing £438,750, adding £9,335 to the carry-forward, which will then amount to £233,458.

During the ten years from 1919-28, when prices were greatly inflated and all profits were large, the dividend was gradually increased from 14 per cent. to 18 per cent. In 1931 it was reduced to 15 per cent., at which level it has since remained, although the profits on the bank's commercial business are now considerably smaller. The reason why the dividend has so far not had to be reduced in proportion to the diminution in business is because a substantial portion of the profits made during the boom period was utilised in building up strong reserves, either in the form of a definite fund as published in the balance sheet, or by maintaining a cautious margin in the valuation of our assets. These reserves are invested and we are now reaping the fruit of the foresight and restraint of our predecessors.

But the existence of strong reserves in the National Bank is not only of importance to the actual shareholders. It frequently enables the bank, on occasions when the public interests are involved, to give first place to considerations other than those of profit-making. And in abnormal times, here or abroad, it is of still greater importance that the bank's position should be well buttressed, in order that it may play its proper part in maintaining confidence or in ensuring that the country's trade shall not suffer through a withdrawal of foreign funds—as was threatened in 1914. We all hope that such contingencies may not arise in our time, but no country is in a sound position if its National Bank is not equipped to meet them.

Our anticipation a year ago that the Sudan had another prosperous year in sight has proved correct. For the fourth year in succession there has been an increase in both exports and imports, and it is probable that the purchasing power of the people is now higher than ever before.

LONDON AND NORTH EASTERN RAILWAY COMPANY, LIMITED

GROWTH OF TRAFFIC

The fifteenth ordinary general meeting of the London and North Eastern Railway Company was held on the 4th instant at Hotel Great Central, London.

Mr William Whitelaw (the chairman) said that the net capital expenditure for the year had amounted to only £852,905, mainly owing to the sale of Tyne Dock, in respect of which £808,000 had been credited to the capital account. Sales of land and other assets credited to the account amounted to £440,000. The chief expenditure incurred was for new passenger carriages, costing along with improvements in existing carriages £888,000, of which £583,000 was provided from the money borrowed from the Railway Finance Corporation, Limited, in accordance with the agreement scheduled to the Railways (Agreement) Act, 1935. The improvement referred to consisted of the substitution of electric for gas lighting. On land and construction of way and stations in connection with the London suburban electrification, which the company was carrying out for the London Transport Pool, £275,000 had been spent, and on similar works under the agreement scheduled to the Railways (Agreement) Act, 1935, expenditure of £313,000 had been incurred.

Their estimate of capital expenditure during the current year was £3,385,000. Works under the above-mentioned agreement accounted for £468,000, and works and rolling stock under the agreement scheduled to the London Transport Passenger (Agreement) Act, 1935, accounted for £3,817,000. Ordinary additions and improvements to rolling stock accounted for £3,639,000.

DEVELOPMENT OF PASSENGER TRAFFIC

The development of their passenger traffic had been remarkable and had exceeded their expectations. They had had an increase of over seven and a quarter million passenger journeys, exclusive of season tickets, as compared with 1936, in which year they had had an increase of about five millions over 1935. The increase in receipts had been £568,000 over 1936 and £1,051,000 over 1935. Receipts from first-class fares showed an increase of £55,950 following an increase of £69,395 between 1936 and 1935 and from third-class fares there was an increase of £477,000 following an increase of £367,000 between 1936 and 1935.

Receipts from parcels and miscellaneous traffic had increased by over £94,000. Mails and parcel post had yielded about £14,000 less, but an advance in rates agreed with the Post Office would, it was hoped, give an improved return in the current year. They had earned a good increase in freight carryings. From merchandise (excluding classes 1-6) they had obtained £441,000 more; livestock had brought in nearly £5,000 less; minerals and merchandise in classes 1-6 had yielded £236,000 more; and coal and coke receipts had risen by over £868,000. The iron and steel originating traffic of all kinds had increased by 2,068,000 tons, or 16 per cent., and timber by 180,000 tons, or 9 per cent. The originating tonnage of landsale coal had increased by 1,547,000 tons, or 3.79 per cent., and that of shipment coal by 1,445,000 tons, or 4.5 per cent.

RATIO OF EXPENDITURE

The ratio of railway working expenditure to gross receipts had been 80.55 as against 81.38 in 1936. That was the best result since 1930. The ratio in 1931 was 80.95; it had risen to 83.55 in 1932, since when it had gradually decreased to the present figure.

The directors had thought it prudent to recommend that out of the earnings of the year £150,000 should be put into the fund for contingencies. Previous to 1926 that fund had stood at over a million pounds; it was wholly used up at the end of the year to meet the financial position which had been brought about by the prolonged stoppage of work in the coal trade; since 1928, when it was re-established, it had varied between £100,000 and £200,000. If the transfer was agreed to it would amount to £340,000.

The balance available enabled them to recommend the payment of the dividends on the first preference and redeemable preference stocks at the rates required to bring them up to the full rates for the year and a dividend of 1½ per cent. on the second preference stock as compared with a half of 1 per cent. a year ago. While the increase in the payment of that dividend no doubt gave cause for satisfaction, they did not forget that they were not yet able to pay even half of the dividend appropriate to that stock. When the amalgamation of the companies took place there was an undertaking with Parliament that each railway company was to be put in a position to earn a certain standard of revenue. The net revenue of the L.N.E.R. still fell far short of that figure—the shortage was, in fact, over five millions. They had not abated and they would not abate the right of the stockholders to that standard revenue.

The report was adopted.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

RECORD IN NEW BUSINESS

SIR CHARLES FERGUSON'S STATEMENT

The annual general meeting of the Scottish Equitable Life Assurance Society was held, on the 10th instant, in Edinburgh.

The Right Hon. the Earl of Stair, K.T., D.S.O., president of the Society, was in the chair, the chairman of the board of directors being General Sir Charles Fergusson of Kilkerran, Bt., G.C.B., G.C.M.G.

Before dealing with the business of the meeting Sir Charles Fergusson made a touching reference to the death of Sir Arthur Rose, a valued member of the board, and also expressed the regret of his colleagues that Mr D. A. Stevenson, who had been a director since 1884, did not see his way to seek re-election for reasons of ill-health.

During the year Mr R. K. Cuthbertson, Writer to the Signet, a member of the firm of Messrs Mackenzie, Innes and Logan, W.S., accepted an invitation to join the board.

FAVOURABLE INTEREST EARNINGS

Sir Charles Fergusson proceeded: The rate of interest earned on the funds is £5 1s. 4d. per cent. gross, or £4 2s. 5d. per cent. net; to get the true effective rates, however, we must omit from the calculation the balance-sheet reserve and the carry-forward. By so doing we find the yield is £5 4s. 11d. per cent. gross, or £4 5s. 4d. per cent. net.

Including the special expenditure occurring at the investigation date, the expenses work out at £15 4s. 4d. per cent. of the premium income; excluding these special expenses, the expense ratio is £14 13s. 11d. per cent.

SATISFACTORY NEW BUSINESS PROGRESS

The year's new business, after deducting reassurances, was slightly in excess of the Society's previous record. Between two valuation dates progress and profit-earning capacity are judged largely on the rate of interest earned, the expense ratio, the claims experience and the growth of new business. The ultimate test of a life office is an actuarial valuation on a sound basis.

STRINGENT MODERN VALUATION BASIS

Since our last valuation, new and up-to-date tables of mortality have been published by the Faculty of Actuaries and the Institute of Actuaries. The directors decided, on the recommendation of the manager and actuary, to employ the new tables in valuing the assurances, and in view of the fall in the general level of interest rates to adopt a more stringent interest basis—namely, 2½ per cent. net. The annuity reserves have been substantially strengthened. The valuation discloses a surplus of the substantial sum of £1,105,670, and your directors have felt justified in allocating a sum of £932,577 to provide bonuses.

MAINTENANCE OF HIGH RATE OF BONUS

This sum will be sufficient to maintain the high rate of £2 per cent. per annum compound. The actual bonus resulting where five years' premiums have been paid in the period will range from £100 to £242 per £1,000 of original assurance. The balance of surplus, £173,093, has been carried forward, and it is not proposed to make any change in the reserve shown in the balance sheet at £250,000.

THE PROSPECTS

It is very gratifying to the directors to be able to put before you such a satisfactory report. In addition to the strong actuarial reserves, the balance-sheet reserve and the carry-forward, I should also mention the reserve which we have in the difference between the market values and the balance-sheet values of our investments. It is satisfactory to be able to say that in spite of depreciation in Stock Exchange securities there is still a substantial margin with which to face the future.

STRENGTH OF FINANCIAL POSITION

The policy of the board regarding development and expansion is, and has been for many years, to rely on the strength of the society's financial position and on bonus results. This policy has resulted during the period since our last investigation in a regularly increasing amount of new business coupled with a continuation of our £2 compound bonus. The adoption of the report was seconded by Major Sir William Prescott, C.B.E., D.L., J.P., and was carried unanimously.

THE STANDARD LIFE ASSURANCE COMPANY

BONUS OF 42s. PER CENT. ANNUAL AND COMPOUND DECLARED FOR THE ELEVENTH SUCCESSIVE YEAR

RECORD NEW BUSINESS

NET INTEREST RATE EARNED OVER 4½ PER CENT.

The hundred and twelfth annual general meeting was held on Tuesday, March 8, 1938, Mr George William Blackwood in the chair.

The Manager and Actuary, having read the auditors' report, the Chairman said:—Gentlemen,—May I take it to be your wish that the directors' report which is in your hands be held as read?

The new business transacted by this company is naturally affected by the general state of trade in this country, which in turn is influenced by conditions in world trade and finance. I do not, however, propose to-day to touch upon the subject of world affairs except to remark that consideration of the great economic problems which beset the world has, it would seem, for some time past been subordinated to questions of international politics.

SATISFACTORY NEW BUSINESS FIGURES

Trade in this country was maintained at a high level during the past year and life assurance has increased in volume. The Standard had a particularly successful year in the new business field, £4,341,000 of net new ordinary life assurances have been completed, representing an increase of £267,000 over the previous year's total. This figure has never been exceeded in our long history of over 112 years. In addition to ordinary life assurance £789,000 of group life assurances were effected during the year in connection with staff schemes for commercial firms. The total amount of net new life assurances completed, therefore, was £5,130,000.

If you will turn to the revenue account you will see that our premium income has now passed the two million pounds mark, and our interest revenue exceeded £1,200,000. Notwithstanding the fact that the yield obtainable on new investments during the year remained comparatively low and that there was an increase in the rate of income tax in this country from 4s. 9d. to 5s. in the £1 the net rate of interest earned on our funds exceeded 4½ per cent. The surplus income of the guarantee fund transferred to the credit of the life assurance and annuity fund amounted to over £39,400.

With regard to the expenditure side of the revenue account I may say that our mortality experience has again been favourable; the fact that claims by death and maturity show an increase over last year's figures is a feature to be expected with a growing business. The only other item which calls for comment is the sum of £100,000 transferred to the trustees of the staff pension fund: for some years past the directors have, as you are no doubt aware, transferred a sum each year out of revenue as a provision for pensions. These transfers were required mainly to meet the actual pension payments falling due during the year, and the directors recently decided that it would be in the interests of the company that a fund be instituted charged with the payment of present and future pensions. Trustees have been appointed and the transfer of £100,000 appearing in the accounts is the initial contribution by the company to the fund. Our life assurance and annuity fund now stands at over twenty-six and a half million pounds; this represents an increase of about £1,200,000 over last year's total.

STRENGTH OF THE VALUATION BASIS

Turning to the balance sheet, I am glad to say that notwithstanding the general fall in security values during the year, the margin between the market and balance-sheet values of our assets is of very considerable amount. As regards the actuarial liabilities, the manager and actuary employed the same stringent bases as were adopted last year, one of the principal features being the conservative assumption that only 2½ per cent. interest will be earned by the company in the future. After making this full provision for the liabilities and after transferring the sum of £100,000 to the trustees of the staff pension fund, the directors declared an annual compound reversionary bonus of £2 2s. per cent., with corresponding bonuses in respect of policies issued under our minimum premium cash bonus plan of assurance and other schemes.

MR MACNAGHTEN'S RETIREMENT

There is another matter which I have to report, and I do so with great regret—a regret which I know will be shared by you. Our manager has decided to retire in July. His expert knowledge and his wholehearted working energy have been devoted to the Standard for the past 27 years, nineteen of them as manager. The reports,

which we have considered and approved at our annual meetings during these latter years are a record of his wonderful—I can use that adjective without fear of contradiction—his wonderful success. We can only accept Mr Macnaghten's decision. We do so with a full sense of the debt which the company owes to him. But that, I am more than glad to say, is not all. He will join the board at the date of his retiring, and at our annual meeting a year hence, in the usual procedure, you will be asked to confirm this appointment.

BRITANNIC ASSURANCE COMPANY, LIMITED

SATISFACTORY PROGRESS IN ALL BRANCHES

ASSETS EXCEED £30,000,000

£552,000 ALLOCATED FOR BONUSES TO POLICYHOLDERS

The seventy-second annual ordinary general meeting of the shareholders of the Britannic Assurance Company, Limited, was held, on the 4th instant, 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 for the year 1937 is one of satisfactory progress. The premium income of £5,295,000 in the life branches was over £170,000 in excess of the previous year, while, excluding the general branch, the total income of £6,679,000 was £247,000 ahead of 1936. The total payments for claims in the life branches were over £2,500,000, including £1,054,000 in respect of maturing policies. In both life branches the business was transacted at a lower rate of expense, and as a result of the year's working the addition to the total funds was the record sum of £1,944,000, which brought the company's assets to over £30,000,000.

With regard to the investments, the care with which they have had to be selected during times like these will be appreciated. Such times most forcibly demonstrate the soundness of our past policy of building up adequate reserves, and, in continuance of that policy, the directors have again transferred £100,000 to the Investment Reserve Funds, bringing those funds up to £1,600,000, which is practically 7 per cent. of the cost of our Stock Exchange investments. Last year I was able to report that this was a free reserve in every sense of the word, the market value of the assets being far in excess of the balance-sheet values. Even after the substantial falls in values during 1937, I am glad to be able to say that that position is unchanged and that we should have to see a further very substantial contraction in values before it became necessary to have resort to the investment reserve funds.

Taking the assets in their balance-sheet order, you will see that mortgages in the United Kingdom are now £3,390,000—an increase of £259,000—this being mainly due to the expansion in the house purchase department.

British Government securities show a slight decrease, due to redemptions. Railway and other ordinary stocks show an increase of £1,082,000. Most of these purchases were made in the latter part of the year, when prices were depressed, and a large proportion of the increase has been in the shares of banks, insurance companies and electric supply companies. At the end of the year the purchases made during the year under these three headings actually showed a slight appreciation in market value over cost price. For the rest, the investments have been widely spread, and in many cases represent additions to existing holdings of shares of first-class companies which over a long period of years have proved to be satisfactory investments. Taken altogether, the depreciation on new investments in ordinary stocks during the year has been negligible, whilst on our total holding under this heading the appreciation is still very considerable. Under the other headings there are only small changes.

ORDINARY BRANCH

The premium income amounted to £1,387,500—an increase of £46,000 over the previous year. Our new business totalled almost £3,600,000 in sums assured—the average sum assured per policy exceeding £200 for the first time.

The gross rate of interest earned was £5 3s. 3d. per cent.—a reduction of 11d. per cent. from the previous year—and, after allowing for the increased rate of income tax, the net rate earned was 1s. 5d. per cent. lower at £4 6s. 3d. per cent.

Claims by death amounted to £188,000 and were within the expectation. Claims by maturity increased by £94,000 to a total of £555,000.

The expense ratio of 13.08 per cent. showed a further slight reduction.

There can be no doubt of your unanimous approval.

Your directors have decided to appoint Mr King as manager and actuary, and they do so with every confidence, being sure that the efficiency and the tradition of the past will be carried on.

I now move the formal adoption of the report, revenue accounts and balance sheet submitted.

Dr. A. Rae Gilchrist seconded this motion, and the report was adopted unanimously.

The increase in the funds of the branch during 1937 was £670,000, and the total, after the transfers made in respect of the year 1937 as shown in the accounts, exceeded £11,185,000.

A reversionary bonus of 38s. per £100 sum assured was again declared on with-profit policies, and the amount carried forward undivided is £175,000, which shows an increase of over £15,000 on the amount brought forward from the previous year.

INDUSTRIAL BRANCH

The industrial branch funds have increased during the year by £1,058,000 to £15,314,000. The premium income amounted to £3,908,000, being an increase of £124,000.

Interesting features of the new business were another increase in the average sum assured and in the average weekly premium; more business transacted on the younger lives and on the lives of the bread-winners; a further increase in the proportion of business effected under the endowment assurance tables, all of which indicate how incorrect are those critics who say that industrial assurance exists mainly for the purpose of issuing policies to cover funeral expenses.

The gross and net rates of interest earned during the year in this branch were £5 4s. 10d. per cent. and £4 11s. 2d. per cent., respectively.

The expense ratio for the year was 31.38 per cent. of the premium income and showed the substantial reduction of 1.86 per cent. as compared with the figure for the previous year.

Death claims during the year amounted to £1,273,000, which included £60,652 paid in respect of bonuses.

Payments under maturing policies, inclusive of £37,315 in bonuses, amounted to £493,700, which showed a reduction of £35,244 as compared with 1936. Surrenders for cash amounted to £123,600, and were less than those of the previous year by £9,151. A reduction in this item has been a continuous feature since the year 1932, and this indication of the continued prosperity of the country is to be welcomed.

As a result of the annual valuation, made on the same stringent bases as before, the total surplus was the record sum of £855,918—an increase of £41,245 over that of the previous year. Out of this surplus, £250,000 has been allocated to Britannic policyholders, which is £25,000 more than last year, and £17,500 to British Legal policyholders.

GENERAL BRANCH

The premium income of £191,154 shows an increase of £6,540 over the previous year. The business is of excellent quality and shows a favourable claim ratio in every section.

STAFF PENSION FUND

I am sure the action of the board in transferring £100,000 to the trustees of the staff pension fund has the approval of the shareholders. At the present time pensions amounting to over £50,000 per annum are being paid to old servants of the company.

To the staff both in the field and at chief office the directors offer sincere thanks for their loyal and efficient services during the year. It is always a pleasure for the directors to meet the representatives of the Britannic Field Staff Association or the Chief Office Staff Association and so long as this spirit of mutual confidence and goodwill continues the future progress of the company is assured.

Mr Murray Laing, the deputy general manager, in seconding the report, said the financial strength of the company was such as to afford to policyholders that indispensable characteristic of a good life policy—absolute security of capital, and this was accompanied by excellent prospects in regard to the future maintenance of bonus distributions.

The report and accounts were unanimously adopted.

HARRODS, LIMITED

IMPROVED RESULTS—FAVOURABLE OUTLOOK

The forty-eighth annual general meeting of Harrods, Limited, was held, on the 7th instant, at the company's premises, Brompton Road, London, Sir Woodman Burbidge, C.B.E. (the chairman), presiding.

The Chairman, in the course of his speech, said:—Last year I expressed the opinion that 1937 would be a year of successful trading, not only because of an expected stimulus to the retail distributive trades, arising out of the Coronation of our King and Queen, but for the further reason that the outlook for trade and industry generally was considered to be promising for further development and prosperity. The results of our trading were quite satisfactory for the first half of the year. During the closing months of the year, however, the results fell short of our expectations; in fact, they were disappointing. The reasons for this recession in trade are well known. The severe setback in the United States of America and the general international situation had a depressing influence upon the trade position, seriously affecting the market value of practically all classes of securities and resulting in heavy capital depreciation and widespread losses.

Notwithstanding this setback, the final results of our trading for the year are not unsatisfactory. You will have observed from the report and accounts now before you that the total net profit for the year amounts to £817,802, an increase on the previous year of £17,482.

MANCHESTER BRANCH

Having dealt with the balance sheet, and pointing out that their liquid resources of cash and British Government securities amounted to £1,768,156, the Chairman continued:—I am happy to report further progress at our Manchester branch, as sales and net profit both show a satisfactory increase. I stated last year that if the trading results at this branch continued to show improvement, as they had done for the two previous years, we should further consider the building of the new store. Last year's trading results are the best we have had for some years past, and we have decided to proceed with the building scheme, as we are confident that the erection of a modern store will lead to increased profits, especially as this old business enjoys a high reputation for quality, value and good service throughout Lancashire, and, indeed, the North of England. The main building, where the largest part of our trade is carried on, being an island site, does not admit of any further extension. We have, however, an excellent site immediately opposite our present store, already connected with a subway, in which we have been trading for many years. The building is very old, and we propose to erect on this site a department store consisting of seven storeys above ground with basement and sub-basement.

The trading results of Dickins and Jones, Limited (a subsidiary), have again been satisfactory. The net profit (before deducting debenture interest and preference dividend) is £125,097, an increase on the year of £4,593.

With regard to D. H. Evans and Company, Limited, the trading profits for the first completed year of the full occupation of the new building have been very satisfactory. The total net profit for the year is £137,779, an increase on the previous year of £23,302, or over 20 per cent. I think stockholders will agree that our first year's results confirm the policy of the board in rebuilding and providing a modern store.

CURRENT YEAR'S PROSPECTS

As far as our own business is concerned, I am optimistic about the future and feel that there is a possibility of a further increase in trade and profits in the coming year. Trade in February has not been favourable, but it is to be remembered that, owing to many difficult conditions, trade has had a setback during the last six months, and it takes some time to get back to normal. Trading during the first three months may be difficult, but I feel that after that we shall be able to go ahead again, and that, providing international troubles are settled, we can look forward confidently to a good year.

You will gather from the various building schemes that are being undertaken at Harrods, Dickins and Jones and at Kendal Milne's, Manchester, that the directors have great hopes of good trading and increased profits in the future. There is no doubt that we have great possibilities in front of us. There is still only one Harrods, and when we have the pleasure of meeting you next year I feel the results will be even more satisfactory than those I have been able to put before you to-day.

The report and accounts were unanimously adopted, and a final dividend of 11 per cent., making 16 per cent. for the year, on the ordinary stock, together with a bonus of 2½ per cent., was approved.

MIDLAND COUNTIES ELECTRIC SUPPLY COMPANY, LIMITED

ANOTHER YEAR OF PROGRESS

The twenty-fifth ordinary general meeting of the Midland Counties Electric Supply Company, Limited, was held, on the 7th instant, at Winchester House, London.

Mr George Balfour, J.P., M.P. (the chairman), after expressing regret at the death of Mr Alfred R. Holland, who had been associated with their two power companies and their original transport business since the promotion and syndicate days thirty-five years ago, said that the accounts would, he was sure, be regarded as satisfactory, and showed results quite up to anything which shareholders must have expected from his observations a year ago. The transport business continued to make progress and they now possessed a first-class undertaking. After providing £28,700 for depreciation and bringing in interest and dividend to the modest amount of £7,549, they had left a free surplus of £86,929 in the transport company's accounts to provide further against goodwill and statutory rights value in the operating companies. If those properties continued as they were doing—and he had no reason to doubt it—shareholders would get their reward. Including the newly acquired Mansfield undertaking they now operated 277 vehicles and had carried last year about fifty million passengers.

The electricity supply undertakings continued to record an increase in maximum load and unit output, which was reflected in an increase in both gross and net revenues. They had for years pursued a regular policy of unification and of reduction in tariffs and had been able to reduce prices due to an intensive cultivation of business, coupled with an ever-increasing goodwill between Local Authorities in whose areas they operated, consumers and the public at large. The generating plant in their three power stations had a total capacity of 150,000 kw.

ADDITIONS TO SYSTEM

During the year they had added to the distributing system 258 miles of high-tension lines and 323 miles of low-tension lines, bringing the total up to 1,774 miles and 2,069 miles respectively. They now had in operation 1,325 sub-stations of various sizes. They had connected additional load amounting to 43,587 kw., to which must be added 22,599 kw., the connected load of the Tamworth undertaking, bringing the total at the end of the year up to 352,528 kw.

At the end of the year they had 134,102 consumers connected, an increase of 25,836. The number of units sold again showed a substantial increase, the total being 419 millions. Eliminating units supplied under large bulk and special commercial contracts and sales of the Tamworth company, they had a comparable figure of 306 million units compared with 262 millions for the previous year, an increase of over 16 per cent. In addition they again exported to the Central Electricity Board approximately 98,500,000 units, for which they calculate to pay us about 0.124 pence per unit.

They had supplied local authorities in their Derby and Notts area with electricity in bulk last year to the value of £107,000. If those authorities had been supplied direct by the Central Board on the basis of Grid tariff, including the relative Grid coal clause adjustment, they would have had to pay £11,600 more than the amount charged by the company, and he trusted the authorities would appreciate the fair and strictly commercial attitude of the company in these matters.

The average price received from customers throughout the Derbyshire and Nottinghamshire area was 0.680 pence per unit, and if they excluded special contracts the average was 0.956 pence. In the Leicestershire and Warwickshire area the average received was 0.996 pence per unit. The average price obtained over the whole area was 0.840 pence per unit, which he thought they would agree was a very low average price bearing in mind that the consumers were scattered over 2,391 square miles of territory for which the company under its various Power Acts and Lighting Orders was responsible for direct supply.

DEVELOPMENT SINCE 1922

He proceeded to quote figures showing the progress of the company since its inception twenty-five years ago. He said that consumers had increased from 4,172 in 1922 to 134,102 in 1937; units sold from 23,800,000 to 419 millions, and gross revenue from £166,000 to £1,467,000. Last year they had made reductions in charges in certain areas and might possibly make further reductions in the current year.

The amount carried to net revenue account was £374,183, and they proposed to pay a final dividend of 5½ per cent. on the ordinary stock, making 8 per cent. for the year.

The report was unanimously adopted.

CURRENT STATISTICS

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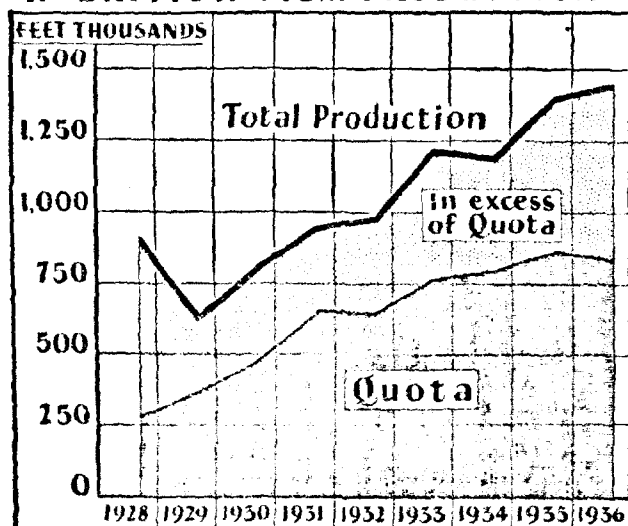
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

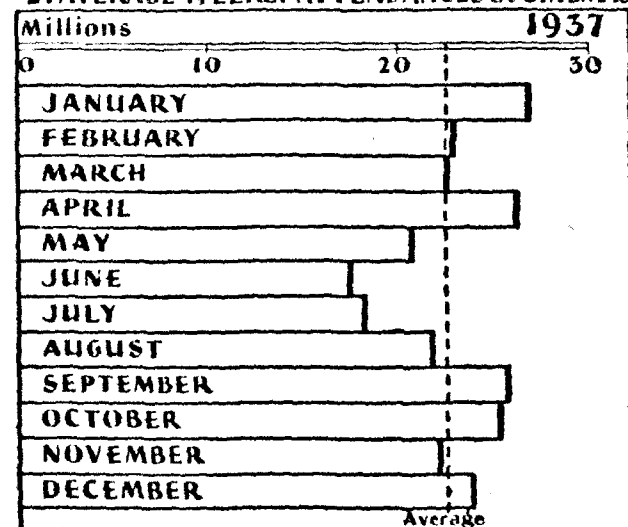
Films

In view of the considerable interest aroused in the economics of cinemas and film production by discussions of the Films Bill which is now before Parliament, we have collected a number of significant facts about the film industry which we present below in graphical form. For these illuminating charts we are indebted to the courtesy of Mr S. Rowson. Chart 1 shows how the total production of British "longs" has continued to expand well above the amount required by the quota. In Chart 2 it has been assumed that the seasonal variation in cinema attendances in 1937 was the same as in 1934. It is not believed that this introduces any serious error. Chart 3 draws attention to the wide variations in cinema accommodation in different parts of the country.

1. BRITISH FILM PRODUCTION

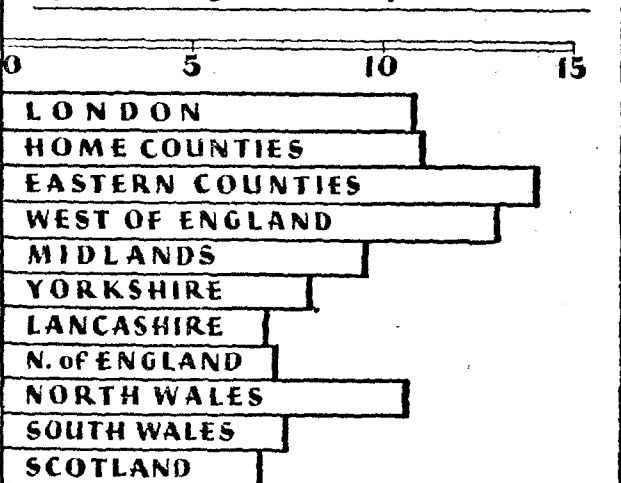


2. AVERAGE WEEKLY ATTENDANCES at CINEMAS

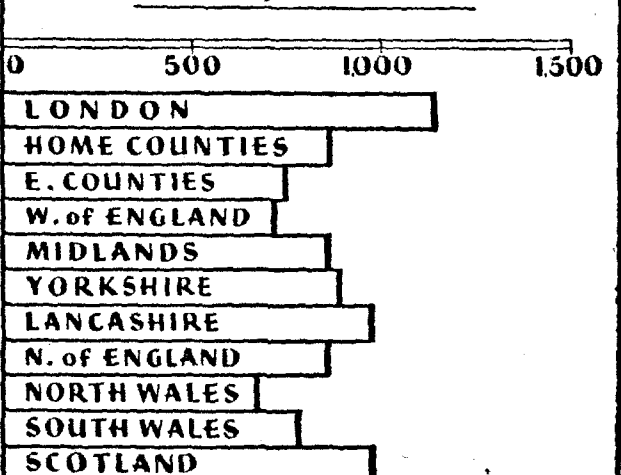


3. CINEMA ACCOMMODATION-1934

Population aged 15 & over per cinema seat



Seats per Cinema



GOVERNMENT FINANCE

For the week ended March 5, 1938, the total ordinary revenue was £29,453,000 against ordinary expenditure of £19,974,000. The deficit accrued since April 1st last is thus £2,305,000, against a deficit of £16,698,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1937-38	April 1, 1936, to Mar. 5, 1937	April 1, 1937, to Mar. 5, 1938	Week ended Mar. 5, 1937	Week ended Mar. 5, 1938
ORDINARY REVENUE					
Inc. Tax	288,150	233,900	266,797	14,719	18,667
Sur-tax	58,000	41,880	44,290	3,080	3,250
Estate, etc.	89,000	80,390	82,320	1,910	1,610
Duties	29,000	24,590	19,410	1,400	...
N.D.C.	2,000	...	580	...	60
Other In. Rev. Duties	1,500	1,150	1,570	30	70
Total I. Rev.	467,650	381,950	414,967	21,139	23,657
Customs	219,850	195,588	204,693	5,216	4,513
Excise	113,150	102,800	106,500	1,000	909
Total Cust. and Excise	333,000	298,388	311,193	6,216	5,422
Motor Duties	34,000	32,339	34,182	...	121
P.O. (Net Receipt)	11,800	14,300	13,360	450	160
P.O. Fund Crown Lds.	1,350	1,320	1,280	...	...
Rec. from Sun. Loans	4,300	4,550	5,230	69	68
Misc. Rec.	11,000	17,050	11,787	30	25
Total Ordinary Revenue	863,100	749,897	792,024	27,904	29,453
SELF-BAL. REVENUE					
Post Office and Broadcasting	75,198	64,400	68,690	900	1,240
Total	...	814,297	860,714	28,804	30,693

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for 1937-38	April 1, 1936, to Mar. 5, 1937	April 1, 1937, to Mar. 5, 1938	Week ended Mar. 5, 1937	Week ended Mar. 5, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	224,000	208,461	212,398	8,421	8,388
Payments to N. Ireland	8,000	6,656	7,229	414	428
Other Cons. Fund Serv.	3,200	2,858	2,942	...	9
P.O. Fund	300	421	...	...	...
Total	235,500	218,396	222,569	8,835	8,825
Supply Serv.	162,748	154,819	157,759	18,293	11,149
Total Ord. Expend.	398,248	373,215	380,328	27,128	19,974
Sinking Funds	...	10,347	9,640	2,751	1,821
SELF-BAL. EXPEND.					
P. O. and Broadcasting Votes	75,198	64,400	68,690	900	1,240
Total	...	841,341	872,658	30,779	23,035

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After reducing Exchequer balances by £406,666 to £2,566,985, the other operations for the week (as shown in the next column, but excluding £7,300,000 issued under the Defence Loans Act and £1,821,000 issued to Sinking Funds), reduced the gross National debt by £765,000 to about £8,145 millions.

WEEK'S CHANGES IN DEBT

NET INCR. IN DEBT	NET REPAYMENTS, ETC.*
Pub. Dept. Adv. ... 595	Treasury Bills ... 742
Tithe Act. ... 212	Nat. Savings Certs. 150
Land Sett. (Fac.) .. 20	P.O. and Teleg. (Money) Act. ... 700
827	1,592

* Excluding £7,300,000 issued under Section 1 (1) of the Defence Loans Act, 1937.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to March 5, 1938, are shown below:—

Ordinary Exp.	Ordinary Rev.
Issue to Exch. Eq. ... 794,328	Issue to Exch. Eq. ... 792,024
Fund (July '37) 200,000	Dec. in balances 133
Gross Issues under Defence Loans Act 23,750	Gross borrg. 235,569
	Less New S.F. 9,640
	Old S.F. 9
	Net borrowing 225,921
1,018,078	1,018,078

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Total Floating Debt	Float. Assets
	Tender	Tap	Public Depts. of Eng.	
1937				
Mar. 6	510.0	171.7	39.7	721.4
Dec. 18	500.0	174.6	23.5	698.1
Dec. 18	622.0	317.3	41.6	980.9
Dec. 18	622.0	319.9	41.1	983.0
Dec. 18	889.7*	39.4	55.7	984.9
1938				
Jan. 8	622.0	312.4	41.6	983.0
Jan. 8	612.0	308.9	35.3	956.2
Jan. 8	597.0	301.0	28.1	926.2
Jan. 8	587.0	292.3	31.6	910.9
Feb. 5	572.0	281.7	33.6	887.3
Feb. 5	557.0	276.9	31.9	865.8
Feb. 5	542.0	275.5	31.3	848.8
Feb. 5	532.0	273.1	39.2	844.3
Mar. 5	522.0	282.4	39.8	844.2

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS (£ millions)

Date of Tender	Amount	Average Rate	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted
1937			
Mar. 5	45.0	75.0	45.0
Dec. 17	50.0	76.8	50.0
Dec. 17	50.0	68.4	50.0
Dec. 17	50.0	80.5	50.0
1938			
Jan. 7	40.0	81.8	40.0
Jan. 7	35.0	81.8	35.0
Jan. 7	35.0	88.2	35.0
Jan. 7	30.0	86.5	30.0
Feb. 4	30.0	88.4	30.0
Feb. 4	30.0	87.7	30.0
Feb. 4	35.0	86.6	35.0
Feb. 4	40.0	92.0	40.0
Mar. 4	45.0	97.8	45.0

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On March 4th, applications at £99 17s. 5d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 30 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 6d. per cent. and above were allotted in full. £45.0 millions of Treasury bills are being offered on March 11th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
7 wks. to: Feb. 20, 1937	5,155,184	3,866,388
Feb. 19, 1938	5,127,197	3,845,395
Week to: Feb. 20, 1937	657,332	492,999
Feb. 12, 1938	769,247	576,935
Feb. 19, 1938	628,088	471,066

Net Exchequer receipts, week to February 19, 1938: £100,000.

BANK OF ENGLAND RETURNS

MARCH 9, 1938

ISSUE DEPARTMENT

Notes Issued	Govt. Debt.
In circula. 479,260,216	Other Govt. 11,015,100
In Bnkg. Department. 47,146,944	Securities... 188,944,977
	Other Secrs. 28,379
	Silver Coin... 11,544
	Amt. of Fid. Issue. 200,000,000
	Gold Coin & Bullion... 326,407,160
526,407,160	526,407,160

BANKING DEPARTMENT

Capital	Govt. Secs.
14,553,000	105,221,164
Rest 3,694,860	Other Secs. 6,524,744
Public Depts. 12,571,734	Disc. etc. 21,472,579
Other Depts. 114,279,744	Saurinets 27,997,323
Bankers' 36,091,184	Notes... 47,146,944
Other 150,370,925	Gold & Silv. Coin ... 825,088
181,190,519	181,190,519

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. Mar. 9, 1938	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	479,260	+ 916	+ 14,785
Deposits: Public	12,572	- 1,146	- 4,316
Bankers'	114,280	+ 1,431	+ 20,453
Others	36,091	+ 69	+ 1,576
Total outside liabilities	642,203	+ 699	+ 29,276
Capital and rest	18,248	- 15	- 18
COMBINED ASSETS			
Govt. debt and securities	305,181	- 1,128	+ 17,081
Discounts and advances	6,525	- 551	- 2,279
Other securities	21,501	- 76	- 2,763
Silver coin in issue dept.	11	Same	+ 2
Gold coin and bullion	327,232	+ 60	+ 12,658
RESERVES			
Res. of notes & coin in banking department	47,972	- 856	- 2,127
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	29.4%	- 0.5%	- 4.3%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.9%	- 0.1%	- 0.4%

COMPARATIVE ANALYSIS (£ millions)

	1937	1938
	Mar. 10	Mar. 9
Issue Dept.:		
Notes in circ.	464.5	474.1
Notes in banking dept.	49.2	52.3
Govt. debt and securities	198.0	199.3
Other secrs.	2.0	0.7
Gold	313.7	326.4
Deposits:		
Public	17.0	15.8
Bankers'	93.8	106.4
Others	37.7	35.5
Total	148.5	157.7
Bkg. Dept. Secs.:		
Government	90.1	97.9
Discounts, etc.	4.2	6.1
Other	22.3	18.8
Total	116.6	122.8
Banking dept. reserve	50.1	53.0
"Proportion" Reserve ratio	33.7	33.6

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £11,544; capital, £14,553,000; rest, £3,694,860.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Roumania appeared in *The Economist* of December 25, 1937; Portugal, of February 5; Argentina of February 19; Danzig, Greece, India, Lithuania, Poland, South Africa and Sweden of February 26; Australia, Bulgaria, Egypt, Estonia, Hungary and Jugoslavia of March 5.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	Feb. 28, 1937	Dec. 31, 1937	Jan. 31, 1938	Feb. 28, 1938
ASSETS				
Gold in bars	197.7	197.7	197.7	197.7
Cash	39.2	52.3	37.6	30.8
Sight funds	26.5	17.1	13.3	13.9
Bills and acceptances:				
(a) Commercial bills	107.1	122.1	127.8	127.7
(b) Treasury bills	131.6	110.6	110.4	100.7
Time funds at interest	26.9	38.4	44.8	55.7
Sundry bills & invests.	259.8	294.5	298.4	300.8
Other assets	1.4	1.1	1.1	1.0
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	22.1	23.2	23.2	23.2
Long-term commitments:				
(1) Annuity trust account deposits	153.3	153.5	153.8	154.3
(2) Govt. deposits	121.3	109.4	108.5	108.6
Short term and sight deposits:				
(1) Central banks:				
Own account	135.1	178.8	176.9	173.8
(2) Central banks:				
For acct. others	3.6	2.3	3.2	2.7
(3) Other deposits	0.3	0.3	0.5	4.3
Sight deposits—gold	23.5	8.4	9.4	9.4
Miscellaneous items	43.7	43.0	44.1	45.4

U.S. FEDERAL RESERVE BANKS
Million \$s

	Mar. 10, 1937	Feb. 10, 1938	Mar. 10, 1938	Mar. 10, 1938
RESOURCES				
Gold cert. on hand and due from Treas.	8,846	9,116	9,174	9,179
Total reserves	9,121	9,564	9,619	9,659
Total cash reserves	263	438	456	472
Total bills discounted	1	1	1	1
Bills bt. in open mkt.	3	1	1	1
Total bills on hand	8	12	10	9
Industrial advances	23	18	17	17
Total U.S. Govt. secs.	2,430	2,564	2,564	2,564
Total bills and secs.	2,461	2,593	2,592	2,590
Total resources	12,264	12,747	12,910	12,862
LIABILITIES				
F.R. notes in actual circulation	4,169	4,125	4,145	4,134
Aggregate of excess mkt. bank res. over reqts.	1,380	1,410	1,390	1,470
Deposits—Member bank reserve account	6,749	7,205	7,215	7,311
Govt. deposits	186	186	185	181
Total deposits	7,174	7,795	7,820	7,881
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,264	12,747	12,910	12,862
Ratio of total res. to deposit and F.R. note liab. combined	80.4%	80.2%	80.6%	80.4%
U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES				
Monetary gold stock	11,484	12,756	12,767	12,768
Treasury and Nat. Bk. currency	2,537	2,661	2,669	2,670
LIABILITIES				
Money in circulation	6,376	6,306	6,343	6,334
Treasury cash and deposits with F.R. bks.	2,858	3,806	3,764	3,743

NEW YORK FEDERAL RESERVE BANK.—Million \$s

	Mar. 10, 1937	Feb. 10, 1938	Mar. 10, 1938	Mar. 10, 1938
ASSETS				
Total gold reserves	343.1	7,817.4	9,311.5	3,898.8
Total bills discounted	2.9	3.2	2.9	2.4
Bills bt. in open mkt.	1.1	0.2	0.2	0.2
Total U.S. Govt. secs.	652.3	739.5	739.5	739.6
Total bills and secs.	662.1	747.4	747.1	746.5
Deposits—Member bank—reserve acct.	2,961.7	3,242.4	3,249.1	3,291.2
Total res. to dep. and Fed. Res. note liab. combined	85.7%	85.3%	86.2%	85.5%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$s

	Feb. 24, 1937	Jan. 26, 1938	Feb. 23, 1938	Feb. 23, 1938
ASSETS				
Loans, total	9,054	9,038	8,844	8,846
Investments with Federal Reserve banks	13,621	12,237	12,887	12,271
LIABILITIES				
Due from domestic bks.	5,291	5,735	5,622	5,673
Deposits—demand (adjusted)	15,638	14,583	14,485	14,576
Time	5,111	5,213	5,248	5,249
U.S. Government	342	653	637	638
Inter-bank	6,389	5,747	5,708	5,635

† In this item, comparison between May 20, 1937, and preceding weeks is affected by a revision of the statement.

BANK OF FRANCE.—Million francs

	Mar. 1937	Feb. 1938	Feb. 1938	Mar. 1938
ASSETS				
Gold*	57,359	55,806	55,807	55,807
Advances on gold coin	1,140			
Bills: Commercial	9,574	12,299	12,424	11,723
Bought abroad	1,295	818	818	805
Advances on securities	3,845	3,976	3,652	3,852
Thirty-day advances	978	1,178	866	1,117
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	20,072	31,904	31,904	32,704
Negotiable bonds	5,640	5,580	5,575	5,575
Sinking Fund Dept.	4,066	4,131	4,022	4,189
Other assets				
LIABILITIES				
Notes in circulation	86,978	93,387	92,740	94,221
Deposits: Public	1,895	2,494	2,226	2,148
Private	15,439	19,500	19,970	19,235
Other liabilities	2,765	3,511	3,332	3,369
Gold reserve to sight liabilities	54.9%	48.3%	48.5%	48.2%

* From July 29, 1937, based on franc at 43 (against 49) milligrams.

REICHSBANK
Million Reichsmarks

	Mar. 1937	Feb. 1938	Feb. 1938	Mar. 1938
ASSETS				
Gold	67.3	70.8	70.8	70.8
Of which deposited abroad	5.6	5.5	5.2	5.4
Res. in foreign currencies				
Bills of exchange and cheques	451.5	517.2	555.8	537.1
Silver and other coin	188.2	185.4	152.5	152.0
Advances	51.2	59.8	81.4	43.3
Investments	519.4	397.3	306.4	294.5
Other assets	901.1	792.9	890.9	850.1
LIABILITIES				
Reserves	473.6	493.0	493.0	493.0
Notes in circulation	462.1	495.7	527.8	508.6
Other daily maturing obligations	659.3	744.1	891.0	811.0
Other liabilities	344.3	339.1	353.2	347.1
Cover of note circulatn.	1.56%	1.54%	1.44%	1.49%

AUSTRIAN NATIONAL BANK
Million schillings

	Mar. 1937	Feb. 1938	Feb. 1938	Mar. 1938
ASSETS				
Cash reserve: Gold coin and bullion	242.8	243.2	243.2	243.3
Net foreign exchange	95.9	167.5	174.4	177.0
Bills discounted	200.9	186.8	184.9	185.6
Federal debt	620.1	611.8	611.8	611.8
LIABILITIES				
Notes in circulation	892.5	892.3	841.9	953.4
Deposits	241.4	315.5	376.8	267.5
N.B.—5,976.30 schillings = 1 kg. fine gold Dec. 31, 1937, and after.				

NATIONAL BANK OF BELGIUM
Million belgas*

	Mar. 1937	Feb. 1938	Feb. 1938	Mar. 1938
ASSETS				
Gold	3,519	3,505	3,498	3,531
Silver and other coin	53	54	53	53
Foreign exchange, etc.	1,009	1,049	1,039	1,039
Bills and securities	578	574	581	572
Advances	38	34	30	40
LIABILITIES				
Notes in circulation	4,345	4,316	4,325	4,381
Deposits: Govt.	14	21	10	47
Other	754	793	832	711

* Owing to changes in the form of return, a comparison with the position a year ago cannot be shown.

BANK OF CANADA
Million \$s

	Mar. 1937	Feb. 1938	Feb. 1938	Mar. 1938
ASSETS				
Reserve, of which:				
Gold coin and bullion	196.9	199.8	204.8	201.7
Securities	179.4	179.8	180.1	180.0
LIABILITIES				
Note circulation	120.5	152.6	148.3	149.9
Deposits: Dom. Govt.	26.1	17.6	22.8	20.2
Chartered banks	195.4	195.3	189.7	192.0
Reserves to notes and deposit liabilities	57.3%	53.0%	56.2%	55.3%

NATIONAL BANK OF CZECHOSLOVAKIA.—Million Cz. Kr.

	Mar. 1937	Feb. 1938	Feb. 1938	Mar. 1938
ASSETS				
Gold	2,587	2,641	2,649	2,649
Balance abroad and foreign currencies	277	523	541	528
Discounts and advances	1,854	1,997	1,308	1,606
State note debts	2,019	2,009	2,009	2,008
LIABILITIES				
Bank notes in circulatn.	5,787	6,099	5,778	6,078
Deposits	415	629	781	347

NATIONAL BANK OF DENMARK
Million kroner

	Mar. 1937	Feb. 1938	Feb. 1938	Mar. 1938
ASSETS				
Gold coin and bullion	27.9	19.7	31.1	19.8
Foreign bills & balances	15.2	72.5	83.3	88.1
Home bills, securities and loans	244.4	262.7	227.3	229.8
Emergency fund	116.4	103.1	102.0	102.0
Advances to Treasury	40.2	91.6	20.7	3.7
LIABILITIES				
Notes in circulation	374.7	417.1	386.1	391.2
Deposits	33.3	114.9	69.0	50.2
Foreign liabilities	27.0	10.3	4.0	3.5

BANK OF FINLAND
Million F. Marks

	Feb. 1937	Jan. 1938	Feb. 1938	Feb. 1938
ASSETS				
Gold reserve	603.1	602.6	602.6	602.6
Gold abroad not in gold reserve	211.4	32.0	32.0	32.0
Foreign correspondents	1732.7	2135.4	2233.7	2240.6
Foreign bills, etc.	92.7	59.6	59.2	58.2
Int. bills and home loans	1061.9	1113.9	1286.7	1312.7
Finnish & foreign bonds	396.4	494.9	454.0	444.3
LIABILITIES				
Notes in circulation	1628.9	1934.0	2043.8	2047.8
Sight deposits: Govt.	572.6	403.2	543.3	642.9
Other	649.5	915.5	831.6	753.2
Ordinary cover to sight liabilities	76.6%	79.7%	78.4%	78.4%

BANK OF JAPAN.—Million yen

	Feb. 1937	Jan. 1938	Feb. 1938	Feb. 1938
ASSETS				
Coin and bullion: Gold	554.7	801.0	801.0	801.0
Other	31.8	25.8	23.9	26.4
Discounts and advances	835.8	509.7	530.1	520.2
Government bonds	566.7	1006.2	1170.4	1109.7
Agencies accounts	94.3	104.4	110.7	112.6
LIABILITIES				
Notes issued	1432.5	1774.6	1848.9	1718.6
Deposits: Government	330.6	329.7	439.0	518.7
Other	62.5	83.4	81.6	82.3

BANK OF JAVA.—Million florins

	Feb. 1937	Jan. 1938	Feb. 1938	Feb. 1938
ASSETS				
Gold and silver	107.90	135.23	134.88	135.52
Discounts, advances & other investments	76.10	76.59	76.86	77.24
Foreign bills	2.18	3.19	2.24	2.67
Other assets	61.40	63.16	64.67	64.68
LIABILITIES				
Notes in circulation	178.47	185.01	185.17	183.37
Deposits and bills	55.38	78.11	78.38	81.64

BANK OF LATVIA
Million lats

	Mar. 1937	Jan. 1938	Feb. 1938	Feb. 1938
ASSETS				
Gold coin and bullion	76.88	77.55	77.56	77.56
Silver coin	15.85	13.95	14.04	13.93
Foreign currency	35.96	43.10	44.31	44.41
Treas. notes and change	7.72	8.87	8.05	7.46
Short-term bills	50.34	46.58	46.29	46.38
Loans against securities	68.98	83.43	82.46	81.21
LIABILITIES				
Notes in circulation	45.42	62.30	65.31	66.49
Deposits & curr. accs.	137.98	135.27	130.19	121.71
Government accounts	64.24	62.91	65.83	69.68

NETHERLANDS BANK
Million florins

	Mar. 8, 1937	Feb. 7, 1938	Feb. 28, 1938	Mar. 7, 1938
ASSETS				
Gold	919.6	1415.8	1435.8	1470.4
Silver	17.9	16.9	15.6	8.7
Home bills, &c.	19.9	9.0	9.0	8.7
Foreign bills	2.3	5.2	5.2	5.2
Loans and advances in current account	174.2	237.2	271.1	255.4
LIABILITIES				
Notes in circulation	794.4	869.4	901.8	883.9
Deposits: (a) Govt.	65.0	141.5	108.9	
(b) Other	291.9	690.0	743.8	903.3

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch.	Mar. 3, 1938	Mar. 4, 1938	Mar. 5, 1938	Mar. 7, 1938	Mar. 8, 1938	Mar. 9, 1938
London:—	Old Par	5 01 1/2	5 00 3/4	5 00 3/4	5 00 3/4	5 01 1/2	5 00 3/4
60 days ...	4 86 1/2	5 01 1/2	5 00 3/4	5 00 3/4	5 00 3/4	5 01 1/2	5 00 3/4
Cables ...	5 01 1/2	5 01 1/2	5 01 1/2	5 01 1/2	5 01 1/2	5 01 1/2	5 01 1/2
Demand ...	8 2 1/2	5 01 1/2	5 01 1/2	5 01 1/2	5 01 1/2	5 01 1/2	5 01 1/2
Paris, Fr. ...	6 63	3 25 1/4	3 25 1/4	3 25 1/4	3 25 1/4	3 25 1/4	3 25 1/4
Brussels, Bel. ...	32 54	16 97 1/2	16 97 1/2	16 97 1/2	16 97 1/2	16 97 1/2	16 97 1/2
Switz. Fr. ...	32 67	23 22 1/2	23 22 1/2	23 22 1/2	23 22 1/2	23 22 1/2	23 22 1/2
Italy, Lira ...	8 91	5 26 1/4	5 26 1/4	5 26 1/4	5 26 1/4	5 26 1/4	5 26 1/4
Berlin, Mk. ...	40 13	40 46 1/2	40 46 1/2	40 46 1/2	40 46 1/2	40 46 1/2	40 46 1/2
Vienna, Sch. ...	23 82	18 95	18 95	18 95	18 95	18 95	18 95
Madrid, Ptas. ...	32 67	6 10	6 10	6 10	6 10	6 10	6 10
Amst. Dm. Gl. ...	68 06	55 96	55 96	55 96	55 96	55 96	55 96
Cop. Hgn. Kr. ...	22 40	22 37 1/2	22 37 1/2	22 37 1/2	22 37 1/2	22 37 1/2	22 37 1/2
Oslo, Kr. ...	145 37	25 22	25 22	25 22	25 22	25 22	25 22
Stockh. Kr. ...	25 85	25 82 1/2	25 82 1/2	25 82 1/2	25 82 1/2	25 82 1/2	25 82 1/2
Athens, Dr. ...	1 29 1/2	0 92	0 92	0 92	0 92	0 92	0 92
Montreal, Can. \$	168 31	99 985	99 985	99 985	99 985	99 985	99 985
Yokohama, Yen. ...	84 40	29 01	29 01	29 01	29 01	29 01	29 01
Shanghai, \$...	29 76	29 76	29 76	29 76	29 76	29 76	29 76
B. Aires, Peso ...	31 13	31 10	31 10	31 10	31 10	31 10	31 10
Rio, Ms. ...	11 96	5 90	5 90	5 90	5 90	5 90	5 90

Source: T.T.

* Dollars per £1.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended March 10, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
Gold			Gold		
British S. Africa.....	2,257,001	116,472	Hong Kong	90,415	...
British India.....	438,037	138,958	Canada	19,930	...
Canada	...	7,653	Netherlands	34,668	66,30
France.....	38,906	34,600	France	...	254,07
U.S.A.....	...	45,440	Switzerland	68,983	22,44
Mexico.....	...	...	Jugoslavia	199,906	...
Peru.....	62,338	...	Cent. & S. Am.....	...	22,24
Total*	2,843,188	359,747	Total*	416,774	368,02
Silver			Silver		
British India	22,467	773,500	Palestine	...	2,26
Hong Kong.....	...	327	Kenya	...	10,90
Australia	15,550	6,686	Aden, etc.	...	28,62
Germany	8,500	165	British India	37,300	...
Belgium	1,500	...	Denmark	1,145	...
France	5,854	...	Italy	5,800	...
Japan	8,484	...	U.S.A.....	22,500	...
Total*	64,199	782,127	Total*	67,994	43,38

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance February, 1938	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' Deacons' Bank Limited	Aggregate
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England	43,224	1,910	7,904	3,465	48,597	9,128	53,039	3,239	31,759	36,558	3,713	242,536
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland	10,393	676	2,424	3,298	10,325	2,858	12,757	258	6,976	9,519	1,643	61,127
Items in transit	...	...	...	...	3,892	644	...	...	...	...	...	4,536
Money at call and short notice	22,482	2,175	6,839	7,075	26,587	5,284	21,297	3,801	20,522	22,030	5,576	143,668
Bills discounted	51,427	1,127	5,180	815	35,546	2,730	91,476	1,506	43,164	54,184	723	287,878
Investments	101,709	8,886	29,620	10,458	108,133	30,880	120,658	14,317	84,148	112,455	11,497	632,761
Advances to customers and other accounts	197,623	10,181	30,337	10,161	171,758	43,303	210,257	17,026	141,119	133,158	14,761	979,684
Liabilities of customers for acceptances, endorsements, etc.	8,602	928	9,407	3,267	28,445	8,436	19,939	243	8,858	19,488	1,544	109,157
Bank premises account	7,379	412	1,580	740	7,525	2,662	9,700	657	7,299	5,116	1,069	44,139
Investments in affiliated banks and subsidiary companies	6,977	...	...	...	3,525	...	7,874	...	2,514	2,993	...	23,883
	449,816	26,295	93,291	39,279	444,333	105,925	546,997	41,047	346,359	395,501	40,526	2,529,369
LIABILITIES												
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,154	1,500	9,479	9,320	1,875	78,192
Reserve fund	10,750	1,000	2,976	530	9,500	3,500	12,406	1,140	8,500	9,320	800	60,422
Current, deposit and other accounts	414,606	23,367	77,932	34,132	390,571	89,809	499,498	36,814	319,522	357,359	36,307	2,279,917
Acceptances, endorsements, etc.	8,602	928	9,407	3,267	28,445	8,436	19,939	243	8,858	19,488	1,544	109,157
Notes in circulation	...	...	...	...	7	...	...	1,350	...	14	...	1,391
Reduction of bank premises account	...	...	...	290	...	...	...	...	...	...	...	290
	449,816	26,295	93,291	39,279	444,333	105,925	546,997	41,047	346,359	395,501	40,526	2,529,369

DIVIDEND ANNOUNCEMENTS (continued from page 577)

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
Jays and Campbells	%	21 1/2	...	12 1/2	Nat. Untd. Laundries	5 1/2	10	...	10	Stylo Boot (Nthrn.)	%	7 1/2	...	7 1/2
Jones & Higgins	%	12 1/2	...	12 1/2	National Gas and Oil	3 1/2	7 1/2	...	10	Tarmac	%	7 1/2	...	7 1/2
King (Geo. W.)	%	10	...	10	North Middlesex Gas	9 1/2	12	...	10	Tyneside Invest.	%	10	...	10
Lambert Brothers	%	5	Apr. 11	Nil	Nunbury Colliery	20*	25*	...	25*	Vickers	%	10	Mar. 30	3
Lampert & Holt Line	%	5	...	Nil	O.K. Bazaars	20*	25*	...	25*	Walsall Conduit	%	35	Mar. 30	10
Lancashire Dynamo	17 1/2	25	...	20	Provincial Cinemas	...	22 1/2	...	15	Waterworth Bros.	%	10	Mar. 30	10
Limmer Asphalt	14	14	...	14	Radiation	11 1/2	15	Apr. 5	15	Watford Electric	%	10	Mar. 30	7 1/2
Maple and Co.	5 1/2	7 1/2	...	8 1/2	Reckitt and Sons	7 1/2	22 1/2	...	22 1/2	Webster (S.) and Sons	%	10	Apr. 1	10
Mapson and Webb	5 1/2	7 1/2	...	8 1/2	Ryan's, Ltd.	3	3	...	3	White Drummond	%	5	Mar. 28	20
Messing (Def.)	5 1/2	7 1/2	...	8 1/2	Sec. Scot. Inv. Ltd.	2 1/2	3	May 2	2 1/2					
Meadow Dairy Ord.	5 1/2	7 1/2	...	8 1/2	Settle Speakman	10	10	...	10					
Nat. Star Brick	5 1/2	7 1/2	Apr. 1	8	South Afr. Electric	6 1/2	9	...	9					

(a) Paid on a larger capital. * Free of Income Tax.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Mar. 6 (£'000)				Aggregate Gross Receipts, 9 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L. M. & S.—	381	496	292	788	3,377	4,299	2,601	6,900
1937	403	494	309	806	3,494	4,345	2,792	7,137
1938	256	329	249	578	2,271	2,833	2,364	5,297
L. & N. E. (a)—	267	362	277	639	2,323	3,046	2,554	5,600
1937	159	196	114	310	1,429	1,697	1,070	2,767
1938	169	213	126	339	1,454	1,772	1,142	2,914
Great Western—	243	52	26	78	2,259	518	319	3,096
1937	257	57	36	93	2,321	521	340	3,182
1938	1039	1073	681	1754	9,336	9,447	6,354	15,801
Total—	1096	1126	748	1874	9,592	9,684	6,828	16,512
1937	1096	1126	748	1874	9,592	9,684	6,828	16,512
1938	1096	1126	748	1874	9,592	9,684	6,828	16,512

(a) Week ended March 5.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

Company	L.M.S.				L.N.E.R.				Great Western				Southern			
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Cumulative Figures																
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359												
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372												
Gross increase, first half 1938, over first half 1937	+ 354	+ 355	+ 172	+ 86												
Weekly Figures																
Av. weekly increase, first half 1938	+ 39.33	+ 39.44	+ 19.11	+ 9.55												
Latest week compared with average 1927-30	+ 37	+ 72	+ 39	+ 29												
1927-30	- 130	- 133	- 43	- 28												

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 4 (£'000)			Aggregate Gross Receipts 9 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	2.5	0.6	2.1	14.6	4.3	18.9
1937	1.7	0.4	2.1	15.1	3.9	19.0
1938	8.8	10.0	18.8	67.5	79.4	146.9
Great Northern—	8.6	9.7	18.3	72.2	75.1	147.3
1937	30.0	45.4	75.4	238.9	382.7	621.6
1938	30.8	41.5	72.3	250.4	364.3	614.7

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Diven-ture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Net Profit	Divi-dend
					Prefce. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£	£	%	£	£	£	%
Anglo-Portuguese, etc. Bank	Jan. 31	49,505	16,076	65,581	...	...	...		65,581	17,224	Nil
Canals and Docks											
Grand Union Canal	Dec. 31	7,566	13,520	21,086	...	...	...	13,500	7,586	23,383	Nil
Electric Lighting, etc.											
British Power and Light ..	Dec. 31	62,015	208,989	271,004	45,188	106,575	7	52,500	66,741	194,954	6
City of London Electric ...	Dec. 31	72,109	340,925	413,034	36,000	90,000	7½	191,672	95,362	322,938	7½
Clyde Valley Power	Dec. 31	97,800	518,469	616,269	58,000	168,000	8	250,000	140,269	428,781	8
Elec. Dist. of Yorkshire	Dec. 31	56,181	251,476	307,657	48,240	101,249	9	100,000	58,168	218,906	9
Metropolitan Electric	Dec. 31	151,104	641,192	792,296	22,500	338,496	12	269,474	161,826	644,945	12½
Newcastle, etc., Electric ...	Dec. 31	16,464	65,968	82,432	...	31,500	7	34,151	16,781	65,872	7
North Metropolitan Electric	Dec. 31	63,666	824,321	887,987	84,000	278,151	10	451,469	74,367	775,069	10
North Wales Power	Dec. 31	4,691	161,440	166,131	...	82,500	5½	75,827	7,804	134,671	7w
Scottish Power	Dec. 31	10,469	368,301	378,770	111,575	228,000	8	28,500	10,695	334,812	8
West Gloucestershire Power	Dec. 31	446	85,594	86,040	33,702	6,070	2	45,645	623	76,245	2
Financial Land, etc.											
City Offices	Dec. 31	2,789	23,925	26,714	1,299	21,114	10	800	3,501	31,176	12½
Jays & Campbell's (Hldgs.)...	Jan. 31	...	191,944	191,944	72,188	43,750	2½	...	76,006	(a)	(a)
Natal Land, etc.	Dec. 31	17,333	36,024	53,357	3,962	27,226	8	4,500	17,668	33,734	7½

THE WEEK'S COMPANY RESULTS—continued

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, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
					Prefce. Amount	Ordinary Amount	Rate				
Gas		£	£	£	£	£	% & 6½	£	£	£	% & 6½
Brighton, Hove, etc. Gas ...	Dec. 31	48,100	104,507	152,607	14,330	80,491	7½ & 6½	13,075	44,711	107,452	7½ & 6½
Rhymney and Aber. Gas ...	Dec. 31	1,452	9,401	10,853	957	9,470	5½	Dr. 1,000	1,426	10,527	6
Hotels, Restaurants, etc.											
Scott's Restaurant	Dec. 31	23,436	15,123	38,559	6,419	2,883	12½	1,500	27,757	18,733	17½
Iron, Coal and Steel											
Bairds and Dalmellington ...	Dec. 31	108,075	304,386	412,461	...	194,278	16	75,000	143,183	234,454	12½
Davis and Timmins	Dec. 31	20,828	43,922	64,750	6,500	25,500	30	12,595	20,155	33,517	17½
Fife Coal	Dec. 31	96,256	290,368	386,624	15,668	153,049	12½†	100,000	117,907	208,546	10½
Grassmoor Co.	Dec. 31	20,507	94,904	115,411	1,214	37,128	15	36,709	40,360	(a)	(a)
Lancashire Steel	Dec. 31	76,732	803,565	880,297	85,290	181,767	7	535,169	78,071	543,970	5
Millom & Askam Iron.....	Dec. 31	66,242	152,704	218,946	27,362	29,243	10	120,000	42,341	81,897	Nil
Scottish Iron and Steel	Dec. 31	25,369	221,336	246,705	13,500	36,000	10	181,433	15,772	101,553	8
Swan, Hunter, etc.	Dec. 31	30,673	250,924	281,597	47,391	153,996	9	51,000	29,210	163,239	7
Motor Cycle and Aviation											
Boulton & Paul Aircraft ...	Oct. 31	...	23,555	23,555	...	...	...	16,711	6,844	7,060	Nil
Willenhall Motor Radiator....	Dec. 31	764	11,099	11,863	1,500	4,063	25	5,154	1,146	5,321	15
Rubber											
Jugra Land and Carey	Nov. 30	765	103,583	104,348	...	86,144	6	10,000	8,204	57,157	3½
Muar River Rubber	Dec. 31	3,723	17,470	21,193	...	11,250	6½	6,250	3,693	6,159	3
Trolak Estates.....	Nov. 30	3,247	7,850	11,097	...	7,785	12	2,004	1,308	3,662	Nil
Shops and Stores											
Gamage (A. W.)	Jan. 31	75,476	99,714	175,190	9,625	75,000	15	9,000	81,565	100,375	15
Jay's, Ltd.	Jan. 31	16,567	21,845	38,412	13,750	3,333	5	10,000	11,329	22,585	5
Liberty and Co.	Jan. 31	22,308	40,818	63,126	6,000	20,000	20†	2,000	35,126	38,706	20†
Roberts' (J. R.) Stores	Feb. 14	8,974	15,178	24,152	1,000	9,687	12½	5,264	8,201	15,087	12½
Swan and Edgar	Jan. 31	82,715	129,570	212,285	...	87,500	7	38,957	85,828	111,853	6½
Textiles											
Woolcombers, Ltd.	Dec. 31	52,522	114,948	167,470	15,750	85,000	21½†	...	66,720	194,104	26½†
Tramway											
Dublin United	Dec. 31	17,872	78,468	96,340	27,900	15,345	3	40,000	13,095	91,374	3
Trusts											
Caledonian Trust	Jan. 31	34,635	63,700	98,335	21,270	30,030	9	10,000	37,035	62,247	9
City Property Investment ...	Jan. 31	3,989	12,171	16,160	4,924	4,885	13	2,203	4,148	11,783	13
London and Clydesdale ...	Feb. 1	19,459	44,151	63,610	17,063	13,650	6	6,140	26,757	40,353	5
London Border and General	Jan. 31	21,339	70,022	91,361	45,000	12,000	2	14,000	20,361	59,134	1½
Lonsdale Investment	Dec. 31	9,184	74,337	83,521	8,000	60,300	40	...	15,221	84,082	50
Scottish Western Investment	Jan. 31	45,686	85,843	131,529	21,272	46,713	14	15,000	48,544	80,000	14
Second Edinburgh & Dundee	Jan. 31	10,380	28,831	39,211	14,940	5,976	3	...	18,295	28,428	3
Waterworks											
Southend Waterworks	Dec. 31	21,108	104,704	125,812	45,634	67,465	(b)	Dr. 9,353	22,066	107,150	(b)
Other Companies											
Arnott and Co.	Jan. 31	12,957	10,394	23,351	3,600	7,500	7½	...	12,251	11,042	7½
Bath, etc., Stone	Dec. 31	43,814	37,713	81,527	...	37,500	15	...	44,027	35,034	14
Batu Tiga (Selangor)	Dec. 31	11,250	45,449	56,699	...	40,353	17½	5,050	11,296	30,578	12½
British Oil and Cake	Dec. 31	50,899	626,689	677,588	303,372	262,500	10	59,952	51,764	624,502	10
British Portland Cement ...	Dec. 31	214,906	905,116	1,120,022	100,800	450,000	22½	370,544	218,678	931,639	22½
Brown Brothers	Jan. 16	80,368	101,632	182,000	12,656	51,075	12½	34,000	84,269	92,646	12½
Bruce, Peebles and Co.	Dec. 31	4,020	39,412	43,432	5,107	8,889	5	25,321	4,115	37,796	Nil
Buttons, Limited	Dec. 31	23,258	28,702	51,960	6,333	17,605	10½	1,500	26,522	30,988	10½
Chinnor Cement, etc.	Dec. 31	1,561	39,650	41,211	...	18,000	12	20,360	2,851	(a)	(a)
Cooper, McDougall, etc.	Sept. 30	43,622	159,596	203,218	52,323	74,197	9	32,252	44,446	130,176	8½
Harrison, Barber and Co. ...	Dec. 31	1,350	9,632	10,982	...	5,200	5	4,057	1,725	10,622	7
Hartley (Wm. P.)	Oct. 31	8,674	44,836	53,510	18,750	18,750	5	7,500	8,510	32,037	8½
Hine Parker and Co.	Jan. 31	23,207	9,054	32,261	2,500	6,600	6	...	23,161	9,177	6
Hugon and Co.	Dec. 31	47,372	85,672	133,044	...	64,625	15	35,000	33,419	111,729	17½
International Cold Storage...	Dec. 31	405	652	1,057	1,765	...	...	750	42	2,276	Nil
Kinemas, Ltd.	Dec. 31	3,323	(c) 27,586	30,909	...	26,000	6½	2,404	2,505	(a)	(a)
King (Geo. W.)	Dec. 31	...	22,607	22,607	...	10,000	10	6,636	5,971	(a)	(a)
Lamson Paragon Supply ...	Jan. 31	50,504	100,652	151,156	36,000	50,020	10	5,000	60,136	94,889	10
Manchester Royal Exchange	Feb. 28	133,406	23,633	157,039	...	24,000	4	...	133,039	26,892	4
Moss Empires	Dec. 31	19,776	115,266	135,042	17,954	64,575	10	23,958	28,555	100,210	10
National Gas Engine	Dec. 31	13,601	70,100	83,701	12,000	24,000	4	31,500	16,201	34,641	2
Provincial Cinematograph...	Jan. 31	124,366	506,702	631,068	240,000	112,500	22½	157,419	121,149	503,925	15
Rylands and Sons	Jan. 19	19,400	93,093	112,493	45,000	45,000	3	...	22,493	90,796	3
Robinson (Thomas)	Dec. 31	17,017	31,593	48,610	11,250	11,080	5	...	26,280	16,262	Nil
Shanks and Co.	Dec. 31	30,335	75,321	105,656	4,664	36,250	12½	30,000	34,742	60,164	11
Smith and Nephew Assd. ...	Dec. 31	...	(c) 91,296	91,296	...	56,250	15	11,500	23,546	(a)	(a)
Spratt's Patent	Dec. 31	27,192	78,292	105,484	11,500	67,500	15	5,000	21,484	91,879	15
Stevenson (Hugh)	Dec. 31	59,440	41,068	100,508	26,719	1,406	8½	8,000	64,383	30,600	Nil
Switzer and Co.	Jan. 31	9,508	6,292	15,800	1,500	3,000	3	2,000	9,300	4,965	4
Tarmac, Limited	Dec. 31	37,348	100,925	138,273	11,000	37,046	7½	51,950	38,277	116,683	7½
Telegraph Construction, etc.	Dec. 31	31,488	62,729	94,217	...	37,350	10	25,000	31,867	52,692	7½
Veritys, Limited	Dec. 31	10,463	41,499	51,962	...	10,867	10	32,000	9,095	13,463	Nil
Waste Heat and Gas	Jan. 31	17,290	12,756	30,046	2,400	9,600	8	...	18,046	22,332	8
Waterworth Bros.	Jan. 1	1,771	10,502	12,273	2,250	6,000	10	...	4,023	10,111	10
Winterbottom Book Cloth	Dec. 31	71,839	275,726	347,565	71,822	112,286	10	75,000	88,457	268,531	10
Total Profits, 1938, in £000's:	No. of Cos.										
To March 5	370	15,854	50,938	66,792	8,675	31,917	...	8,462	17,739	44,645	...
To March 12	444	18,605	61,573	80,178	10,591	36,606	...	12,254	20,728	54,190	...

† Free of income tax. (a) No comparable figure. (b) Full statutory dividends. (c) February 17, 1937, to December 31, 1937.
(r) Absorbed £331,250. (v) Six months. (w) Absorbed £53,375. (x) Absorbed £13,832.

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troops on the Brenner and in Vienna before Italy or Czechoslovakia had time to think of moving. Indeed, he has been quite masterly in his handling of Signor Mussolini; for he has contrived to save the Duce's face handsomely while eliciting from him, not only an explicit acceptance of the Austrian *fait accompli*, but also an emphatic confirmation of the maintenance of the Berlin-Rome Axis—thus advertising, before the Anglo-Italian conversations have seriously begun, that there is no possibility of their achieving Mr Chamberlain's main object.

Herr Hitler's policy is by this time clear. It is to secure all the advantages of possessing a superiority of brute force without having to use it, or even to show it, beyond the minimum degree demanded by the circumstances of each successive experiment. His technique consists in making his moves in the right order, after the right preparation, at the right moment, in the right way; and, of these four rules, the first is perhaps the most important. No *contretemps* would so seriously upset Herr Hitler's plans as to find himself at grips, no longer with a single victim, but with a collective resistance in which the victim whose turn has now come to be "put on the spot" is promptly and bravely defended by neighbours who come only second or third on the German list. But if the survivors in this programme of violence continue to wait on Herr Hitler's convenience, as we have been doing so far ever since January, 1933, what are his next moves likely to be?

Move Number One is already near completion. It is to clinch the hitherto gradually maturing Italo-German conquest of Spain. This move will give Herr Hitler two useful assets. In Spanish coin he can tender to Mussolini a quick and generous payment for the Duce's good grace in accepting the inevitable on the Brenner; and at the same time he can grip France and England still more tightly. The German frontier now marches with that of Italy; and on Wednesday Signor Mussolini broadcast his full submission to his master. This places not only Trieste but the whole great peninsula of Italy at Herr Hitler's disposal. Germany is thus to-day, in fact if not in name, a Mediterranean power. In conjunction with Italy, his troops have access to wherever naval power can carry them, from Africa to Asia Minor, while his industrial resources will be available for the dockyards of Italy to help build the ships to protect them. It is the merest common sense that Spain should be drawn into this anti-Communist *bloc* unless the threat of sea-power and the fiat of France bar the road.

If this Spanish adventure succeeds the consequences are far-reaching. The Balearic Islands command the maritime route between France and French North Africa; the resuscitation of the Pyrenees (which Louis XIV thought he had abolished!) threatens a third of France's European frontiers—already threatened on the Rhine and the Alps. The command of Spanish Morocco and Andalusia transfers from British to Italo-German hands the control of the Western gate of the Mediterranean. Naval bases at Corunna and Vigo menace British trade routes.

Move Number Two will no doubt be against Czechoslovakia. But, if Herr Hitler can help it, it will not take the form of a military act of aggression. Adroitly the German forces in Austria are being kept at a distance from the Czechoslovakian frontier (contrast the "close-up" on the Brenner); while, in Berlin, assurances are being given of Germany's lack of hostile intentions against Czechoslovakia. Presumably Herr Hitler's first endeavour will be to divide the Czechs against themselves by suggesting to the Czech parties of the Right that they have tolerable terms within their grasp if only they will make an Eden of Dr Benes. The Czechs' own right hands are then to be induced to unleash the Henleinites! That would be the true Berchtesgaden touch. But, if this elegant scheme were to miscarry, Herr Hitler would still have another card to play before resorting to naked force. Poland and Hungary

also have their minorities in Czechoslovakia. With these other neighbours as his associates it would be easy to turn the weapon of economic sanctions against Prague and to challenge France and England to raise a finger in protest.

If and when the Third Reich, with Polish and Hungarian connivance, obtained the capitulation of Czechoslovakia by one or other of these devices, a German-dominated *Mittleuropa* would be an accomplished fact. It would be a structure in several storeys, with Italy and Poland on a finely upholstered top floor, Hungary and Jugoslavia on the mezzanine, Roumania and Bulgaria on the ground floor, and the torso of Czechoslovakia in a cellar in the basement. The whole building would be on an American scale, but it would nevertheless be strong, for Herr Hitler is an expert at mixing his political mortar. There is the cement of a common anti-Semitism to bind the Polish, Hungarian and Roumanian lower middle class to their German opposite number. There is the cement of land-hunger to whet the Polish and Hungarian, as well as the Swabian, peasant's appetite for a crusade against Communism in the U.S.S.R.; and there is the common exclusion of all the Central European countries from any share in Europe's vast colonial empire, which is now monopolised by four West European countries.

Which crusade comes next—the easterly or the westerly one? Is it more profitable to relieve Stalin of the Ukraine or to do a deal with him and pick up the plums of the Colonial Empires? The latter alternative is more consonant with the policy of winning bloodless victories. But there is no need to probe further into time-tables or methods. Suffice it to say that all the varied technique of a vast totalitarian Empire will be brought to bear against France, including not only economic pressure, but every device for undermining and destroying French democracy.

As for Britain, will not Herr Hitler help (possibly even with the compulsory connivance of Scandinavia as a base for the German fleet) to achieve the purpose of the arch-protagonist of isolation whose ideal is that Britain should become "one gigantic rock of Gibraltar"? Happy issue! By waiting till resistance was impossible, we should have avoided the danger of ever having to fight at all. But Herr Hitler would have been cleverer still; for he too would not have had to fight—but he would have won the game.

This isolationist dream, however, is not merely a matter of geography, of tactics and of armaments. Ideals and civilisation—in the continent that is the cradle of civilisation—are at stake. Of this we have had a sharp reminder this week in the fate of the unhappy outcasts of Nazidom, who constitute so large a proportion of the City of Vienna.

If, when we look into our hearts, we find that our wish is, not peace at the price of any life worth living, but liberty even at the price of peace, then we must start making a series of moves of our own. First, we must do what Mr Churchill is calling for. We must reproclaim our adherence to the Covenant; we must assemble round Great Britain and France a number of States in a solemn treaty for mutual defence against aggression; we must marshal our united forces in a Grand Alliance; and we must inscribe our first "No" on the face of Spain.

What of Central Europe, since we have already allowed Herr Hitler to ensconce himself in Vienna—the strategic key to the whole of Danubia? Even here Great Britain and France, acting as a single Power, one and indivisible, are surely still strong enough to compel Herr Hitler to give Czechoslovakia not intolerable terms. We ought at once to accept Dr Benes's offer—to discuss with the pair of us the status of the Sudeten German minority. And, having satisfied ourselves and the world that justice is being done, we ought then to say to Herr Hitler: "Hands off! Resort to force at your peril. We draw the line *here*."

Now, as Mr Eden said, is the time to stand firm. We believe that the country is waking up to the truth.

New Model Army

THE speech made by the Secretary of State for War in introducing the Army Estimates to the House of Commons on Thursday of last week was immediately overshadowed by the dramatic flow of events in Austria. But it deserves, nevertheless, the meed of public attention appropriate to a scheme of Army reform as bold in outline as those of Cardwell and Haldane, and more extensive in scope than either. As Mr Hore-Belisha pointed out, the three great problems of military administration are manpower, organisation and distribution. Cardwell was content to deal in the main with distribution; Haldane, though not exclusively, with organisation. Mr Hore-Belisha himself made the somewhat surprising claim that he was not faced with a problem of man-power, though some of his proposals would seem to indicate the contrary. But in any case he boldly straddled the fields of both his great predecessors by tackling distribution and organisation together.

It has long been an open secret that the War Office was canvassing the advantages of bringing to an end the Cardwell system of organising the battalions of the British Army in pairs, one of which at any one time is at the home depot and the other in India. Mr. Hore-Belisha did not announce last week the end of this system, for the reason that the Government of India is obviously closely concerned, and no drastic change can be made without their consent. This fact in itself is a potent argument against the Cardwell system, for it means that "the pace of the re-adaptation of the rest of the British Army is influenced by the speed at which the Government of India find themselves able to proceed."

This necessity for marching in step with India is, however, by no means the only objection that can be raised to the Cardwell system. There have been great changes since the seventies in the nature and responsibilities of the British Army. None of these changes has been larger than the revolution that has come over transport. Compared with Victorian days, the communications between the Mother Country and some parts of the Empire have become liable to serious interference in wartime, while at the same time the possibilities of rapid transport within any large region have been immensely enhanced. This in itself would seem to call for a regional organisation of our overseas garrisons, each region largely self-contained. Secondly, in the ensuing decades there has been a great extension of our liabilities both in Europe and in the Middle East, but not in India. And, finally, within the last few years Home Defence—in its three divisions of defence against air attack, internal security and coast defence—has become the primary and most onerous responsibility of our land forces. Even after these profound changes the Cardwell system has many friends—it was defended with great force on the last occasion that *The Economist* referred to it, in a letter from Sir Charles Harris, whose authority on the subject is unquestioned. But the *prima facie* case in favour of some thoroughgoing modification of the system, as it was made by the Secretary of State last week, is convincing, and it is good news that inter-departmental discussions with that end in view are to be begun at once.

On the side of organisation Mr Hore-Belisha is following the same line of adapting traditional arrangements to new conditions. Haldane's organisation of the Expeditionary Force, which served his country so well in 1914, was arrived at on a purely mathematical basis. He took the number of battalions available in the strategic reserve, and dividing them by the twelve battalions per division which was then international common form, he arrived at the answer of six divisions, which is still the organisation of

the Home Army to-day. But here again there have been decisive changes in conditions. Material rather than manpower is now dominant, and a much more flexible organisation is required. Mr Hore-Belisha indicated that in future there will be two main types of divisions, the first to be known as the motorised division, based on the light machine-gun, but supported in time of war by heavy machine-guns and artillery; the second to be known as the mechanised division, based upon the tank. The object underlying these changes "is to provide a flexible organisation of the Regular Forces at home, capable of producing a greater number of divisions better suited than are the existing formations to meet the varied commitments which might devolve upon us. Smaller divisions are easier to manage, to move, to supply, and to transport—important considerations for a country which has to operate overseas." It is arguable that this is an understatement of the changes that are being made. They really amount to a full acceptance of the implications of mechanisation—a tardy acceptance, but peculiarly fitting for an industrial country which does not rely on vast conscript masses of man-power.

The third division into which Mr Hore-Belisha's speech fell was concerned with improving the conditions of the men of the Army. And though he was concerned to emphasise that it was no part of his intention to bribe recruits into the Army, it is clear that reforms such as he proposes are essential if ever the Army is to receive the full supply of men that it needs. The Army has suffered for too long under the old attitude to the private soldier, which regarded him as coming from the semi-criminal classes, and aimed to make of him no more than an automaton who could be relied upon to stand firm under fire. There is now to be a relaxation of the less necessary forms of discipline, and "a progressive elimination from the soldier's drill of all superfluous postures requiring rehearsal, and from his kit of all superfluous gadgets requiring polish."

These, however, are the details. More important are the arrangements being made to provide a career for the recruit who is attracted by the soldier's life. There are to be increased opportunities of promotion from the ranks to commissions, and progressive increases of pay for all ranks, together with a large number of concessions on details of Army life. In addition, a further step is made towards the division of the Regular Army into short-service and long-service branches by allowing enlistment for twelve years with the Colours, with the certain prospect of re-engaging for pension. There will thus be a nucleus of men who make soldiering their life's work, together with a further body who, after a shorter period in the ranks, return to swell the reserve. All these proposals should serve to make the service much more attractive than it has been in the past, and, in the Secretary of State's words, "to give to the soldier in peace-time the security which we expect from him in the blunt eventuality of war."

These are drastic changes, and there will be many who will feel some apprehension at such far-reaching modification of a model that has served the nation well in the past. But it is undeniable that the governing factors which determine strategy—and particularly British strategy—in the modern world have changed rapidly even since 1918, and that the British Army has not changed with them. Underlying the new proposals there has clearly been a fresh effort of thought to discover the basic principles which should shape the army of a democratic island power. The whole country will wish Mr Hore-Belisha well in his determination to see that we are never again accused of having a contemptible little army.

Sheffield Visited

SHEFFIELD is an industrial town without pretence. In the sudden sunlight of a March morning the hill-tumbled streets and blackened buildings of the city bear witness to centuries of hard work and special skill. Sooted spires and gaunt chimneys break sharply through the smoke laden air of the steep-sided valley, where for five hundred years Sheffield's industries have crept mile after mile along the edge of the Don. Near the waterside, ancient and cluttered produce markets sprawl across the city's main arteries; and tumble-down workshops and modern factories, clustered grimly in the trough of the valley, symbolise the several ages of cutlery and steel. The citizens' houses and shops have groped their way upwards out of the smoke to the glorious moorland's edge. The health of Sheffield is found on the windswept hills, but its wealth and history lie down in the smoke by the Don.

Workshops and houses grew up centuries ago around the wells near the river. Water power and river transport gave birth to the city; and nearby coal and the rich seams of South Yorkshire brought new opportunities to Sheffield at the dawn of the industrial age. Barely thirty-odd miles away lie the markets of Leeds, Derby, Huddersfield and Manchester. London is only three hours distant by rail, and all the Midlands, the West Riding and Lancashire less than a day's delivery by road. It is barely forty miles to the quays on the Ouse, and seventy-five miles to the sea. Sheffield is a centre of more than metal-working. It is a hub of transport and trade.

Sheffield's geographical setting was responsible, in no small measure, for the nature of its present activities which, measured by employment, are about equally divided between the production of steel and heavy steel goods, and the manufacture of cutlery, electro-plate and numerous "light" products based on metals. Chaucer mentioned the city in "Canterbury Tales": one of the characters was "bearing a Sheffield thwytel in his hose." Water wheels in the valleys drove the tilt hammers and the grinding stones for the manufacture of knives and swords, which was the origin of the growth of Sheffield's metal industries. Nor is Sheffield's importance as an armament centre of recent origin. Even in Cromwell's time, Sheffield was busy making the death-dealing weapons.

Sheffield is well-off to-day and wears its prosperity in a sensible workaday way. The grim days of depression, when over 58,000 were out of work in 1932, have passed. Steel, tools, cutlery and silver-ware have all been notably prosperous in recent times. In the city's solid and unsophisticated places of entertainment and refreshment the "brass" earned by traditional skill and adaptability is freely spent. The tariffs imposed by free trade Britain are gratefully spoken of by dour Yorkshire individualists; and not even native reserve can mask the background of busy trade and steady work.

Yet, the bearing of the town is little changed from what it was six years ago. There is none of the tinsel and glitter of boom-mindedness, and little of the chromium and glass and flashing signs of over-optimistic urban growth. The Sheffielder in his words and deeds takes the great activity of 1937 with a grain of salt. Employers and managers talk of the trade cycle and con charts and logarithmic curves. The many hundreds, high and low, who dabble in shares, have learned that they fall at least as often as they rise; and workmen know only too well that unemployment is increasing again towards the 20,000 mark. One and all give ample evidence in broad-vowelled and brief words that they are keeping their powder dry.

Sheffield people are peculiarly aware of their common destiny in matters of trade and employment. Representa-

tives of the light and heavy trades work hand in hand. No visitor can escape this sense of community; and the relations between employers and workpeople are now notably smooth. The recent successful negotiations for paid holidays in iron and steel revealed considerable amity between capital and labour; and outside the basic industries, in the lighter trades, strikes and dissensions have been conspicuous only by their absence.

It would be folly, however, to ignore the labour problems which Sheffield, by its own characteristically honest admission, has still to solve. Outside of the prosperous steel industry there is a large nucleus of low-paid labour working under poor conditions; and the initial introduction of mass production into the tool and cutlery trades has produced a new problem of female and juvenile labour. In the background, as in other industrial centres, over 13,000 men stood permanently idle in the market place at the height of last year's boom.

Indeed, some citizens learned at least one important lesson from the experience of the last depression. In the twenties and early thirties, when trade was bad, bold schemes of technical re-organisation rendered Sheffield iron and steel and engineering fit to meet all requirements when business did revive. Research and rationalisation consolidated the city's international pre-eminence in the making of special steels. But much valuable human material went to waste.

In the last resort, indeed, most of Sheffield's outstanding problems are human problems. Old Central Sheffield is not a pleasant place for the poor to live in. A bold plan to reconstruct the city is lifting the poor from the congested and unhealthy centre of the smoky basin, and planting them down in garden estates on the encircling hills by the edge of the moors. Over 20,000 houses have been built in 18 years at a total cost of nearly £11 millions. Tangled and precipitous streets in the heart of the city are being widened, and new arteries are planned. Antiquated workshops and the age-old markets still stand in the way; but statutory powers to assist the lingering small masters in the city's centre to remodel their works have been obtained; and the elimination of ancient markets by building new ones has been begun.

Thus, in housing and town clearance, as in the manufacture of steel, the "canny" individualists of Sheffield, inured by hard experience to the ups and downs of trade, are learning to seek the control of their future. The swings of the city's business have always been more violent than in most other industrial places. In June, 1921, over 69,000 persons were out of work—nearly 11,000 more even than in the depths of the recent depression. In 1932, when the percentage of unemployed among the insured persons in Britain was 22, in Sheffield it was 34. Last December, when the British percentage was 12.5, in Sheffield it was 9.4. The end of prosperity's road has not yet been reached. Sheffield is still relatively better off than cities of Lancashire, the West Riding, Wales and the North-East Coast. Both managers and workers are well aware, however, that the road that they have been treading in recent months may turn again. Things are "champion" just now; but "it can't last." Every Sheffielder refuses, as he always has done, to surrender his independence of action. But native common sense has taught him the expedient virtues of collaboration. Steel-men and tool-makers, and even the scattered cutlers, are looking at the future together. And Sheffield's prosperity, soundly based in the long run on the rising secular demand for metal products, is likely to grow in the future. Cutlery may slowly decline, but other metal manufactures will continue to expand.

The Films Bill

THE Committee Stage on the Films Bill in the Lords last Monday provided an occasion for several peers to show their independence of mind. In a particularly thin House they secured the introduction of drastic amendments in the teeth of the Government's opposition. These changes included a further increase of quota rates for both renter and exhibitor, and the elimination of the proposal that the current quota for exhibitors should be reduced to 15 per cent. Both proposals are likely to be reversed on Report, and if the Lords prove obdurate the Government are expected to ask the Commons to disagree with them. None too much time remains, however, before the Bill must reach the Statute Book; and the anxiety of the Government over their Bill offers a tempting opportunity for a little polite pressure by interested parties, of which advantage is being taken in full.

The Bill is impelled forward by a substantial amount of goodwill. There is unanimity about the objective to be attained, but wide differences about the road to be taken. There is a universal desire to help the film industry to take firm root in this country. Appreciation of the difficulties the industry has had to encounter exists, nowadays, to an extent which was impossible a few years ago. The industry provides entertainment for enormous masses of the population; it forms tastes, habits, opinions for large sections of the people. The Archbishop of Canterbury admitted a few days ago that in this respect the film was already more powerful than the Press or the radio. Its growing power as an instrument of international goodwill is now realised; and this aspect is unlikely to escape the attention of the Vansittart Committee for the Co-ordination of International Propaganda, recently set up by the Prime Minister. A considerable amount of capital—probably over £100 millions—is now invested in the industry, and normally a large number of persons—believed to be well over 100,000—is employed in it.

There are signs of a better understanding, also, of the industry's technical and commercial problems, most of which are without parallel in any other industry. In the naval world big battleships on one side compel similar vessels to be built on the other side; similarly, competition in film-making compels frank acceptance of the condition that only big films can compete with big films. Whether the objective be international propaganda, or commerce, or even entertainment pure and simple, it is impossible to compete with Hollywood's products by puny efforts at home, involving on each picture an outlay of one-fourth or even less of that of a comparable American film. The conditions for success can therefore be readily discerned. First, our producers must be normally prepared to spend sums on pictures equal to Hollywood's standard. Secondly, British producers and technical men must be capable of producing pictures of equal commercial value when the same costs are involved. Thirdly and finally, British commercial men must obtain the same freedom to enter and exploit the American market as the American film has enjoyed in Great Britain for almost a generation. And that freedom must be *de facto* and not merely *de jure*.

Recognition of these considerations has induced the Board of Trade to give increasing attention recently to means of securing reciprocity. The new Bill, when introduced, offered double-quota rights for any picture made here costing three times the minimum. It was hoped that American companies would prefer to make this more expensive grade of picture, because they would be in possession of a film that could be readily sold in their own output programmes in America. This forecast may prove well

founded—particularly if legal standing is secured for the new amendment to give treble-quota rights for pictures on which not less than four times the minimum, i.e., about £60,000, has been spent. A further amendment made in the Lords is assumed to be of particular value to British producers. Costly pictures of the £45,000 and £60,000 level, if not registered for renters' quota, may be acquired for distribution in America. The renter acquiring any such picture for American distribution will be granted exemption from quota liability to an extent equal to once or twice the length, if the price paid to the British owner for the American rights is £15,000 or £30,000, respectively. Strong objection to the proposal has come, however, from exhibitor quarters, whose attitude may fairly be dubbed intransigent. They fear the reduction in the total number of pictures implied in the double and treble-quota proposals, and refuse to see any compensation in the resulting improvement in the grade of pictures and in the far larger number of cinemas which would be willing and able to book them. In this attitude exhibitors in the mass seem definitely open to criticism. At the other extreme, there is little to be said for arithmetical calculations, designed to reassure the exhibitor, whose basis may be uncertain and whose effect, therefore, may be misleading.

The objection to these short-cut devices is not that exhibitors will suffer from their adoption, for exhibitors will not suffer; nor is it that the volume of employment will be reduced, for that will not happen. Our criticism is rather that the purely British producer will, in fact, not be able to take advantage of the scheme. American producers will prove that pictures can be made in British studios to compete successfully with pictures from Hollywood. But no British producer will be given the same opportunity. We believe the event will prove that, although a number of London-made pictures will be distributed in America, the American market will be closed even more uncompromisingly to true British pictures than before. And both here and throughout the world British products will tend to become second-class pictures. It is no refutation of our argument that British pictures like "Victoria the Great" succeeded in crashing into the American market. That particular picture was made independently, and the American companies viewed it before deciding to buy. In other words, the picture was completed on the producer's sole responsibility and expense. Experience has convinced the trade that procedure on these lines is too speculative a gamble, and that the British producer is not justified in hazarding the additional cost of a picture intended for American release. There can be only one proof of competitive equality—an engagement to buy the American rights of a British picture before "shooting" has begun.

GERMANY AND AUSTRIA

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More Scraps of Paper

Extracts are given below from the chief treaties, agreements and declarations bearing upon the independence of Austria. They are arranged in chronological order.

1. On January 8, 1918, President Wilson enunciated the *Fourteen Points* of "the programme of the world's peace," of which the tenth was:—

The peoples of Austria-Hungary, whose place among the nations we wish to see safeguarded and assured, should be accorded the freest opportunity of autonomous development.

2. The *Treaty of Versailles* between the Allied and Associated Powers and Germany, signed on June 28, 1919, included the following articles:—

ARTICLE 10: The Members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all Members.

ARTICLE 80 (cf. ARTICLE 88 of the *Treaty of Saint-Germain* between the Allies and Austria): Germany acknowledges and will respect strictly the independence of Austria, within the frontiers which may be fixed in a Treaty between that State and the Principal Allied and Associated Powers; she agrees that this independence shall be inalienable except with the consent of the League of Nations.

3. The *Treaty of Saint-Germain* between the Allied and Associated Powers and Austria, signed on September 10, 1919, laid down in ARTICLE 88 (as in ARTICLE 80 of the *Treaty of Versailles* above) that the independence of Austria was inalienable; and Austria further undertook:—
to abstain from any act which might directly or indirectly or by any means whatever compromise her independence.

4. On October 4, 1922, at Geneva, in *Protocol No. 1*, signed by Austria, France, Great Britain, Italy and Czechoslovakia and subsequently by Belgium and Spain, whereby the economic reconstruction of Austria was set on foot by the League, Austria reiterated the undertaking of the *Treaty of Saint-Germain* to abstain from any act which might compromise her independence; and it was made clear that "independence," in this context, expressly included economic independence.

5. On March 19, 1931, the German Government and the Austrian Government

agreed to enter forthwith into negotiations for a Treaty to assimilate the tariff and economic policies of their respective countries

The Council of the League of Nations asked the Permanent Court of International Justice to give an advisory opinion on the question whether

a regime established between Germany and Austria on the basis and within the limits laid down by the Protocol of March 19th . . . would be compatible with ARTICLE 88 of the *Treaty of Saint-Germain* and with *Protocol No. 1* signed at Geneva on October 4, 1922.

By eight votes to seven, the Court decided that the step proposed was incompatible with the *Geneva Protocol*; and six judges declared it incompatible with ARTICLE 88 of the *Treaty of Saint-Germain*.

6. On February 17, 1934, the Governments of France, Italy and the United Kingdom declared that

they take a common view of the necessity of maintaining Austria's independence and integrity in accordance with the relevant treaties.

7. The *Rome Protocols*, signed by the Governments of Austria, Hungary and Italy, on March 17, 1934, included a declaration by the signatory Governments of

their desire to co-operate in the maintenance of peace and the economic restoration of Europe, on the basis of respect for the independence and rights of every State.

8. On August 21, 1934, a *communiqué* relating to the

meeting between Signor Mussolini and Herr von Schuschnigg stated:—

there was found to be an effective community of views upon guiding principles and the methods to be adopted as regards the independence and integrity of the Austrian State—an independence and integrity to which appertains also complete internal autonomy and which, moreover, represents a concrete European interest and an element favourable to the maintenance of tranquility in the Danubian sector.

9. On September 27, 1934, France, the United Kingdom and Italy made a *Three Power Declaration* re-affirming the Declaration of February 17th; and Signor Mussolini, on October 6th, stated:—

We have defended and will defend the independence of the Austrian Republic, an independence . . . consecrated by the blood of a Chancellor, who may have been small in stature but whose spirit and soul were great.

10. In the *Franco-Italian Agreement* concluded at Rome on January 7, 1935, the two Governments

in view of the necessity of maintaining the independence and integrity of Austria, agree . . . in the event of this independence being threatened, they will consult together and with Austria regarding the measures to be taken.

11. In the *Anglo-French Declaration of London* on February 3, 1935, the British Government stated that they consider themselves to be among the Powers which will, as provided in the Rome Agreement, consult together if the independence and integrity of Austria are menaced.

12. On April 14, 1935, France, Italy and the United Kingdom, at the *Stresa Conference*, jointly resolved to confirm the *Three Power Declarations* of February and September, 1934, and the *Rome and London Agreements* of 1935.

13. On May 21, 1935, Herr Hitler, addressing the Reichstag on the conditions for world peace, said:—

The German Government will . . . unconditionally respect the remaining articles (of the *Treaty of Versailles*) regarding international relations, including the territorial provisions, and will only carry out by means of peaceful understandings such revisions as may be inevitable in the course of time . . . and are ready at any time to agree to an international arrangement which will effectively prevent and render impossible all attempts to interfere from outside in the affairs of other States.

Herr Hitler's speech also contained the following sentence:—

Germany neither intends nor wishes to interfere in the internal affairs of Austria, to annex Austria or to conclude an Anschluss.

14. The *communiqué* regarding the Agreement concluded between the German and Austrian Governments on July 11, 1936, as broadcast by Dr Goebbels, contained the following points:—

(1) In the sense of the statement made by the Führer and Reich Chancellor on May 21, 1935 [see 13 above], the German Government recognises the full sovereignty of the Federal State of Austria.

(2) Each of these two Governments shall regard the internal political conditions of the other country, including the question of Austrian National-Socialism, as a domestic concern of that country, upon which it will exert neither direct nor indirect influence.

(3) The Austrian Federal Government's general policy and its policy towards Germany in particular shall be constantly guided by the principle that Austria recognises herself to be a German State

15. A further agreement was concluded between Herr Hitler and Dr von Schuschnigg at Berchtesgaden on February 12, 1938. The terms of this agreement have not been published but they were stated by Herr Hitler, in his speech to the Reichstag on February 20th, to be within the framework of the agreement of July 11, 1936, [see 14 above].

Topics of the Week

Finis Austriae.—Events in Austria have moved during the past week at a speed which will leave even the future historian breathless. Last week, in a brief reference in these columns to Dr von Schuschnigg's forthcoming plebiscite, we discussed the possible attitude of the Nazis, and concluded: "They are, it appears, to abstain, and complain that the conditions of the plebiscite do not come up to the standards of fairness that Nazis demand for countries where they are not in control. There is also the ugly possibility that the Nazis may attempt to hamper the vote by fomenting disorder." These words were a fair representation of the position as it appeared to stand on Thursday evening, March 10. But already they seem like a faint and derisive echo from a long-distant past. Dr von Schuschnigg had announced his plebiscite in a speech at Innsbruck on Wednesday evening, March 9th. The voting age was that laid down in the Austrian constitution, namely 24, and the question was, of course, deliberately framed to invite an answer favourable to Dr von Schuschnigg. But it was the unanimous opinion of all observers competent to know the mind of the Austrian people that the result would be a large majority for Dr von Schuschnigg; and this was not intended as a tribute to his manipulative skill, but rather as a reflection of the real opinion of the Austrian people in that far distant time only a week ago, and it was confirmed by the very obvious fear of the Nazis both in Austria and in the Reich that they would not show up well in the result.

Berlin was taken by surprise, and for a day there was nothing but an ominous silence from over the frontier. The Austrian Nazis, however, were indulging in demonstrations in Graz, Linz and Vienna, which amounted at times to riots, although there is no evidence that the Government was in anything but complete control of the situation. Early on Friday morning, March 11th, reports reached London of large troop movements and partial mobilisation in Bavaria, which, in spite of repeated categorical denials from Berlin, were too circumstantial to be disbelieved. From that moment events moved with lightning speed. The two Nazis in the Austrian Cabinet, Dr von Seyss-Inquart and Herr Glaise-Horstenau, presented an ultimatum to the Chancellor demanding the abandonment of the plebiscite and threatening that if this were refused the Nazis would create disorder. Dr von Schuschnigg at first rejected these demands, but when it was later made clear to him that the real sanction behind them was the threat of invasion by German troops, he gave way and cancelled the plebiscite. Even this was not enough for the Nazis, for a second ultimatum followed, demanding that Dr von Schuschnigg should resign and be replaced by Dr von Seyss-Inquart. To this ultimatum was attached a time limit until 4.30 p.m. on March 11th, and if it were not accepted, Dr von Schuschnigg was informed that German troops would cross the frontier at 5 o'clock. Faced with the prospect of civil war and armed invasion, the Austrian Chancellor yielded. He broadcast his farewell, stating bluntly that he yielded only to superior force; that there was no truth in the German allegation of internal chaos in Austria; and that he had ordered the Austrian armed forces to make no resistance to the invading Germans. Dr von Seyss-Inquart took office, and immediately summoned German troops to his support. He broadcast at 8.15 to announce that the German Army was already on its way to Vienna. By 10 o'clock on the evening of this momentous day the last independent Government of Austria had entirely ceased to function; the Swastika was flying in Vienna, and the Nazis were in full control.

The German Invasion.—German bombers were flying over Vienna before the end of Friday, March 11th,

but the actual invasion by the Reichswehr did not occur until early on Saturday, March 12th, when the German soldiers quickly overran the whole country and exchanged courtesies with the Italian guard on the Brenner. They were followed by Herr Hitler himself, who first visited the village of Braunau, where he was born, and then went on to Linz, the provincial capital of Upper Austria. He was met at Linz by Dr von Seyss-Inquart, whose last act as Chancellor of Austria was to declare null and void the Article of the Peace Treaty which enshrines the independence of Austria. On the same evening decree laws were promulgated in Berlin and Vienna declaring Austria to be a part of the German Reich, and announcing that the population of Austria over twenty years of age would have an opportunity on April 10th to ratify these laws in a "free and secret plebiscite."

The German Army and police were meantime riveting their control on Vienna and "cleaning up" the city to make it safe for the Fuehrer's arrival. The triumphal entry was actually made on Monday of this week, March 14th, and on Tuesday the Fuehrer held a great review of his troops in Vienna. He returned to Munich on the same day, but before he went he could be assured that Austria had been bodily incorporated in the German Reich. The Austrian Army is now part of the German Army; the Austrian Foreign Office has ceased to exist; the Austrian police are either in gaol or incorporated in the various German police organisations; the Austrian civil administration has been taken over in its entirety. The Austrian schilling still exists for a day or two, but the gold reserves are merged in those of the Reich, and the currency itself is shortly to be superseded by the mark. Customs duties are also continuing for the moment to be levied, but there is already talk of converting the Customs houses into youth hostels. Dr von Seyss-Inquart has hardly been rewarded with as much as thirty pieces of silver, since he is now no more than Statthalter of the latest province of the German Reich. All this had been accomplished within less than a hundred hours after Dr von Schuschnigg's resignation. Never can an independent State have been so quickly done to death and the body so completely disposed of.

Most of the news from Austria tells of the doings there of the victorious Germans, and little is known of the fate of the Austrians. The great majority, by all accounts, seem to have accepted the change in their nationality with alacrity, and there is no doubt that Herr Hitler's majority on April 10th will be even more complete than Dr von Schuschnigg's would have been if his plebiscite had ever taken place. But though the majority may celebrate the victory, there is a terribly large minority who are suffering, or hourly anticipating, a dreadful fate. The Jews, the Socialists, the Catholics, the avowed supporters of Dr von Schuschnigg's regime—all these are now to feel the heavy hand of Nazi revenge. Only the most alert of them managed to escape before the frontiers were closed, and the rest are perforce waiting and wondering what is to happen to them. There is all too much reason to fear that the coming weeks will bring a long tale of horror, and the suicide of Major Fey is only the most spectacular of a large number. The fate of Dr von Schuschnigg himself is uncertain. There have been various reports—among them an official statement of the Propaganda Ministry in Berlin—to the effect that he had been conducted to the frontier, but the truth seems to be that he is still in Vienna and under house arrest. The proud history of Austria is ending in cruelty and terror.

Acquiescence from Rome.—Italy, to all appearance, was as fully taken aback by the German descent on Austria as any other country. In the brief interval between Dr von Schuschnigg's announcement of his plebiscite and the German invasion, the Italian press sided strongly with Austria, although it has now been officially stated by the Italian Government that they were at this time attempting to dissuade Dr von Schuschnigg from proceeding with his intentions. Italian hesitations, however, were ended on Saturday by the simultaneous appearance on the Brenner of German troops and in Rome of a personal envoy from Herr Hitler, bearing a letter to Signor Mussolini in which the Fuehrer claimed that the action he had taken was forced upon him, and represented no threat to Italy. He gave a categorical assurance that he had no ambitions south of the Brenner. Signor Mussolini therefore determined to make the best of what cannot be disguised as other than a bad job for Italy, and the official attitude is now one of explaining that the incorporation of Austria in Germany had long been foreseen in Rome, and was not unwelcome there. Effusive telegrams have been exchanged between the two Dictators, and Signor Mussolini has definitely declared that his attitude was throughout dictated "by the friendship between our two countries, which is consecrated in the Axis." It seems, indeed, as if the events of the past week have tied Signor Mussolini even more firmly to Germany's coat tails than before. He has passed from a willing partner to a tributary *malgré lui*. His speech to the Chamber of Deputies on Wednesday was chiefly intended to allay the apprehensions that have been aroused in Italy by the presence of German troops on the Brenner. But, though even the Duce was unable to represent the German *coup* as a gain for Italy, he still spoke of Italy and Germany "marching together" to create a new European equilibrium. It is in this atmosphere, and under the shadow of repeated Italo-German intervention in Spain, that the Anglo-Italian conversations have begun "in earnest" in Rome. Their inception has been duly marked by the ostentatious withdrawal of an unspecified number of troops from Libya, and this is, of course, in keeping with what can be the only remaining purpose in Signor Mussolini's mind in talking with Mr Chamberlain—namely, to keep Great Britain quiet while the scene is mounted for the next act. But what purpose Mr Chamberlain conceives the talks to be serving is his own unfathomable secret.

Disillusion in Whitehall. — The effect on Great Britain of the German invasion of Austria was to produce an immediate reaction of anger and alarm. The anger at least was fully shared by Whitehall, and was indeed increased by the fact that the German Foreign Minister was in London and having meetings with members of the British Cabinet while the invasion of Austria was being prepared. Herr von Ribbentrop lunched at 10 Downing Street on the fatal Friday when ultimatums were being rained on Vienna, and he was left in no doubt of the strong objection that His Majesty's Government took to Germany's brutal methods of obtaining her ends. Later in the day, after the deed was done, both Great Britain and France protested in Berlin in the strongest terms. These protests were rejected in a letter from Baron von Neurath which was remarkable for the brusque phraseology which Germany now sees fit to employ. The British Government was bluntly told that it was "not within its rights in claiming the rôle of a protector of the independence of Austria," and that "the form of the relations between the Reich and Austria can only be regarded as an internal affair of the German people, which is no concern of third Powers." Baron von Neurath also informed London of the official German version of events, according to which the opposition to Dr von Schuschnigg's plans was wholly Austrian, and German troops were sent only in response to a request for help from the Austrian Government.

In a statement in the House of Commons on Monday afternoon the Prime Minister made it abundantly clear that he accepted neither this version of events nor the

German view that the rape of Austria was no concern of Britain's. "The methods adopted throughout these events," he said, "call for the severest condemnation and have administered a profound shock to all who are interested in the preservation of European peace." Mr Neville Chamberlain was not, however, prepared on that occasion to draw any practical consequences from the drastic change in the diplomatic situation which Herr Hitler's *coup* has brought about. British re-armament is, indeed, to be speeded up, but the country is still in the dark about the policy which it is intended to support. The policy on which Mr Chamberlain has staked his political future—the policy, that is, of initiating diplomatic negotiations with the Powers of the Rome-Berlin Axis, with the intention of bringing them within some general settlement of Europe—seems to the great majority of observers to have been ruined by Herr Hitler's use of force and by Signor Mussolini's subsequent acquiescence in such methods. The Prime Minister has tacitly admitted that this policy must be subjected to the most searching reconsideration. But he is clearly loth to abandon it, and he has not hitherto gone further than to say that "what has passed cannot fail to have prejudiced the hope of His Majesty's Government of removing misunderstandings between nations and promoting international co-operation." The conversations with Italy meanwhile continue, though all talks with Germany have been broken off. The British Cabinet are believed to be earnestly discussing the bases of British policy in the new situation that has arisen, and the Dominions are being consulted. It is not wholly impossible that we stand on the threshold of a decisive change in the policy that has hitherto been pursued by the British Government.

The Policy for Peace.—What the new policy should be, if there is a change, was most impressively stated in Monday's debate by Mr Winston Churchill. Mr Churchill went to the root of the matter at once by asking what reason there was to believe that time is on our side. Where should we be two years hence, he asked, "when the German Army would certainly be much larger than the French Army, and when all the small nations would have fled from Geneva to pay homage to the ever-waxing power of the Nazi system and to make the best terms they could for themselves." He saw Nazi Germany quickly extending its domination over the whole of South-East Europe and its 200 million people, and growing strong enough to face the European democracies with a menace they could not resist. His remedy was the policy of collective security, and he uttered a stern rebuke to those of his colleagues in the Conservative Party who jeered at the expression. "The only thing that is ridiculous about it is that we have not got it." Mr Churchill would begin now to build up in Europe a group of countries united in a solemn treaty for mutual defence against aggression. The nucleus of such a group should be Great Britain, France and the Little Entente. They should have their forces marshalled in a grand alliance, with their staff arrangements concerted, and if all this rested, "as it can honourably rest," on the Covenant of the League of Nations, it would be sustained by the moral sense of the world. "If it were done in the year 1938—and, believe me, that may be the last chance there will be for doing it—then I say that you might, even now, arrest this approaching war." There is no question of the virtually unanimous support that would be accorded to the policy thus outlined by the whole of the Opposition Parties. There is equally little doubt that Mr Churchill has the support of a very large and daily growing section of Conservative opinion which is showing itself in quarters, such as the City, which cannot be accused of any Opposition bias. In short, his view now represents the opinion of a majority of the nation. The impression of this fact upon Parliament may be delayed, but cannot fail to show itself. More than ever it is now a race between the rapid deterioration of events and the awakening of Great Britain to the rôle which she must play if she is to save herself and her civilisation.

Czechoslovakia.—The country most obviously menaced by the Nazi conquest of Austria is Czechoslovakia, the heart of which is now almost completely surrounded by Germany. The German Government, it is true, have been at great pains to persuade the Czechs that they entertain no hostile intentions. On March 11th, while Dr von Schuschnigg was being bullied out of office, Field-Marshal Goering gave to the Czech Minister in Berlin a general assurance, which he later renewed on behalf of Herr Hitler, that it would be the earnest endeavour of the German Government to improve its relations with Czechoslovakia. The German troops marching into Austria were given the strictest of orders to keep at least 15 kilometres from the Czech frontier, and when some German military aeroplanes flew by mistake over Czech territory, an immediate apology was forthcoming from Berlin. Finally, the Czechoslovak Minister in Berlin was assured by Baron von Neurath on March 12th that Germany considered herself bound by the Arbitration Convention of October, 1925. This was one of the treaties concluded at Locarno, and it provides that "all disputes of every kind between Germany and Czechoslovakia with regard to which the parties are in conflict as to their respective rights, and which it may not be possible to settle amicably by normal methods of diplomacy, shall be submitted for decision either to an Arbitral Tribunal or to the Permanent Court of International Justice." There is, however, a further provision which may conceivably be significant, to the effect that the treaty "does not apply to disputes arising out of events prior to the present treaty and belonging to the past."

These assurances have been taken in Prague as meaning that Germany has no immediate intention of attacking Czechoslovakia. But since the invasion of Austria involved the breach of a number of obligations quite as binding as those entered into by Field-Marshal Goering and Baron von Neurath last week, the Czechoslovak Government is naturally concerned to repose the security of its existence on a surer footing. The Czechoslovak Army has not been mobilised, but it is held in readiness, and the frontiers are, of course, fully manned. The geographical situation of the country compels it to rely in the first place upon its own strength. But the last few days have seen a formal re-affirmation in the most emphatic terms of the second element in Czechoslovakia's defence, namely, the alliance with France. The first action on taking office of MM. Blum and Paul Boncour—the new Prime Minister and Foreign Minister of France—was to assure Czechoslovakia that France was fully determined to implement her pledges of support if Czechoslovakia was attacked. The Soviet Government has given a similar re-assurance, and has gone further by suggesting a conference, at Geneva or elsewhere, of the major Powers (excluding Germany, Italy and Japan) to discuss German aggression in Austria. Both Prague and Paris have naturally been anxious to know what position would be adopted by

Great Britain in the case of an attack. In public the Prime Minister has been unwilling to go further than to say that we should fulfil our obligations under the League Covenant. But there cannot be much doubt in any quarter that if France were involved in a war which started over Czechoslovakia Great Britain would in the long run, if not in the short, be compelled to support her. Nevertheless, even with this clear warning that an attack on Czechoslovakia means war, the exalted mood of the Nazis both in the Reich and in Bohemia is such that this danger spot of Europe must necessarily be the object of the most watchful concern by every Government in Europe. There is no sign of any weakening in the firm resolve of the Czechs to resist attack, and although the Sudeten Germans have naturally been encouraged to state their claims more emphatically, the events of the last week have served only to strengthen the ties between the Czech parties supporting the Government. There are hard decisions ahead for Czechoslovakia. But there is no lack of courage and resolution to take them.

Civilian Precautions.—We do not yet know the precise meaning of the Prime Minister's now famous call for an "extension of national effort" in face of the troubled state of Europe—though we have it on authority that so far there is no intention to introduce conscription of any kind. It is the more important, therefore, that British citizens, summoned to perform tasks upon the success of which may hang their lives and their liberties alike, should perform them cheerfully and adequately. The rate of recruitment to the Services is at last satisfactory, but the position on the home front in this, as in other and more technical respects, is not so encouraging. The Home Secretary's broadcast plea on Monday for a million helpers to undertake the organisation and execution of defence measures against air attack was a clear statement of our civil and democratic duties. Civilian reluctance to participate or show interest in air raid precautions has been due to varied causes. The unhappy delay in drafting official plans caused widespread ignorance of the work to be done. There has been fear of regimentation; and an apathetic disgust at the decay of world peace. There is no longer any excuse, however, for holding back from any measures necessary to safeguard national traditions of free and voluntary action and self-government. There is leeway for the Government to make up in the completion of anti-aircraft defences; but there are obligations for individual citizens also, which over-ride class, creed or controversy.

Air Defence Criticised.—Coinciding as it did with a sudden and sinister turn in European politics, the outspoken Report of the Cadman Committee brought to a head long-standing doubts about the general efficiency of the Air Ministry, in the execution of the defence programme no less than in the development of civil transport.

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On Tuesday, the Ministry's military achievements were severely criticised, when the Air Estimates were under discussion. Expenditure, organisation and equipment were all attacked; profits were alleged to be too high, official costing inadequate and the Air Force deficient in up-to-date and front-line machines. The Under-Secretary for Air, supported by the powerful intervention of Mr Chamberlain, who refused the demand for an inquiry, went some way to rebut the charges. There were technical delays in aircraft production, but they were being steadily overcome. Gun supply was satisfactory; gun turrets very soon would be; and in these respects "we are as good as any foreign country, and probably better." The 1,500 front-line machines aimed at for March, 1937, had been achieved; the desideratum of 1,750 for March, 1939, was already in sight. Parliamentary anxiety, however, was not wholly dispelled. The Prime Minister's unwillingness to expose the Ministry to lay examination at this juncture in world affairs was appreciated by the House; and his refusal to "court martial" Lord Swinton found readier acceptance because already Lord Winterton had been given Ministerial rank to represent the Air Ministry in the Commons. But the abandonment of first-line strength as a measure of relative national power in the air, previously stated by Mr Chamberlain and reiterated by Colonel Muirhead on Tuesday, was unconvincing to many more than Mr Churchill, whose scepticism was already well known. Members are not yet satisfied that all is entirely well in matters of production and departmental organisation; but the events of the last few days have altered the whole strategic landscape, and the revision of Britain's defence programme must inevitably include the successful intensification of power in the air.

France in Paralysis.—At the moment when the fate of Europe is perhaps being decided, France is in the grip of a political paralysis of which it is still impossible to forecast the issue and the consequences. On Wednesday of last week, when the Spanish insurgent army—once more heavily reinforced, it is reported, by Italian infantry and German aircraft—broke through on the Aragon front, and when Dr von Schuschnigg announced his intention of holding a plebiscite in Austria, M. Chautemps decided to go out of office. He carried out his intention next day, when Herr Hitler's ultimatums were on the verge of delivery and General Franco's forces were sweeping forward towards the Mediterranean coast. In the Chamber in Paris on that same Thursday morning M. Chautemps was making a farewell speech. There was no question, he said, of his being driven out of office by events. He had his parliamentary majority; he had recently received two votes of confidence; the Treasury was not in acute difficulties. But he would not carry on without the extra financial powers and the mandate to postpone, or temporarily reverse, certain measures of social betterment; and his Socialist allies were as unwilling to grant him these powers as his own Radical Party had been, in the preceding chapter of the story, to grant them to M. Blum. The task of forming a new Government fell to M. Blum, who determined to found it on the broadest possible basis. His own Socialist Party and the Confédération Générale du Travail gave him a free hand; the Communists did not make any difficulties for him; M. Reynaud showed the same foresight and constructiveness that Mr Churchill is showing at Westminster. Even on the extreme Right there were voices in favour of an *union sacrée* when, on Saturday evening, M. Blum made his personal appeal to all the opposition parties. The hope of French national unity was torpedoed in that critical hour by M. Flandin; and M. Blum's *pis aller* Government—based on Socialist and Radical support alone—is neither representative nor viable. At the Foreign Ministry, M. Delbos has been replaced by M. Paul-Boncour. M. Daladier remains at the Ministry of War, the one solid point of continuity and hope. The selfish futility of the French politicians in these days has been, if possible, more alarming than the tiger-spring of Germany on Austria. The responsibility of M. Flandin is obviously very heavy. M. Herriot, too, seems to have acted

with less than his usual patriotism, for he held aloof, for personal reasons, when his aid might have brought the dream of unity to fruition. The need for a National Government in France is as great as ever. But now the Left are embittered by the refusal of their offer, and it will be more difficult next time. French jealousies, thus reinforced, may last longer than European peace.

General Franco's Advance.—General Franco's long-awaited offensive was launched last week in the sector of the long front immediately to the north of Teruel, and between that city and Saragossa. This was the site of the severe fighting last autumn, in which the Government troops captured Belchite, and where ever since there had been a dent in the Insurgent line. Within a week of the beginning of the new offensive the Insurgent line has been much more than straightened, since there is now a big bulge reaching almost to the Catalan frontier. General Franco has marched half-way from Saragossa to the Mediterranean, and if his advance could continue at the pace of the first week he would soon have divided Government Spain into two parts. The spearhead of the attack reached the strategically important town of Alcañiz on March 14th, and at this point the gains of territory amounted to about 2,000 square miles. Since then, however, there has been little further progress, though Barcelona has been subjected to repeated air-raids of extreme savagery. The rapid advance was due to a combination of the unpreparedness of the Republican Army with the heavy preponderance of aircraft and artillery on the rebel side. General Franco has made full use of his foreign troops; the Italians have been in the van, and a large number of new German aeroplanes have assisted their advance. The British Government declare that they have no proof of any recent importation of men or materials into Spain from Germany or Italy, but this sudden appearance of ample material backing for General Franco, additional to what he has hitherto used, creates the very strongest presumption that there have in fact been new and flagrant violations of non-intervention. It is this aspect of the situation which has aroused the deepest concern in France. M. Blum's new Government has been in constant consultation with its military advisers. There have been reports that France has decided to "non-intervene" in the same forthright and concrete manner as Germany and Italy. But at the time of going to press it appears that this decision, if taken, has not yet been put into effect. The subject of non-intervention was debated in the House of Commons on Wednesday night, when the Prime Minister persisted in his refusal to accept the cumulative evidence of armed and active participation by the dictators or to regard with anything but complacency the situation that would face both France and Great Britain if the whole of Spain were to fall under Fascist domination. It may therefore be assumed that Great Britain is still attempting to restrain France from taking any action. But whether the French can any longer remain inactive in the face of the threat of a third hostile frontier to defend becomes daily more doubtful.

The Last of the Mohicans.—The latest State trial in Moscow has moved to the usual end. On Friday of last week the Public Prosecutor, M. Vishinsky, asked the Court for death sentences on 19 out of the 21 prisoners on trial. On Saturday the prisoners made their last pleas. On Sunday the Court granted the prosecutor 18 out of his 19 demands. The condemned men uttered their last words in public, and the executions were carried out on Tuesday night. Thus the last of the Bolsheviks have been liquidated. The Bolsheviks and Bolshevism are dead; Stalin and Stalinism remain. But what is Stalinism? That is the question. And it is a question which, at the moment, we are completely unable to answer. More than ever, Russia is the great enigma. Internally, Stalinism seems to be a system of rigid and merciless tyranny, turning entirely upon the will of one inscrutable man. Externally, there are no signs of wavering in the policy of standing firm with those who defend the

"indivisibility of peace" against the threat of the Triangle powers. But these may only be superficial indications. No one, in any country, can be sure where Russia will stand a year, or even a month, hence. No one, in any country, can be sure that Stalinism still retains the same objectives and aspirations as the original Bolsheviks. What is the aim of Stalinism? The creation of a truly Socialist State in Russia? The world revolution? Or the military empire of one man? These questions are the fruit of the long series of unbelievable trials.

The Government's Bacon Policy.—After protracted negotiations with the Pigs and Bacon Marketing Boards, the Minister of Agriculture was able on Thursday of last week to outline his long-term policy for this industry; and it is hoped to introduce legislation before Easter. It is proposed to reconstitute the Bacon Development Board with wider powers than it has hitherto possessed. Higher and more uniform standards of efficiency in bacon production are expected to result from the rationalisation of the curing industry, while the contract system for the sale of pigs to the curers will be restored. In consideration of these reforms the Government is offering financial assistance for three years. This assistance is to be given on a complicated system of two sliding scales. The price of bacon is, of course, closely related to the price of pigs for curing, and that in turn is closely affected by the cost of feeding stuffs. These three prices are henceforth to be formally connected. The basic price of pigs is to be 12s. 6d. per score dead weight when the cost of the standard ration of feeding stuffs is 8s. 6d. per cwt., and pig producers will be compensated if the cost of feeding stuffs rises above that figure. The bacon curers are to be similarly compensated if the price of bacon falls below a "notional" figure of 94s. 9d. per cwt. In the second and third years, these guaranteed margins between costs and selling prices are to be slightly reduced, the basic pig price by 1d. and 2d. per score respectively, and the bacon price by 1s. and 2s. per cwt. There is also a provision for reimbursement of the Exchequer if the cost of feeding stuffs falls below 8s. 6d., or if bacon prices rise above the standard level. The number of pigs covered by these arrangements will be 2,100,000 in the first year, 2,400,000 in the second, and 2,500,000 in the third. The non-agricultural community can hardly be expected to be enthusiastic about the announcement of one more subsidy for agriculture. But it can at least be said for this scheme that it is designed in such a way as to give the farmer and the bacon curer no more than the immediate amount of assistance necessary at any time, and to do so in such a way as to avoid any burden on the consumer. In addition, the payment of assistance is made conditional upon the industry financing an approved programme of research and education, with the object of reducing costs of production, and is correspondingly linked up with a scheme for rationalising the curing industry. The regulation of supplies, which includes the quota for imports, is to be continued, but without any restriction to a rigid total. There may be a hope, therefore, that there will be some relaxation of control of imports in the interests of the consumer. As agricultural benefit schemes go, this one seems to be well conceived.

Cadman Report Debated.—When the Report of the Committee of Inquiry on Civil Aviation came to be debated on Wednesday, last week's storm of indignation had appreciably abated. The German *coup* in Austria and its effect in deciding the Government to intensify re-armament strengthened the case of those who argued that military matters must in these days be a prior charge on the Air Ministry's resources. The Prime Minister paid his usual tribute to Lord Swinton's zeal and energy, despite the Cadman Committee's accusation of negligence and inefficiency in his Ministry; and he pointed out that both the Government and Imperial Airways had given tangible proof of their willingness to accept the Committee's find-

ings in most essentials. It remains true, however, that the Report revealed a thoroughly disquieting state of affairs. The ominous implications of its revelations of inefficient methods both in civil aviation and aircraft production cannot be dissipated merely by reference to Imperial Airways' record of safety and success with flying-boats. The Government blanketed effective criticism by announcing their policy simultaneously with the publication of the Report, and protected Lord Swinton in the Upper House by deputing Lord Winterton to represent him in the Commons. But the maladministration of years cannot easily be rectified in a week; and the serious charges made by the Cadman Committee have still to be disproved by concrete evidence of successful reforms.

Road Transport Dispute.—There are now some signs that the threatened strike of 200,000 lorry drivers and assistants, called for March 26th, may be averted. The Associated Road Operators, the employers' organisation whose reluctance to accept the findings of joint arbitration under the National Conciliation Board precipitated the unions' strike notices, have emphasised their willingness to grant increases in drivers' and youths' wages; but they argue that the Board is unrepresentative and that, pending the introduction of statutory means, there is no way to enforce its decisions. Nevertheless, in default of such legislation, an honest effort by the Associated Road Operators to enforce collective agreements might have done much to mitigate the unrepresentative character of the Board and to make up for the absence of statutory sanctions. Now, indeed, the A.R.O. have shifted their ground, and are said to be ready to recognise as binding the offer made by the majority of employers. Imperial Chemical Industries, as well as a number of large distributive firms, have laid down that their contractors must pay and observe the conditions agreed by the Board. Meanwhile, two railway unions have responded favourably to the transport workers' request for men in works, docks and factories not to load lorries in the event of a strike. The issue is the status of collective bargaining, which still rests ultimately in British practice upon the ability of the unions and/or employers to enforce voluntary agreements by a trial of strength. In some other countries the collective bargain has become a legal requirement in industrial relations. In the goods road transport industry in Britain the attempt to secure collective agreements had its origin in Acts of 1930 and 1933. Whatever the upshot of the threatened strike, the last word must lie with Parliament. And the final decision must include workers for private carriers (or "C" licence-holders), as well as the employees of public carriers ("A" licence-holders) and limited carriers ("B" licence-holders) who are alone affected at present by the proceedings of the National Board.

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GERMANY IN THE NEXT WAR

The resignation, or dismissal, last month of Field-Marshal Blomberg, General von Fritsch and other German generals, demonstrated to the world at large the importance of the differences existing between the leaders of the National Socialist Party and the leaders of the Reichswehr. The army reorganisation which was then carried out did not dispose of these deep-seated differences. Both in Germany and abroad, the suggestion that von Blomberg and von Fritsch resigned merely for reasons of health has failed to carry conviction; and the report that the thirteen generals who resigned in sympathy with von Fritsch desired primarily to make way for a younger generation is discounted by the fact that they were replaced by other officers of much the same age. Last month's events have been interpreted, rather, as evidence of long-standing dissensions between the political and military leaders of the Third Reich. Subsequent events, culminating in the invasion of Austria, have given special point to this question, since the differences between the Party and the Army are believed to have turned on the economic and military role of the Third Reich. For reasons which are, unfortunately, too obvious for the peace of mind of statesmen and people in other nations, the task of correctly estimating the psychological, material and social forces at Germany's command, in the event of a future war, has acquired new moment and urgency during recent weeks. The following article, by a Special Correspondent, is based on documents emanating, for the most part, directly or indirectly, from sources connected with the Reichswehr. It examines some of the considerations which presumably influenced the Army in pressing on Herr Hitler a more conservative policy than that, apparently, of the more extreme Nazi leaders. The numbered references, throughout, are to documents cited at the end of the article, on page 622. The effects of Herr Hitler's coup in Austria will be the subject of a later article.

PRESENT-DAY German economic measures have been termed, with some justification, economic preparations for war. Naturally, repeated analyses have lately been made in Germany, comparing the present situation with that existing before the World War of 1914-18. We may begin, appropriately, by summarising a number of points in this connection.

GERMANY, 1914-18

In the decades preceding the World War Germany became one of the largest creditor countries in the world, rivalling France for second place in the list after Great Britain. Though she had an import surplus of over seven milliard gold marks during the five years before the outbreak of war, that total was more than offset by revenue from shipping and interest on German capital invested abroad. Her foreign assets were estimated at approximately twenty-five milliard gold marks. In addition, she had large domestic reserves of gold. On June 23, 1914, the Reichsbank held 1.71 milliard marks in precious metal, including 1.37 milliard marks in gold, against a note circulation of 1.8 milliard marks. There were also about 2 milliard marks in gold in circulation.⁽¹⁾

During the war Germany's high credit in neutral countries enabled her considerably to increase her import surplus. Its total in 1915 was 4 milliard marks; in 1916, 4.6 milliards and in 1917 3.7 milliards. For the entire war period her trade balance was estimated to have been passive to the extent of 16 milliard gold marks. The balance was liquidated:⁽²⁾ (a) by a milliard marks of gold exports; (b) by sales of foreign and German securities aggregating three and one milliard marks, respectively; (c) by the incurring of between 3 and 4 milliard marks of debt in foreign and 6 to 7 milliard marks in German currency.

To-day, Germany is not a creditor but a debtor country. Her present reserves of gold and foreign currencies—even on the most optimistic estimate of the hidden reserves of gold and foreign currencies not registered officially by the Reichsbank—are not more than 10 per cent. of the amount available in 1914. They would be sufficient to finance import surpluses, on the scale of the last war, for about six months only. And it is improbable that neutral countries, after their experience in recent years, will be anxious to grant Germany external credit for her purchases of goods abroad. It is easy to appreciate the force of the conclusion, recently expressed,⁽³⁾ that "gold may well become the most important raw material for war purposes." How far has Germany succeeded in making herself reasonably independent of foreign countries, in the event of war, for supplies of foodstuffs and of essential materials like iron, steel and oil?

FOOD SUPPLIES

This question is of decisive significance. The Entente Powers owed their final victory in the last war to their superiority in material and man power. For many years, however, the Nationalist opposition in post-war Germany, and later the National Socialists, made great play with the legend that defeat was due, not to economic factors, but to a "stab in the back" by disaffected elements at home. The Reichswehr tolerated this story while the Nazis were in opposition. But after Herr Hitler's rise to power, and in view of Germany's military strength, the Reichswehr leaders began to consider it dangerous, and saw many disadvantages in a belief which left the people under a comfortable illusion. Thus, Lieutenant-General Marx last September⁽⁴⁾ endorsed the statement that in the German attacks of 1918, the hungry troops could not be brought to advance beyond the provision dumps they had captured. He proceeded to stress the serious consequences of "underestimating such factors in the future," and continuing to proclaim that Germany was defeated "not by lack of foodstuffs and of raw materials, but by lack of effective propaganda." Though Lieutenant-General Marx is now on the retired list, his conclusions are confirmed by active officers like Lieutenant-Colonel Beutler, of the General Staff.⁽⁵⁾ And Colonel Thomas, the Reporter on economic matters attached to the German War Ministry, has declared⁽⁶⁾ that the last war was already lost when Germany entered on the turnip-winter of 1916-17.

We are at one with Colonel Thomas on this point. A clear picture of Germany's food situation to-day is very necessary.

Has the agricultural policy of Nazi Germany succeeded in materially reducing her dependence on the import of foreign foodstuffs? The evidence suggests a decided negative. In a book published by the German Institute for Economic Research,⁽⁷⁾ the composition of which was finished in November, 1935, the share of Germany's foodstuffs supplied by home producers was thus computed, in calories:—

GERMAN FOOD SUPPLIES					
	Total Consumption of Foodstuffs	Home-grown Supplies			
		Including Imported Fodder		Excluding Imported Fodder	
		Billion Calories	Per cent. of Total	Billion Calories	Per cent. of Total
1909-13	70.4	63.3	89	56.3	80
1913	65.9	57.5	87	53.3	81
1934	67.9	57.9	85	54	80

The author's comment on these figures is that, on an average, in the years 1909-13, Germany's dependence on foreign countries with regard to foodstuffs was just as great as in 1934.

There appears, moreover, to have been no material change, in this respect, since 1934. According to the Annual Report of the *Reichs Kreditgesellschaft* for 1937-38, German harvests have been as follows:—

(In thousands of tons)					
	1933	1934	1935	1936	1937
Wheat	5,765	4,676	4,790	4,523	4,490
Rye	8,727	7,608	7,478	7,386	6,763
Bread grains	14,492	12,284	12,268	11,909	11,252

As recently as February 20th, Herr Hitler pointed out that Germany could provide only 81 per cent. of her requirements of foodstuffs from her own territory.

The conclusion drawn from these facts has been clearly stated in the annual reports of the military economic experts, who declare that, in the light of experience in 1914-18, a drop of 20 per cent. in domestic agricultural production must be expected in wartime. But the soldier in time of war requires a higher food standard than the civilian in time of peace; and consumption, under these conditions, increases by about 20 per cent. The experts, therefore, lay down that a country can be regarded as fully prepared for war only when its agricultural capacity exceeds its pre-war consumption by something like 40 per cent. That is manifestly untrue of Germany to-day, who still requires to import 20 per cent. of her foodstuffs, although her population is by no means over-nourished.

During the World War, bread, fat and meat cards were not introduced in Germany until 1916. For roughly two years after the beginning of the war, her food requirements were more or less met by the large stores which had been accumulated before the war, and by imports. To-day, Germany's military economic experts are already talking of "scarcity economics," and the General Staff is asking whether a war should be begun on bread cards.

GERMANY AND RUSSIA

In view of Germany's foodstuffs position, and of other factors, particular importance would attach, in any future war, to the possibility of obtaining a rapid decision. Are the conditions present which are necessary for a victorious "lightning war"? If Russia were numbered among Germany's adversaries, then in one important respect the omens for a short and victorious struggle would be less favourable for Germany than in 1914. At the beginning of the last war, she was industrially far more powerful than her Eastern enemy, as the following table (for 1913) shows:—

(In million tons)		
Production of:	Germany	Russia
Coal	208.0	36.0
Iron	16.6	4.6
Steel	17.6	4.9
Petroleum ...	0.1	8.6

In 1913 Germany produced approximately six times as much coal, and three-and-a-half times as much iron and steel, as Russia. Only in the production of petroleum was Russia well ahead of Germany. To-day the situation has changed considerably, as the following table (for 1936) shows:—

(In million tons)		
	Germany	Soviet Russia
Coal	158.38	120.90
Iron ore	6.65	27.06
Pig iron	15.30	14.31
Steel ingots ...	19.17	16.33
Petroleum ...	0.44	26.34

Since 1913, clearly, Russia has made phenomenal progress in her industrial production. During the Great War, Germany's industrial superiority enabled her, first, to concentrate the greater part of her forces in the West; and, subsequently, to organise a large-scale offensive against Russia, with comparatively small forces, when

Russia's accumulated supplies were largely exhausted and Russian industry was unable to supplement them.

To-day, the output of Germany's heavy industry (in absolute figures) is no longer markedly superior to that of Russia. Germany leads slightly in iron and steel. To maintain her production, however, she needs large imports of iron ore; and Russia's present-day iron ore production is four times that of Germany. The Reich produces more coal, but her domestic production of petroleum is almost negligible, while Russia is the second largest producer in the world.

The strategic importance of these facts is very considerable. In the event of another war on two fronts the German General Staff can no longer calculate on its ability to leave its Eastern frontier virtually uncovered, as in 1914. The enormous increase of Russia's economic war-potential may thus spell decisive relief for France; for it is equivalent to a strengthening of her Maginot Line. By the same token a "lightning war," or even a war of movement, will be more difficult for the Third Reich than for the Germany of Wilhelm II. The rapid occupation of large areas of foreign territory are possible only when great differences exist in the level of armaments of the belligerents—as in the struggle between Italy and Abyssinia in 1935-36, and Japan and China to-day.

It is not surprising, therefore, that the rôle of Russia in a future war is occupying the minds of German military strategists to an increased extent to-day. Thus an expert German student of Russian motor transport⁽⁸⁾ contends that the "motorisation" of the Russian Army has gone far enough to make the latter one of the best-equipped armies in the world. In the air, also, the Soviet Union is strong. The same writer⁽⁹⁾ points out that the annual production of the 74 aeroplane factories of the Soviet Union has increased to 8,000 machines, and the number of workers employed in the air armaments industry has increased to 220,000.⁽¹⁰⁾ In the production of aeroplanes, he declares, the Soviet Union has a lead over all other countries. Raw materials and man power for manufacture and flying are available on Russian soil. Russia's most important aero-industrial plants are out of reach of any enemy air attacks. So far as quality of production is concerned, the level of the other Great Powers has practically been reached except in aero-engines. The military Second Five Year Plan provides, however, for the mass construction of numerous foreign makes of aero-engines.

German military experts are, of course, aware of the other side of the Russian medal. They know that the Russian railways are still relatively undeveloped. They probably calculate that recent trials and executions in Russia may have had a weakening effect on the morale and leadership of the Red Army. Nevertheless, they question whether a German drive in the East along the lines of the military campaign of 1915 is still possible. And experience in the Spanish civil war tends to confirm the possibility that, despite the development of the aeroplane and the tank, a future war would tend to become, once again, an affair of attrition and trench-warfare. If a relatively prolonged war is indicated, then the question of Germany's ability to satisfy her needs for raw materials for munitions, etc., is one the importance of which can hardly be over-estimated. It will, accordingly, be examined in the succeeding section of this review.

GERMANY'S RAW MATERIALS

Despite all Germany's efforts towards self-sufficiency, her raw material situation, as a whole, is definitely more difficult to-day than in 1914. In 1913, the German Empire produced 28,608,000 tons of iron ore. The present territory of the Third Reich, which excludes Alsace-Lorraine, produces only 7,309,000 tons.⁽¹¹⁾ To-day, Germany imports from two-thirds to three-fourths of her iron-ore requirements. In this respect the Four Year Plan—and in particular the Hermann Göring Works—are intended to bring about a fundamental change. But apart from the question as to how long Germany's limited deposits of iron ore could satisfy the demands of an increased self-sufficiency programme, the fact is that so far only preliminary work has been carried out.

attack, the Powers allied with her would not accept the responsibility of going to war to rescue her—in which case the Austrian triumph would be repeated. But it is certain that Czechoslovakia would resist, and thereby bring in her Allies automatically. In that case the war would have been begun by Germany herself; and the favourable conditions of the Austrian episode and other treaty breaches would be reversed. If it is true, as it seems to be, that Germany dreads war, and is not in a position to wage it successfully, these considerations supply a good reason for thinking that no attack on Czechoslovakia will take place.

Credit Reform

Owing to the excitement about Austria, the annual meeting of Reichsbank shareholders passed almost unnoticed. It was, however, an event of first-class importance, not so much because Dr Schacht became President for a new four-years' term, but because of his announcement about the future of Reich credit-financing. His statement concerned the so-called "secret debt," contracted for armaments and work-creation in the shape of "special bills." The amount of these to date is unknown, and is the subject of wild conjecture.

After surveying approvingly, but without giving figures, the credit practices pursued since 1932, Dr Schacht declared that these practices could not be continued indefinitely; and announced the abandonment of the whole "special bill" system. He declared that, in future, all Reich expenditure that cannot be met out of revenue will be covered by borrowing in the market, in the shape of Reich Treasury certificates or bonds; and that, further, in so far as Treasury certificates are resorted to, they shall not exceed the sums that can be consolidated on maturity. This means that there will be no further increase in "secret debt," and that the circulation of "special bills" contracted for past liabilities will gradually decrease.

The new Treasury certificates, unlike the "special bills," will not be rediscountable at the Reichsbank, and though they will be valid security for advances, the higher advances rate (5 per cent. against 4 per cent. for discounts) will presumably tend to keep them away from the Reichsbank. Borrowing against certificates and bonds, being centralised, will be easy to control, and will therefore not constitute a "secret debt." The reform does not set any limit to the Reich's power to contract Budget deficits and to cover them by borrowing. Indeed, Dr Schacht's statement is an admission that the deficit policy will be continued.

The reform raises the question of Dr Schacht's position. It was believed that, while he would be reappointed President, this would be done only in order to avoid the appearance of a rupture, and that he would sooner or later retire. It is no longer certain that this is likely. Dr Schacht's position as President was shaky for two very different reasons. First, the Party opposed him and wanted a Party President and a "clean up" of the whole Reichsbank; secondly, Dr Schacht disapproved of, and was not willing to take responsibility for, Reich economic policy. The reform obviously goes far to meet his objections to Reich credit methods; it was probably devised by him, and possibly he even imposed it as a condition for remaining. If so, his voluntary retirement would be obviated; and the only doubtful question would be whether the Party could force him out.

Slackening Coal Trade

The number of unemployed fell in February from 1,052,000 to 946,000, against 1,611,000 in February, 1937. New measures are officially foreshadowed for forcing small shopkeepers to give up their businesses and become wage-earners. In 1937 the number of retail traders in Berlin alone fell by 7,000, which was one-seventh of the total.

Coal sales show a greater declining tendency than can be explained by seasonal influences. Industry holds considerable stocks; and for the first time since the industrial recovery some short time is being worked. One curious feature of last year was that the daily production of Ruhr coal increased very much less than the number of hands.

The Steel Trust has increased its dividend from 4½ to 5 per cent. The net profit in the business year ended September, 1937, was Rm. 27 millions, against Rm. 23 millions in the previous year; but the sum written off plant increased to Rm. 131 millions. The sum invested in new plant doubled to Rm. 110 millions. The report foreshadows still further expansion, which will in general be for Four Year Plan purposes. The Trust's orders at the end of the business year were 60 per cent. over those of the preceding year.

Despite increasing home supplies, it has been again necessary to restrict the use of iron in building. The trade Press declares that, while the question of American competition

with the International Steel Cartel has been regulated, a crisis between the Continental members is looming up, owing to illegitimate price-cutting by Belgium and France. This trouble is aggravated by the general increase in production costs, which Germany has not escaped.

Although Germany is assured of a market at home, foreign-exchange considerations would make it impossible for her to consent to any reduction in her export quota. The last available trade returns show a heavy drop in German exports of iron and steel, with imports practically unchanged; and machinery exports fell in January to 30,600 tons.

The share market, which declined during the days of uncertainty about Austria, recovered substantially on Saturday, and opened the new week firm. There is, however, a distinct tendency to get out of "real-value" (mainly industrial) shares, in the belief that company profits will be compulsorily withheld from distribution and invested in Four-Year Plan enterprises. Sellers of industrial shares buy "money values," such as banks.

United States

No Signs of Recovery

NEW YORK, March 8.—The first quarter of 1938 is drawing to its close; and the first week in March has failed to bring any tangible evidence of recovery. Indeed, there has been some evidence in recent weeks of a decline in retail trade. Last autumn, corporations suspended purchases on capital account. In the early winter individuals did the same. Now there is a contraction in purchases by individuals for consumption and daily use. The record since August is thus one of a typical cyclical spiral.

The opinion is still general, however, that a reversal of the trend is to be expected in the near future. Such a reversal was looked for in January, then in February, and now in March. The first evidence of recovery is looked for in the same place as the first evidence of recession appeared, namely, the rate of steel production, now running at about 30 per cent. of capacity.

The first clear intimation of falling demand for steel appeared when, after the wage increases of the summer, the railways were forced to curtail their purchases. The decision of the Inter-State Commerce Commission on the proposed increase in railway rates is, therefore, awaited for its symbolic as well as its factual significance.

A study in the "Bulletin" of the National City Bank showed that 1,020 large corporations earned about 8½ per cent. more in 1937 than in 1936. The average of production in 1937 was about 5 per cent. above the average of 1936, in spite of the decline in the fourth quarter. But, while the index of production in 1937 (110) was almost equal to the 1928 figure (111), it is questionable if corporate earnings in general approached the record of the earlier year.

The data of the comprehensive Statistics of Income (available no later than 1935) show only nominal aggregate corporate earnings in 1935, and there is a good deal of reason to believe that even in 1936 and 1937 small enterprises were not very profitable. This must be taken into account in considering not merely the almost total absence of new corporate capital issues at present, but their relatively small number and amount even when the recovery was at its height, and the continuous complaint about the inability of small concerns to secure equity capital.

A Business Cycle

The table below illustrates a cycle in production, corporate earnings and security prices. December, 1934, was not, strictly speaking, a cyclical point. The summer of 1934 saw the unadjusted index of manufactures averaging 71, and by December there had been some upturn. The December figure of 78 was also the average of the year 1934; and the year-end is a convenient point of reference. Also, December, 1936, was not a precise peak of recovery, but it was fairly near the peak.

Neither employment nor pay-rolls had fallen as low last December as in December, 1934. There had been only a slight contraction of credit from the peak; and, except for brokers' loans, all the credit series were much higher than three years before. Exports were practically at their peak of recovery, although imports had fallen heavily from the spring. The steady rise in the public debt shows no trace of the so-called cyclical Budget, but this is partly because, in 1937, borrowing for the Inactive Gold Fund coincided with some decline in specific relief expenditure.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition, March 7, 1938

RESOURCES

CASH AND DUE FROM BANKS	\$723,593,600.61
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	590,478,589.05
STATE AND MUNICIPAL SECURITIES	110,800,205.72
OTHER BONDS AND SECURITIES	170,511,873.63
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	733,095,111.14
BANKING HOUSES	36,296,189.13
OTHER REAL ESTATE	6,160,746.63
MORTGAGES	11,355,683.91
CUSTOMERS' ACCEPTANCE LIABILITY	24,166,089.65
OTHER ASSETS	17,186,771.90
	<u>\$2,423,644,861.37</u>

LIABILITIES

CAPITAL FUNDS:	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	28,121,440.91
	<u>\$228,661,440.91</u>
RESERVE FOR CONTINGENCIES	18,024,000.81
RESERVE FOR TAXES, INTEREST, ETC.	2,243,106.76
DEPOSITS	2,115,261,526.30
ACCEPTANCES OUTSTANDING	25,216,075.37
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	30,274,123.73
OTHER LIABILITIES	3,964,587.49
	<u>\$2,423,644,861.37</u>

United States Government and other Securities carried at \$141,546,826.51 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

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In December, 1937, the unadjusted Federal Reserve Index of Manufactures was 76; this is precisely the figure at which it stood in December, 1934. The following table shows a number of statistical data, as they were on those two dates and in December, 1936.

	Dec., 1934	Dec., 1936	Dec., 1937
Index of industrial production	78	114	80
Index of manufactures	76	114	76
Index of mineral production	85	111	107
Construction contracts, total	25	53	52
Residential	10	38	25
All other	36	65	74
Factory employment	82	98	89
Factory payrolls	64	95	81
Freight car loadings	57	77	62
Department store sales	135	161	156
Merchandise exports	171	230	320
Merchandise imports	132	245	209
Wholesale prices	76.9	84.2	81.7
Common stocks	69.2	123.1	81
Sterling exchange	\$ 4,946	4,907.8	4,996
Gold stock	8,228	11,258	12,760
Currency in circulation	5,628	6,543	6,571
Member Bank reserves	3,961	6,606	6,983
Total loans and investments*	28,094	33,000	31,733
U.S. securities	9,875	11,639	10,578
Demand deposits	\$ 15,686	21,647	21,401†
Brokers' loans	\$ 843	1,144	739
Public debt	\$ 28,479	34,407	37,279

* All Member Banks. † June 30, 1937.

The current level of industrial activity represents extreme industrial depression. This is somewhat relieved by coincident agricultural prosperity and sustained activity in exports. Nevertheless, the absence of any evidence of upturn in the first quarter to date has been a severe disappointment to the business community; and although hopes of a "spring recovery" have not been abandoned, the continued delay is discouraging.

Holland

Campaign against Low Interest

AMSTERDAM, March 7.—The constantly declining rates of interest on capital have aroused the opposition of investors, who have joined in a so-called "Investors' Front," to counteract any further decline and to stem the rush of conversions. On the basis of the new 3-3½ per cent. Netherlands State loan, issued at 99½, standards have been set for the yield of municipal and provincial loans. If issues brought on the market fail to comply with these standards, investors will be advised not to subscribe for them, or not to convert, as the case may be.

All the large-scale investors, such as savings banks, life insurance companies, pension funds, the State funds, etc., have joined the Investors' Front. The Front state that they do not aim at combating a "natural" reduction in interest rates, but want to curb forced and unnaturally depressed rates. They omit, however, to indicate their border-line between "unnatural" and "natural" interest levels; and interest rates will probably continue their downward trend for the time being. The success achieved by the recent 2½ and 3 per cent. conversion loans for the Province of North Holland shows that, so far, the Front's agitation has not proved very successful.

On the Bourse, quotations for first-class loans continue to rise, which again suggests that the decline in interest rates has not yet been completed. The repatriation of Netherlands capital, our credit balance in international payments, the absence of foreign issues, the limited demand for credits for commercial purposes, and so on, have combined to create a situation on the capital market in which a campaign to prevent a fall in the rate of interest is doomed to encounter great difficulties.

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Bourse Caution and Slackened Trade

Trading on the Amsterdam Bourse has dwindled to an unprecedentedly small turnover, and quotations no longer show fluctuations worth mentioning. Yet the annual reports so far published distinctly suggest that business in 1937 was very satisfactory. Numerous companies are distributing appreciably increased dividends. Shipyards are well provided with work for several years, and orders for new vessels have been secured at satisfactory prices. These encouraging reports, however, have failed to exert the slightest influence on the course of share values.

Unemployment is still considerable, and is no longer falling at the rate it was some time ago. Exports are no longer showing marked advances, although, compared with a year ago, they still show an improvement. The monthly foreign returns are summarised in the following table compiled by the Central Bureau of Statistics (excluding gold and silver):—

	(Value in million guilders)					
	Imports			Exports		
	1936	1937	1938	1936	1937	1938
January	79	106	119	50	73	82
February	74	105	118	50	79	82
March	79	125		55	95	
April	81	142		57	101	
May	76	128		53	90	
June	77	140		53	95	
July	80	146		60	102	
August	82	123		63	99	
September	82	130		72	113	
October	92	149		75	106	
November	101	130		77	98	
December	114	128		80	98	
Totals	1,017	1,552		745	1,148	

Exports to Great Britain showed a decided increase during the first two months of this year. Exports to the Netherlands Indies were also on a much larger scale than a year ago.

Influx of Gold Continues

Gold continues to flow into the Netherlands. In the course of the past week the gold stocks of the Netherlands Bank rose by 20 million guilders to 1,455 millions. The constant growth in the stocks of gold, however, does not lead to a corresponding increase in the bank-note circulation, but to an increase in the credit balances on the books of the Netherlands Bank, yielding no interest.

	March 8, 1937	March 7, 1938
(In million guilders)		
Gold stocks	919.5	1,455.8
Bank-note circulation	794.3	883.9
Account current balances	356.8	903.2

The large influx of gold serves to offset the liabilities claimable at call. This results in great liquidity on the Amsterdam money market, which is detrimental to the interests of Dutch banking establishments, because of the consequent shrinkage in their source of income from interest.

"Floating" Guilder Temporary

The President of the Netherlands Bank, Dr Trip, has pointed out that the greater part of the big demand for guilders is caused by the abundance of "hot money" seeking sanctuary in the Netherlands. If these demands for guilders were met without any other action the result would be that the guilder rate would advance sharply, which would be detrimental to trade and industry. Consequently, it is essential in the public interest, not only to satisfy the large demand for guilders but also to purchase and import gold simultaneously.

The Netherlands, Dr Trip said, will act wisely to maintain their present monetary policy so long as no steps are taken internationally in the direction of greater stability. So long as the Great Powers are not prepared to commit themselves, the Netherlands should also refrain from doing so.

No Government can afford deliberately and systematically to force up the rate of its currency in relation to gold or other currencies. The lesson of the gold scare in the spring of 1937 is ample proof of this.

Although Dr Trip thus recommends the maintenance of the "floating" guilder in the Netherlands for the time being, he nevertheless remains a convinced adherent of the gold standard.

India

The Budget Season

BOMBAY, March 1.—The Railway Budget was introduced in the middle of February, and struck a cautious note. The forthcoming year's estimated surplus of Rs. 2,56 crores (one crore or ten million rupees equals £750,000) is a little less than that now expected for the year about to close, which is put at Rs. 2,83 crores. Actually, a surplus of only Rs. 15 lakhs was expected. The realised surplus for the current year would have been even larger, but for the deterioration in economic conditions during the past few months.

Although the railways' monthly earnings are running lower than in the corresponding period of the previous year, they are still consistently higher than in the corresponding months of 1935-36. The rise in goods earnings, the first sign of the improvement in railway finances, has been followed by an improvement in passenger earnings. During the first seven months of the year, passenger miles increased by 10 per cent.

Defence Expenditure

The outstanding feature of the Central Budget introduced on February 26th is what may well be considered a very modest increase in defence expenditure. The estimated increase in revenue in 1938-39 is Rs. 38 lakhs (one lakh equals 100,000 rupees, or £7,500). There is also a sum of Rs. 80 lakhs representing a free balance in the Defence Reserve Fund and balances in military expenditure equalisation funds not immediately required. These sums will finance improvements in India's coast defences, and the erection of a factory to make India self-sufficient in high explosives; and will pay for the scheme for the mechanisation of certain Indian units now under consideration.

The sum of £100,000 a year contributed to the British Government towards the naval defence of India is no longer to be paid. The British Government have agreed to forgo this payment on condition that the Government of India maintain a seagoing fleet of not less than six modern escort vessels to be free to co-operate with the Royal Navy for the defence of India and, in addition, to fulfil their responsibility for the local naval defence of Indian ports.

The Central Budget for 1938-39 is expected to close with a surplus of Rs. 9 lakhs. Expenditure for the year about to close increased through the unforeseen costs of military operations made necessary in Waziristan, which total Rs. 176 lakhs; and some Rs. 109 lakhs will be required from the Revenue Reserve Fund to balance the Budget. The estimates provided for a nominal surplus of Rs. 7 lakhs after utilising the whole of the Revenue Reserve Fund which amounts to Rs. 184 lakhs. As it is, there will remain Rs. 75 lakhs to be carried forward in the Fund.

Financing the Provinces

The Finance Member's chief aims have been to find the money for the inauguration of Provincial autonomy; to hand over to the Provinces as large a share of revenue as possible; and at the same time to safeguard the Central finances on which the progress and prosperity of the Centre and the Provinces alike depend. While the separation of Burma has caused a net loss of Rs. 2½ crores, payments to the Provinces under the Niemeyer Award have this year amounted to Rs. 1,98 lakhs. To start the Provinces on a sound basis their previous debts to the Centre were to a considerable extent cancelled, and the remainder consolidated at a reduced rate of interest.

Additional grants-in-aid to cover provincial deficits amount to Rs. 56 lakhs; and there have been additional payments from the proceeds of the jute duty. With the improvement in railway revenues a start has been made on the distribution of income tax receipts to the Provinces. Taking into account the grants of the previous year to Sind and Orissa, Road Fund grants of Rs. 1,41 lakhs and small recurring grants, the total charges imposed on the Central Budget on account of the Provinces in recent years are close on Rs. 9 crores.

With only a nominal surplus at the end of 1938-39 there could be no question of reducing taxation. Nor could any further Central grants be afforded for rural development. Now that the main responsibility for social and economic betterment has devolved on the Provinces, the Centre's primary obligation must be to hand over as much revenue as possible to the Provincial Governments for them to spend on their own schemes of rural development and on other ameliorative measures.

Letters to the Editor

The Miner's Output

TO THE EDITOR OF THE ECONOMIST

SIR,—According to your article on "Coal Output per Miner," on page 362 of *The Economist* dated February 12th, no coal was produced in Holland before the war. The fact is that the Dutch mines may be considered amongst the oldest in Europe, although now working only on a moderate scale.

At the end of last century three mines were working, with a yearly output of 320,000 tons, and in 1908 the figure was nearly 1,000,000 tons. Holland owns the largest coal mine on the Continent, if not in Europe. Her plant is the most modern in existence, and you can safely take it that that is the reason of the high output per miner.

Yours faithfully,

G. SCHAWALLER.

Leeds.

The Late John Sherman

TO THE EDITOR OF THE ECONOMIST

SIR,—In the Library of Congress, at Washington, D.C., is a collection of Sherman papers; but it is sadly lacking in letters written by the late John Sherman. It is desired to borrow such letters, so that copies may be added to the collection permanently housed in the Library. Loans of letters are particularly desired at this time, because a biography of Senator Sherman is under preparation at the Library.

John Sherman was an important figure, and anyone who helps to preserve his letters contributes definitely to American history. It is hoped that all those who have letters signed by Sherman may be moved to send copies of them, accurately transcribed, to the Library of Congress for my "attention." If originals are sent, they will be copied and returned immediately, or added to the preserved collection, according to the wish of the sender. This service to history and to the memory of Senator Sherman will be highly valued by historians.

Very sincerely,

JEANNETTE P. NICHOLS.

The Library of Congress,
Washington.

POINT FROM LETTER

Monetary Policy.—Our balance of payments was on the debit side in 1937. And it seems possible that it may continue adverse during 1938. Is a restrictive monetary policy the best method of correcting the situation? A restrictive monetary policy means a rise in long-term interest rates. Higher long-term interest rates depress the level of activity of the capital goods industries and lead to unemployment, which brings about an increase in unemployment in the consumers' goods industries also. Now is just the time to adopt exactly the policy of monetary expansion. A lowering of long-term interest rates, coupled possibly with a programme of public works, would stimulate the capital goods industries and therefore trade in general.—C. H. Harvie, *Liverpool*.

Books and Publications

Deluge in Danubia

FROM the business point of view, the Austrian Führer of the German race could hardly have done the Vienna correspondent of *The Manchester Guardian* a better turn. Within a few days of Mr Fodor's date of publication, Herr Hitler has taken action which will make every intelligent man and woman in the English-speaking world cast about for just the book which Mr Fodor has here provided. But authors, as well as statesmen, are also men; and, as a human being who cares deeply about the events of which he is so able an observer, Mr Fodor might well have preferred to dispense with the tremendous advertisement which his book has received from the particular events of the last few days.

This book is a picture by an artist who knows his subject and is a master of his technique; and the subject is a

* "South of Hitler." By M. W. Fodor. Allen and Unwin. 317 pages. 10s. 6d.



GOVERNMENT PUBLICATIONS

STATISTICAL ABSTRACT

The new edition of the Statistical Abstract for the United Kingdom illustrates very many aspects of national activity with comparative statistics for each of the 15 years 1913 and 1923 to 1936. Cmd. 5627. 7s. (7s. 6d.).

LABOUR STATISTICS, 1922-1936

An indispensable compilation of labour statistics for the post-war period covering employment, unemployment, unemployment insurance, hours, wages, trade unions, poor relief, migration, strikes, etc. Cmd. 5556. 3s. 6d. (3s. 9d.).

THE VAN ZEELAND REPORT

Tariffs, quotas and monetary insecurity are among the obstacles to international trade considered by Monsieur Van Zeeland in his Report. International action to secure freer conditions and a more liberal foreign loan policy are among the remedies examined. Text in French and English. Cmd. 5648. 9d. (10d.).

SPECIAL AREAS

Concise accounts of a vast amount of work of very great variety designed to restore areas most affected by loss of industry and consequent unemployment are presented in two Reports by the Commissioners for the Special Areas. Report for England and Wales to 30th September, 1937, recording an expenditure in the previous twelve months almost twice as great as in the previous two years. Cmd. 5595. 3s. 6d. (3s. 9d.). Report for Scotland, 7th July, 1936-31st August, 1937, recording a total expenditure of over £5,000,000. Cmd. 5604. 1s. 3d. (1s. 5d.).

FLEETS

Particulars of the Vessels of the Fleets of the British Commonwealth of Nations, Japan, France, Italy and Germany, on the 1st day of February, 1938, of the United States of America, on 15th December, 1937, and of the Soviet Union, on 1st February, 1935, are given in the return printed as Cmd. 5666. 2s. (2s. 2d.).

OIL FROM COAL

An investigation by a Sub-Committee of the Committee of Imperial Defence into the established methods of obtaining oil from coal with some reference to the position in time of war. Cmd. 5665. 1s. 3d. (1s. 4d.).

TAX CASES

Leaflets containing judgments in tax cases and appeals will be made available in future by H.M. Stationery Office at a subscription price of £1 1s. per annum. For this sum issues will be sent for 12 months beginning in any month, post free.

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panorama of a landscape which, as these words are being written, is being overwhelmed by a flood. The post-war system of treaties was a set of dykes for damming in the waters of German national expansion that had swept over Europe in 1914-18. At the moment when the dykes were thrown up, that particular spate had passed and the tide was at a low ebb.

Ever since then, all the non-German peoples of Europe have been asking themselves whether one day the flood waters would descend again, and, if they did, which sector of the *Einhreissung*-dyke would be the first to collapse. Would the German flood once again sweep over Belgium and Northern France? Or would it pour, this time, across the Polish Corridor? Or over the Brenner Pass into the South Tyrol?

There was another possible alternative direction—south-eastwards, where the Danube Valley provides a natural channel for this human river to follow. After Hitler came into power in 1933, it became steadily clearer that, under a national leader who was an Austrian and not a Prussian by origin, the Danubian direction was the first which the once more rapidly-mounting head of German flood-waters would be likely to take.

Herr Hitler's ten-years' truce with Poland, concluded in 1934, made a Polish vent improbable. His *entente* of 1936 with Italy made it unlikely that he would break out into the Tyrol. In the West, his policy has been to assure the Western Powers that he had no scores to pay off there.

There remained, then, the Danubian sector between the south-west corner of Poland and the north-east corner of Italy; and it is the hinterland of this sector of the Versailles dyke that Mr Fodor has depicted for us in this book. It is not a mere political sketch. The author has Danubia in his bones, and he deals with every side of Danubian life, from end to end of a region which stretches from Austria and Czechoslovakia, close up against the frontier of the Reich, right away to Turkey in Asia.

The geographical scope of Mr Fodor's book is in itself significant. If once the pent-up mass of water is set in motion (we seem to read between the lines), all this—and nothing short of this—is the area which it is likely to submerge. Once Salzburg and Linz have been overwhelmed, then the deluge may roll on until it has swept over the citadel of Angora. And Mr Fodor has given us an admirable guide-book for an intelligent study of this terrifying spectacle.

Shorter Notice

"Sleep in Peace." By Phyllis Bentley. Gollancz. 557 pages. 8s. 6d. "Promised Land." By C. Belfrage. Gollancz. 349 pages. 8s. 6d.

These two books have rightly become "best sellers" already. Although novels, they have a special interest for readers of *The Economist*. Miss Bentley's annals in fiction of Yorkshire's woollen industry are notably strengthened by her latest contribution, which depicts the fortunes of two families, divided by religion and social outlook, but brought together by a common dependence upon yarn and cloth in the troubled days of war, boom and slump. The world of Mr Belfrage's creatures is at once more remote and more familiar. It is Hollywood: first developed as a suburb and citrus orchard; then invaded and finally conquered by the "movies." The story shows a social revolution; the soaring of land values, the impact of incredible earnings, the shattering of moral standards, and the erection of a world of fantasy and artifice set squarely on the foundation of box-offices all over the world. Much of the book is a backcloth—more so than Miss Bentley's, where only the ideologically inclined young people of the later chapters seem unreal beside the honest-to-God Yorkshire folk of the earlier sections—but Ma and her reflective husband stand out sharply against the stuffed-dolls of the silver screen. And Mr Belfrage is up-to-date: he dramatises the bringing of water from the hinterland to the West Coast city, the very waters of a desert river which to-day have turned angrily from their engineered course to beleaguer the stars in their homes.

"Fairplay's Annual Summary of British Shipping Finance." 1938. Compiled by "Fairplay" Weekly Shipping Journal. 51, Bishopsgate, E.C.2. 604 pages. £1 1s. net.

The fourteenth appearance of this standard work is made with many new features. Some 850 balance sheets of shipping companies are summarised for the last four years. Lists of directors and shareholders are given, with share quotations, shipbuilding statistics, marine insurance details, shipping sales and coal prices.

THE BUSINESS WORLD

Home Railway Prospects—IV

Railway Revenues and Costs

IN 1937 the net railway revenues (excluding ancillary and miscellaneous receipts) of the four group railways of this country, expressed as a percentage of the capital invested in railway assets, were: Southern, 3.3 per cent.; Great Western, 4.15 per cent.; L.M.S., 3.5 per cent.; and L.N.E.R., 3.3 per cent. (see *The Economist*, March 5, page 502). With the exception of the Great Western, which is fortunate in its track and its relatively level route, each line is earning about the same return on its railway assets. The whole difference between the present position of the Southern, which comes nearest to earning its "standard" revenue, and the L.N.E.R., which is furthest from that objective, lies in their earnings on non-railway undertakings.

Clearly, therefore, it is necessary carefully to distinguish the railway problem from the problem of the railway companies. Manifestly, the railways have two approaches to their problem of restoring profits. They may seek to increase traffics or to decrease costs. At the beginning of recovery, say in 1933, there seemed to be a fair possibility that a combination of the two processes would restore the full 1929 level of earnings, and possibly more. That hope has now been disappointed; for traffics have failed to rise proportionately with general activity, while railway costs (both in wages and in materials) have been carried upwards in line with general costs. To state the problem in general

terms, however, may tend to obscure many significant movements in the detail of revenues and expenditures.

On the revenues side, the railways have two separate problems to face in passenger traffics and goods traffics. Generally speaking, the former will show an elasticity of demand, responding to lower charges and careful publicity; but that condition applies to goods traffics only in a limited degree. In their introduction and subsequent extension of the "penny-a-mile" passenger fare, the railways have shown full appreciation of this fact. Though the old standard fare has not been abandoned, the percentage of passengers carried at standard fares on all the railways fell from 50.14 in 1928 to 15.1 in 1936. When the figures become available, those for 1937 will no doubt show a still lower proportion. As is shown in the last two columns of Table I below, total passenger revenues, excluding season tickets) have not yet regained the 1929 level even on the Southern, but the analysis of those revenues given in the preceding columns of the table strongly suggests that the experiment in elasticity of demand is likely to prove successful. For every line except the Great Western, the number of passengers carried in 1937 was greater than in 1929; and on every line without exception the average receipt per passenger journey has risen steadily in the past three years. On the Great Western, indeed, the average receipt is now substantially higher than in 1929. Lower

TABLE I.—PASSENGER TRAFFIC.

		1929	1932	1935	1936	1937	Total Pass. Revenue* (£ millions)
		1929	1937				
Southern	Passengers carried (millions)*	208.8	207.3	228.0	233.4	245.8	11.7
	Receipts per pass. journey d.f. ...	17.23	14.00	14.06	14.42	14.48	
G.W.R.	Passengers carried (millions)*	132.3	108.3	113.2	113.5	116.3	8.8
	Receipts per pass. journey d.f. ...	19.71	19.14	19.12	19.94	20.38	
L.M.S.	Passengers carried (millions)*	315.7	277.5	314.2	322.1	330.5	18.9
	Receipts per pass. journey d.f. ...	19.25	17.24	15.92	16.37	16.72	
L.N.E.R.	Passengers carried (millions)*	213.6	182.4	201.0	206.5	213.8	12.1
	Receipts per pass. journey d.f. ...	16.94	15.32	14.83	15.23	15.43	

* Excluding season tickets. † Excluding season tickets and workmen. ‡ Estimated.

TABLE II.—GOODS TRAFFIC.

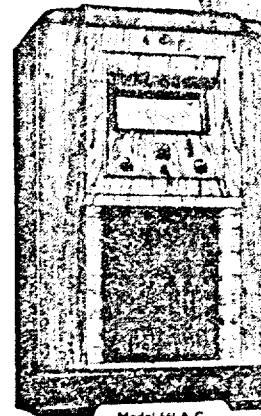
		1929	1932	1935	1936	1937
Southern	Receipts per ton-mile d. ...	1.890	1.737	1.653	1.701	*
	Ton miles worked (millions)	798.2	741.1	770.1	777.9	*
	Average haul (miles)	41.01	41.93	41.48	40.92	*
	Tons carried (millions)	17.9	16.2	16.7	16.9	16.4
G.W.R.	Receipts per ton-mile d. ...	1.325	1.293	1.245	1.232	*
	Ton miles worked (millions)	3,471.4	2,755.7	3,043.6	3,198.1	*
	Average haul (miles)	40.43	42.25	41.57	46.56	*
	Tons carried (millions)	82.3	61.9	65.1	65.5	72.4
L.M.S.	Receipts per ton-mile d. ...	1.466	1.413	1.366	1.341	*
	Ton miles worked (millions)	7,579.2	6,071.9	6,654.0	7,126.0	*
	Average haul (miles)	47.80	48.62	49.71	50.65	*
	Tons carried (millions)	150.6	117.9	126.8	133.4	139.8
L.N.E.R.	Receipts per ton-mile d. ...	1.401	1.362	1.313	1.280	*
	Ton miles worked (millions)	6,528.7	4,988.4	5,520.0	5,892.9	*
	Average haul (miles)	41.04	42.00	42.26	42.97	*
	Tons carried (millions)	152.1	112.8	124.3	130.6	136.4

* Not available in companies accounts.

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fares are not only attracting more passengers, but are inducing them to travel further. True, such a movement might well have been expected at a time of rising general prosperity. And it has been achieved not only by lower fares but by improvements in rolling stock, speed and publicity. But the point is that the experiment, which must in any case develop slowly, is working out as the railways desire, and the benefit is capable of being carried further as the managements increase their skill in popularising travel and catering for it. The 5 per cent. increase in fares outside the London passenger area is so small by comparison with the previous reduction that it is unlikely to upset the movement, but it is sufficient to restore takings on the 1937 passenger traffic to a level near that of 1929. On the passenger business, in short, it is possible to look for a steady, if slow, improvement. As several chairmen have pointed out this year, holidays with pay are likely to be a further help to the passenger business.

In the case of goods traffic, however, the problem is different. Quite apart from the competition of road transport, the whole modern organisation of industry has tended to reduce railway goods traffic. On the one hand, industrial electrification involves a shrinkage in coal traffic; on the other, industrial planning aims to reduce to a minimum the movement of goods in process of manufacture. Nevertheless, road competition is an important factor, as a result of which large blocks of "recovery" traffic have failed to reach the railways. For example, in 1936, a record year for building, the railways carried only 5,278,215 tons of bricks and tiles, against 5,708,326 in 1929; 2,903,307 tons of cement and lime, against 3,124,860 tons; and 1,966,203 tons of gravel and sand, against 3,197,192 tons. In the case even of some iron and steel traffic the movement is the same. But the main effect of road competition is to reduce the average return per ton-mile of goods traffic, without thereby increasing the railways' competitive position *vis-à-vis* the roads. The general tariff of the railways remains unaltered, but the roads skim the cream of railway traffic, leaving to the railways the goods chargeable at the less remunerative rates. In Table II, the fall in receipts per ton-mile is shown, together with the total ton-miles worked and the average length of haul. Figures for 1937 are not yet available under these headings, but evidently the fall in receipts per ton-mile is not yet showing signs of flattening out, unless the exceptional 1936 rise on the Southern is more significant than seems likely. There is, in general, no indication that traffic volume is increasing to compensate for lower values. The longer average haul

reflects only the loss of short-distance traffic. The goods revenue prospect, in brief, is much less encouraging than that for passengers; for the companies have not yet discovered any positive action which they can take to correct the decline in its secular trend.

On the side of costs, the chairmen's speeches—and particularly Sir Josiah Stamp's at the L.M.S. meeting—have given a full review of the companies' aims and achievements. The 1937 figures are not yet available for many of the most significant returns, but for 1936 engine miles (on all railways) per week-day per engine in use were 111.55, against 99.99 in 1929; coal consumed per engine mile on all services was 52.79 lbs., against 54.04 lbs.; and double-heading miles per 100 freight train miles were only 2.44, against 4.03 in 1929. Most shareholders are familiar with the steps taken to reduce rolling stock, increase the power of locomotives, enlarge freight wagons, improve signalling and the like. It should be realised, however, that the whole scale of railway charges assumes a life of over 30 years for rolling stock and locomotives. The average age of stock in use must therefore be over 15 years. Thus the rate at which modernisation can proceed is strictly limited, even if recourse is had to the renewals suspense accounts for temporary acceleration. Nor, in fact, has any revolutionary modernisation been discovered which can be applied to the main railway assets to reduce costs—not even electrification. Only by patient overhaul of working and organisation and by a necessarily slow application of improved equipment can expenses be reduced. And even here the companies are faced by a special difficulty. In any reduction of costs depending on improved organisation, the enthusiasm of the staff must be enlisted. After ten years of cuts and rigid economy, however, a railway staff would be more than human if it did not reveal the effects, consciously or unconsciously, of blocked promotion and small "rises." Such a condition is inevitable in a depressed trade.

It will be possible to consider some of the more detailed points of the railways' working when the fuller Ministry of Transport returns are available later in the year. For the present, however, the broad conclusion emerges that while the passenger business offers hope of improvement in response to definite new measures already introduced, goods traffic (which for all lines except the Southern is the more important) remains an obstinate problem, to which no new solution has yet been discovered. Reduction in costs, meanwhile, has been sufficient to offset part of the effects of lower revenues, but it does not offer any prospect, at present, of solving the main problem.

The Future of International Nickel

EACH year the report of International Nickel provides an object lesson in detailed information and lucid accounting. The report for 1937, published this week, is the more welcome, since it shows, for the fifth year in succession, a further impressive advance in earnings and operations. Progress remains the keynote of last year's record. The increased capacity of the Canadian mining and refining plants has been well employed; in almost every department—platinum metals are a significant exception—sales have increased. Total earnings have again advanced by \$16 millions, from \$54,383,060 to \$70,497,235, and the greater part of this increase is available for the equity.

Technically and financially, 1937 was a highly successful year. The detailed table of financial and operating statistics on the opposite page, and the smaller chart showing net earnings and their distribution, both demonstrate that recovery has carried the group to far greater prosperity than it enjoyed in 1929. That, in fact, was the first year in which the group, as we know it to-day, was in being.

The International Nickel Company of Canada was actually incorporated in July, 1916, but for the next twelve years it remained a wholly-owned subsidiary of International Nickel of New Jersey. It was not until 1928 that

the substantive changes were effected, by which the domicile of the principal company was transferred to Ontario, the American company was reduced in status, and an international organisation, bestriding currency, fiscal and political boundaries, was built up. Ontario, the mining centre, became the financial centre of the group, the American plants being controlled through International Nickel Company, Inc. Consolidation was completed early in 1929 with the acquisition of the Mond Nickel undertaking, whose mines and smelter adjoined those of the original Canadian company.

This logical framework has since been rounded off by the acquisition of full control of certain units which were previously partly-owned, including the important Ontario Refining Company (now free of bonded debt), Whitehead Metal Products of New York and Horseshoe Lake Mining. The present organisation of the group is illustrated in our main chart, with its accompanying key table. The simple operating structure is apparent. The mining and smelting plants, which are centred at Copper Cliff, and the nickel refinery at Port Colborne, are under the direct control of International Nickel. Ontario Refining, a wholly-owned subsidiary, operates one of the largest copper refineries in

INTERNATIONAL NICKEL CO. OF CANADA AND SUBSIDIARIES FINANCIAL AND OPERATING STATISTICS (Amounts in U.S. \$)

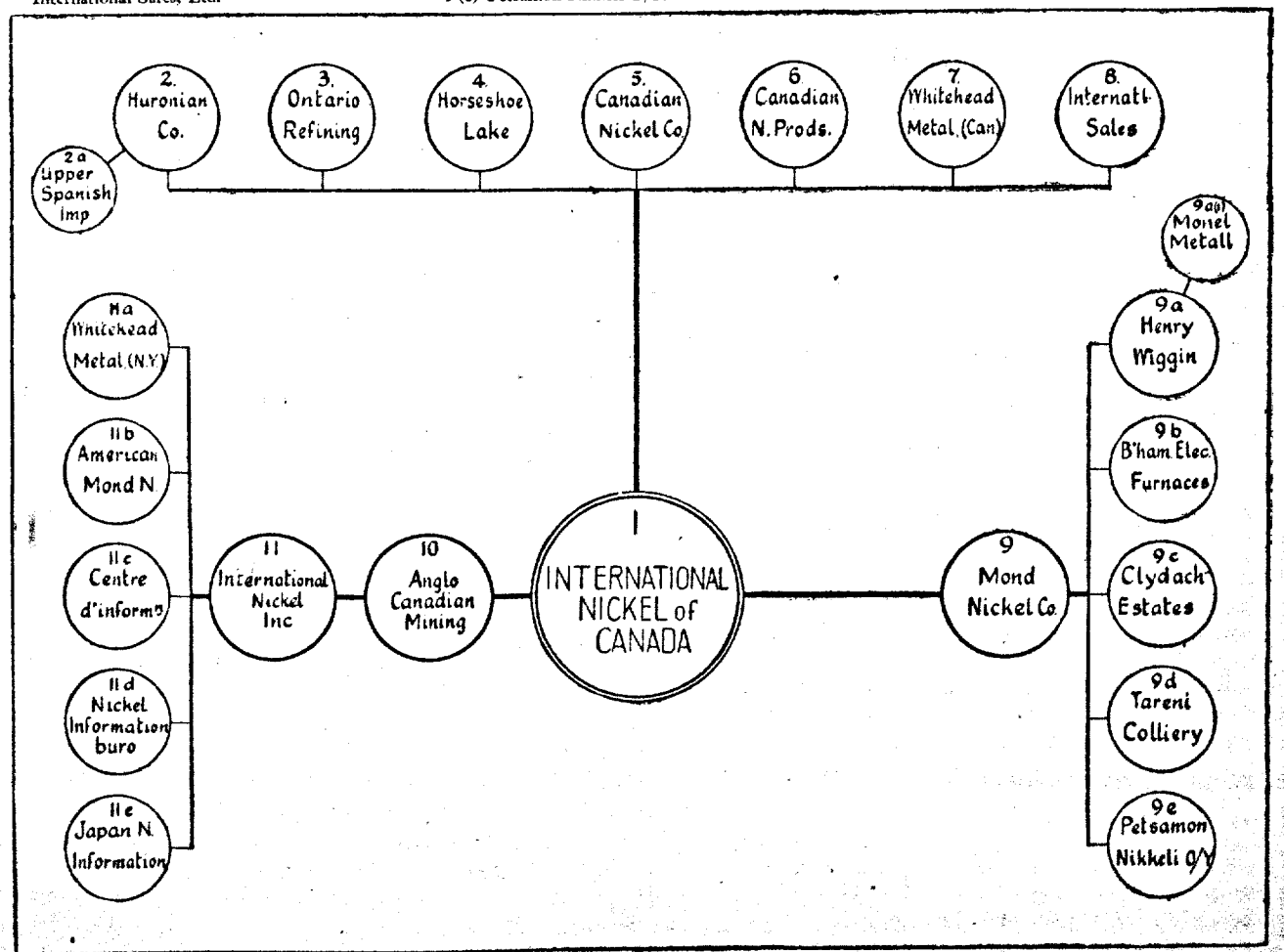
Consolidated figures throughout	1929	1930	1931	1932	1933	1934	1935	1936	1937
CAPITAL STOCK AND RESERVE									
7% Cum. Pref'd. Stk. \$.....	27,627,825	27,627,825	27,627,825	27,627,825	27,627,825	27,627,825	27,627,825	27,627,825	27,627,825
Common Stock—									
No. of shares, n.p.v.....	13,758,208	14,584,025	14,584,025	14,584,025	14,584,025	14,584,025	14,584,025	14,584,025	14,584,025
\$.....	57,160,542	60,766,771	60,766,771	60,766,771	60,766,771	60,766,771	60,766,771	60,766,771	60,766,771
Capital surplus \$.....	48,128,731	60,132,646	60,132,646	59,924,195	59,924,195	60,841,225	60,606,500	60,606,500	60,606,500
PROFITS AND DIVIDENDS									
Earnings, all properties (c).....	29,353,073	18,389,983	10,556,001	4,473,914	16,707,647	27,672,126	38,164,101	54,381,060	70,497,235
Total income.....	31,153,690	19,006,841	11,055,793	4,509,654	16,956,167	27,997,090	38,666,706	54,689,038	71,036,214
Expenses and interest.....	2,294,382	2,033,185	1,767,562	1,343,742	1,521,859	1,785,843	1,699,361	1,562,141	1,624,539
Depreciation.....	3,054,835	3,145,795	3,010,177	2,763,438	3,551,653	4,115,315	4,897,837	5,337,989	7,003,782
Reserves (c).....	886,051	828,143	675,979	398,418	717,327	804,844	1,380,656	2,476,742	1,757,379
Taxes.....	2,682,395	1,229,657	507,273	139,401	1,504,744	2,803,610	4,602,325	8,446,639	10,350,890
Net profit.....	22,235,997	11,770,060	5,094,997	Dr. 135,345	9,662,584	18,487,479	26,086,527	36,865,526	50,299,624
Preferred dividend.....	2,940,501	1,933,920	1,933,938	1,933,909	1,933,899	1,933,899	1,933,899	1,933,899	1,933,899
Common stock—									
Dividend.....	20,195,496	9,836,140	3,160,559	Dr. 2,069,254	7,728,685	16,553,580	24,152,628	34,931,527	48,365,725
Unpaid.....	12,375,703	14,148,942	6,560,468	Nil	Nil	7,289,084	10,933,627	18,951,620	32,800,880
Earnings: \$ per share.....	1.47	0.67	0.22	Dr. 0.14	0.53	1.13	1.65	2.39	3.31
Dividend: \$ per share.....	0.90	1.00	0.45	Nil	Nil	0.50	0.75	1.30	2.25
Earnings surplus forward (b).....	24,958,970	20,646,169	16,757,814	14,688,560	22,767,570	30,990,016	44,094,494	59,896,144	70,950,662
ASSETS AND LIABILITIES									
Property at cost or valuation.....	156,163,837	168,271,830	170,850,899	171,242,663	171,458,770	173,551,173	186,960,168	198,607,450	205,950,893
Less depreciation and depletion.....	19,865,480	22,790,350	24,602,850	27,222,400	30,547,153	34,359,614	39,749,057	44,910,705	51,333,725
Net total of properties.....	136,298,357	145,481,480	146,248,049	144,020,263	140,911,617	139,191,559	147,211,111	153,696,745	154,617,168
Investments.....	2,910,339	6,949,327	7,080,390	7,032,980	10,165,109	13,151,683	3,164,129	751,550	956,603
Special and other reserves (a).....	3,937,797	4,641,756	5,208,626	5,403,153	7,529,227	7,310,491	7,895,703	9,373,996	15,723,717
Net current assets.....	32,231,839	30,103,000	25,450,643	25,858,370	35,296,330	40,081,328	50,488,934	63,610,031	67,107,723
Inventory.....	17,109,312	21,060,096	21,429,936	20,623,390	18,815,604	20,683,443	21,358,495	22,989,406	27,573,766
Cash and loans.....	16,395,333	9,284,367	2,405,180	4,601,298	14,085,611	18,789,023	30,473,311	48,371,895	48,871,396
CAPITAL EXPENDITURE									
Metal sales:									
Nickel, lbs.....	125,577,789	75,284,352	55,739,047	34,406,953	74,356,969	91,459,554	129,850,207	168,927,980	207,700,943
Copper, lbs.....	81,833,776	109,743,747	96,919,677	57,662,789	113,682,312	194,870,682	233,009,392	265,954,589	291,880,403
Platinum metals, ozs.....	(d)	(d)	51,585	19,300	77,198	124,424	128,874	220,980	188,756

(a) Retirement, insurance, contingent and other reserves. (b) After adjustments: debit of \$488,447 in 1931; credit of \$350,325 for taxes in 1933; debit of \$42,050 debenture premium and transfer of \$1,000,000 to capital surplus in 1934; debit of \$114,525 debenture premium in 1935; debit of \$260,352 for tax adjustment in 1936; debit of \$4,510,326 in 1937, transfer to retirement system reserve to cover balance of accrued liability, as actuarially determined. (c) After manufacturing and selling expense, ordinary repairs and maintenance. In 1933, shown after reclassification given in 1934 accounts. (d) Not stated. (e) Before transferring \$4,510,326 to retirement system reserve.

INTERNATIONAL NICKEL GROUPING

- 1 INTERNATIONAL NICKEL CO. OF CANADA, LTD.
- 2 Huronian Co., Ltd.
- 3 (a) Upper Spanish Improvement Co., Ltd.
- 4 Ontario Refining Co.
- 5 Horseshoe Lake Mining Co.
- 6 Canadian Nickel Co.
- 7 Canadian Nickel Products, Ltd.
- 8 Whitehead Metal Products Co. of Canada.
- 9 International Sales, Ltd.
- 9a Mond Nickel Co.
- 9 (a) Henry Wiggin & Co.
- 9 (a) (i) Monel Metall G.m.b.H.
- 9 (b) Birmingham Electric Furnaces, Ltd.
- 9 (c) Clydach Estates, Ltd.
- 9 (d) Tareni Colliery Co.
- 9 (e) Petsamon Nikkeli O.Y.
- 10 Anglo-Canadian Mining and Refining Co.
- 11 International Nickel Co., Inc.
- 11 (a) Whitehead Metal Products Co. of New York, Inc.
- 11 (b) American Mond Nickel Co.*
- 11 (c) Centre d'Information du Nickel.
- 11 (d) Nickel Informationsbureau G.m.b.H.
- 11 (e) Japan Nickel Information Bureau.

* This company is inactive.



the world. These mining and smelting plants have been greatly expanded since 1925 at a cost exceeding £15 millions. The Canadian side is completed by three nickel fabricating concerns, Whitehead Metal of Canada, Canadian Nickel and Canadian Nickel Products. The International Nickel Company, Inc. (the American company, which is controlled via Anglo-Canadian Mining), centralises the manufacturing businesses in the United States and also directs three information bureaux in Europe and the Far East. In this country, finally, the refining and manufacturing companies are still grouped according to their original parentage under Mond Nickel, which also controls the Petsamon Nikkeli property, now being developed in Finland at a total cost of \$7 millions.

Such is the structural organisation of International Nickel, in broad outline. What does the group produce? The answer is—nearly nine-tenths of the world's nickel and about one-sixteenth of the world's copper. These twin products are produced from ores which were originally so refractory that the Saxon miners called them *kupfer-nickel*—copper possessed of "Old Nick." The company has long since solved the Saxon's problem, and now produces about three pounds of copper for every two pounds of nickel. In recent years, again, great progress has been made in the exploitation and application, in industry and the arts, of the platinum group of metals. Many investors who have

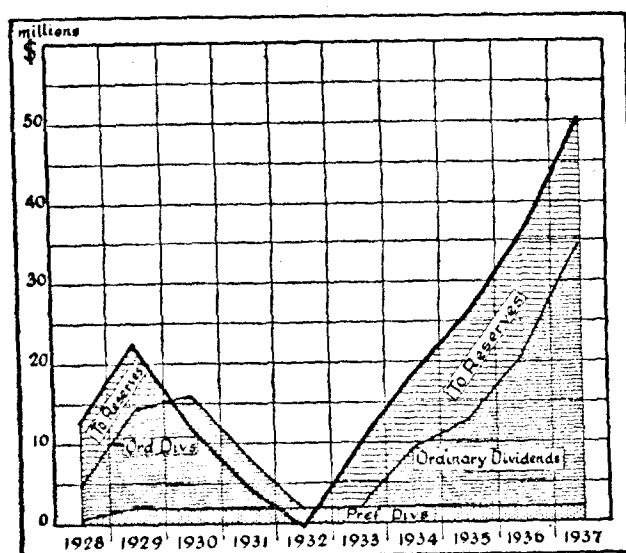
power-weight ratios for mechanical equipment, assist the consumption of nickel, and new uses are being found in traction, marine engineering, aviation, and indeed in the home itself.

If the investor, in short, were able to ignore the trade cycle, he might reasonably count upon a steady continuation of this trend, both for nickel and its associated products. But although the technical revolution in the metal trades during the post-war period is providing its harvest for International Nickel, the board has designedly not sought a bumper crop. The company, if it wished, might introduce its own restriction scheme and drive the price of nickel to fantastic heights. It has chosen the wiser course of assisting consumption by a moderate price policy. In January last year, when non-ferrous metals were soaring, International Nickel reduced the European price of nickel from £200 to £180 per ton. The position of copper is less certain. Ninety per cent. of the company's output is sold in Canada, France and Great Britain, and International Nickel is understood to be linked, at least informally, with the European producers' restriction scheme so far as export sales are concerned. Both copper and platinum, however, were subject last year to considerable price fluctuations; and while the company does not supply sufficient data to enable the investor to estimate profits under hypothetical price conditions (on the lines we have employed for other metal producers in the past) he must obviously take account of a falling price trend for the so-called "by-product" metals, which provided about half the company's net earnings in 1936.

Any serious investor who would interpret the future must be prepared to infer from the past. And the financial reports of International Nickel, from which we have extracted the principal items, provide all the information he could require. In capitalisation the group is simple, for it has no bonded debt, and although there are outstanding \$27.6 millions of 7 per cent. preferred stock, with a somewhat unusual redemption option, there is no intention, at present, of exercising it. There are 14,584,025 shares of common stock in issue, taken for balance-sheet purposes at \$60,766,711. At one time in 1937 these were quoted as high as \$75; to-day they stand at \$48½, to yield 4.1 per cent. on regular dividends, and 6.9 per cent. on earnings. International Nickel, despite its steady growth in recovery and its dependence upon general trade conditions, is a market leader, and it is the habit of market leaders to run ahead of earnings performance. This, however, is a defect of market behaviour rather than an inherent deficiency in the stock itself. Properly measured, with due consideration for cyclical fluctuations in profits, the stock should rank appreciably ahead of the average non-ferrous metal share, for it is not highly geared, either technically or financially. But its proper current valuation does present a problem in world economic trends. Must the investor rule out hopes of re-recovery in the United States? How far might a trade recession in Europe offset the secular factors which are on the company's side? If world prices and world trade fall, would the company be put "in the red"—as it was in 1932? The very nature of these questions suggests that the investor should be prepared to take a cautious view of earnings prospects on the near-term outlook, for he can be very sure that the board will continue to take a cautious view of dividend policy.

The effect of trade recession at the end of 1937, indeed, is properly underlined in the president's review accompanying the latest report. There are, however, more important features of strength, technically and financially, in the long-term view. Dividends over the past nine years have averaged approximately 80 cents per share. They have during the next nine years can scarcely be assessed in terms of dollars and cents. But given normal cyclical movements—which would presuppose a depression as severe as the last—and peace on his side, the stably less might justifiably expect some fruits from the techreholder commercial expansion of the group during recerical and That is the argument for International Nickel as a long-term holding, even though it may seem, at present, a long-thing of an act of faith.

NET PROFITS AND DIVIDENDS, 1928-37



never handled platinum could give a fair description of its modern uses, and the words of the humblest fountain-pen user flow from an iridium tip. Research is bringing other metals in this group into familiar use. And the list of products would not be complete without the inclusion of gold and silver, whose total output is of absolute importance—sales of silver in 1937 totalled 2,356,000 ounces—though not comparable with that of nickel and copper.

A mere recital of the group's main products brings out a factor of investment importance. For all the principal metals, not excluding copper, are "new" metals. Their application in industry is by no means fully explored, if we are to take recent technical trends as a reliable portent of the future. The company's efforts, by information services and technical research, are bearing fruit in a rapid increase in nickel consumption. The common assumption that this increase arises largely from armaments demand is not supported by available facts. The sales figures at the foot of our table show, rather, that consumption is markedly sensitive to industrial movements. But the rapid advance in consumption—sales had already exceeded the 1929 level by 1935—suggests the operation of a secular increase in demand, which was interrupted only during the depression. Such factors as the increasing use of alloy and anti-corrosion metals, and the modern demand for higher

Finance and Banking

Currencies and Politics.—The repercussions of Herr Hitler's ruthless Nazification of Austria have been in widespread evidence in the City of London this week, and not least in the foreign exchange market. The inevitable reaction was a rush for dollars. The buying of this currency has been of diverse character. Any short professional positions outstanding have been covered as a matter of course. There has been some outright conversion of sterling and Continental currencies into dollars, both by institutions with large liquid balances and by smaller investors to whom the United States markets appear the least unattractive of available "funk holes." Finally, there has been an accentuation of commercial purchases of dollars by interests covering both their immediate and future needs of American currency. From a rate of \$5.01½ the dollar began its appreciation on Friday of last week, crossed the \$5 figure on Saturday and this week has been up to \$4.96½. Its appreciation would have gone further but for some official intervention, effected both through outright sales of dollars against sterling and through the diversion to the United States of certain gold operations which would otherwise have been undone in London. For example, some of the gold sales made this week by the National Bank of Belgium in support of the belga have not been made to the British Exchange Fund but have been diverted to the United States Treasury.

With the demand for dollars has gone a sudden intensification of the demand for gold. Both at the daily fixing and in subsequent deals the demand for bar gold this week has been heavier than for many months past; while gold coins have been bid to the unprecedented premium of 8 per cent. over their bullion value. The policy of the Exchange Equalisation Fund, which has had to supply the bulk of the gold, has been to hold the sterling price between 139s. 8d. and 140s. As a result of this steadiness, and of the concurrent appreciation of the dollar, the premium in the sterling price of gold over the dollar shipping parity has run off. The price of gold, in other words, has now reverted to its export point to the United States. Some metal has already been shipped from this country to New York. The diversion of Belgian metal from London to New York is another indication of the change which has occurred in the dollar-sterling-gold triangle.

Slump in the Franc.—The immediate effect last Saturday of the news of the German occupation of Austria was a scramble by bears to cover their open positions in French francs. The recovery, however, was short-lived, and this week has seen the franc quoted as low as 167½. The renewal of the slump, at the beginning of the week, was due to disappointment over the failure of M. Blum to form a National Government in France. When he was compelled to have recourse to a mere reshuffle of the now familiar and ineffectual mixture of Popular Front Ministers, the dribble of selling of francs began again. At no time during the week has speculation on the grand scale taken a hand in the market. The selling, most significantly, has mainly been in small lots, and has been concentrated on the spot market. The French Exchange Fund has intervened hesitantly, though it succeeded in putting up an effective barrage when the franc depreciated on Tuesday beyond 165 to the £. The subsequent recovery to 159½ has been due largely to the growing belief that efforts were being made behind the scenes in Paris to convert the new Blum ministry into an administration of truly national character. M. Blum himself has taken over the Ministry of Finance, and has as his adviser M. Georges Boris, a well-known financial writer noted for his

advocacy of exchange control. It is not generally believed in the market, however, that such control is imminent. The mobile capital of France has already gone overseas, and it is now too late to close the stable doors. Such a step would merely hamper the return of capital which might well follow the advent of a National Government.

Liquidation of the Austrian Schilling.—Like many other Austrian institutions, the schilling is being liquidated. The exact method of the conversion of Austrian into German currency is not yet known, but the goal of the liquidators is clear enough. The reichsmark is to become the currency of the new province; and the National Bank of Austria, as an issuing authority, is to become a branch of the Reichsbank. The rate at which schillings are to be converted into reichsmarks has not been finally fixed. Conversions by the military authorities have been effected at 1.30 schillings to the mark, while for other official operations a rate of 1.50 has been used. It is evident already that all the trappings of the German control system, with its variegated currency, will be introduced in Austria. A partial moratorium on bank deposits has been proclaimed in order to arrest the exodus of capital. Austrian external debts, both short- and long-term, will receive the same treatment as is meted out to corresponding German obligations. Thus the basis is being provided for the duplication in Austria of the various types of blocked currencies which Germany has created as a by-product of her defaults over the past seven years. In the London foreign exchange market the schilling is still quoted nominally at 26 to the £, but no business is being done either in telegraphic transfers or cheques. No foreign bank has yet been informed by its Austrian correspondents whether and how it can deal with available balances. A little business has been done, however, in Austrian notes at 40 to the £.

Chinese Currency Restrictions.—Last Monday, the Chinese Government issued new exchange restrictions, whose effect is to restrict the foreign exchange operations of the central bank, its head office in Hankow, and its branch office in Hongkong. This limitation has seriously affected Shanghai and the business community has made vehement but vain protests against the exclusion of official foreign exchange business from that already distressed town. The Chinese authorities have been impelled to their decision by the fact that the new Federated Reserve Bank established at Peiping under Japanese auspices is issuing large quantities of its own paper, as a result of which the old Chinese notes are being driven out of North China and presented in the Shanghai market for conversion into foreign exchange. Thus, the new regulations are designed to protect the Chinese reserves from the combined effect of a flight of capital and of unregulated inflation of the currency via the new puppet banking organisation in the North. The regulations do not mean the end of the Shanghai foreign exchange market; for the banks there will still deal in outward and inward remittances which become available in Shanghai. In view, however, of the absence of any centralised reserve and the lack of machinery for dealing with uncleared balances, the Shanghai market can hardly function with the efficiency of earlier and happier days. In future, requirements of exchange resources which cannot be met by offsetting local business will have to be remitted to Hankow before 10 a.m. on Thursdays. Applicants will be advised of their allotments the following day, but delivery will follow only at the convenience of the Chinese authorities. On such terms, foreign exchange business in the true sense of the term is impossible.

MONEY MARKET NOTES

Foreign Exchanges

THE foreign exchange market has had an exceptionally active week. Events in Europe have given renewed stimulus to international movements of capital, while the prevailing uncertainty has caused widespread closing of speculative commitments. The strength of the dollar has been the feature of the market, while most other currencies have fallen with sterling in terms of dollars, the guilder being specially weak in view of the weight of hot money leaving the Dutch market for New York. The guilder rate has been weak even in terms of sterling, and crossed the figure of 9 on Wednesday. The belga has moved with the dollar through no merit of its own, but because it has all along been at gold export point to New York. The strength of the belga in terms of sterling has therefore been achieved at the cost of substantial gold shipments both to this country and to the United States. The French franc has had a week of wild movements. It recovered from 159 to 156 last Saturday, has since slumped to 167½ and subsequently recovered to around 159½. The control has not been particularly active as may be gauged by the violence of the fluctuations. The news that another Frs. 1,000 millions had been borrowed by the State from the Bank of France had no adverse effect on the rate last Thursday. Nor has there been any exchange reaction to the announcement that the French Arms loan of 4,465 million francs is imminent.

The Bank Return

The Bank return for the week to March 16th is dominated by two movements: an expansion of £7 millions in Government securities and a corresponding movement of £4.8 millions in bankers' deposits. The latter, at £119.0 millions, are £25 millions higher than they were a year ago. The expansionist effect on bank cash of the rise in Government securities has been mitigated to the extent of £3.9 millions by reductions in Discounts and Advances and Other Securities. On the

other hand, Public Deposits are down by £1.4 millions on the week.

	Mar. 17, 1937	Mar. 2 1938	Mar. 9, 1938	Mar. 16, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	463.8	478.3	479.3	479.5
Banking Dept.				
Reserve	50.8	48.8	48.0	47.8
Public Deps.	22.8	11.4	12.6	11.1
Bankers' Deps.	94.0	115.7	114.3	119.0
Other Deps.	37.3	36.0	36.1	35.7
Govt. Secs.	94.9	104.4	105.2	112.2
Discounts and Advances	3.8	7.1	6.5	3.6
Other Secs.	22.9	21.0	21.5	20.5
Proportion	32.9%	29.9%	29.4%	28.8%

The note circulation rose by £216,000 during the week. In the corresponding week of last year there was a reduction of £660,000, and it may be assumed that the contrary trend during the past week is in part to be explained by renewed hoarding demand for sterling notes occasioned by the latest phase of the franc crisis.

The Money Market

Money and discount rates have not flinched in the past week of political tension. In the opinion of the market it would need a declaration of war by this country to cause a measurable rise in bill and short loan rates—and even that is questionable.

	Mar. 18, 1937	Mar. 10, 1938	Mar. 17, 1938
	%	%	%
Bank Rate	2	2	2
London Deposit Rate	2	2	2
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	5/8	5/8	5/8
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	17½-9/16	17½-9/16	17½-9/16

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity, 2½ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity, 1 per cent. for loans against other collateral.

This week's maintenance of low rates—½ per cent. for loans against bonds, ½ per cent. for bill money in almost unlimited quantities, and ½ per cent. as the effective market rate for three months' bills—has been partly engineered. It is evident from the Bank return, with its increase in Government securities and the rise of over £4½ millions in bankers' deposits, that the authorities have taken steps this week to avoid the slightest appearance of

strain in the credit position. This, no doubt, is to give to the hard-pressed gilt-edged market such support as it may derive from the short-loan position and to give the banks no excuse to plead their bank cash position to call in loans and advances. The clearing banks, following the expansion in their cash, have been eager buyers of bills.

The Bullion Market

The demand for gold has expanded considerably as a result of increased tension in Europe. Business at fixing has been rather above normal, but it has been in subsequent dealings that the keener hoarding demand for gold has been most apparent. The Exchange Account has been the principal seller of the metal both at and after fixing. It pursued the policy of maintaining a fairly steady price for gold until Wednesday afternoon when, in the face of the extension in the demand, it raised its price from 139s. 9½d. to 140s. On Thursday this jump was consolidated and the price was fixed at ½d. over £7. Given the appreciation of the dollar, the premium on the shipping parity has been running off. The price fixed on Tuesday was actually at parity with the dollar, and gold shipments to the United States were in fact arranged. Subsequently a slight premium has been re-established.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count *	Amt. dealt in £'000	Cash	Two Mths.
1938					
Mar. 11 ...	139 6½	10 pm	310	20½	19½
" 12 ...	139 8½	12½ pm	925	20½	20
" 14 ...	139 8½	5½ pm	746	20½	19½
" 15 ...	139 8½	par	956	20½	20½
" 16 ...	139 9½	1½ pm	514	20½	20
" 17 ...	140 0½	1 pm	711	20½	20½

* Above or below American shipping price. The New York price of silver remained at 45 cents per ounce .999 fine during the week.

There has been a firmer tendency in silver owing to buying by Indian bazaars, probably influenced by the political situation in Europe. Moreover, the strength of the dollar has helped to harden the sterling price of the metal. Consequently, spot has moved up to 20½d., which is the highest quotation touched since April, 1937.

INSURANCE NOTES

Refuge Insurance Company. The usual annual valuation of the liabilities of this company was made at the close of last year. In the ordinary branch the bases were, as before, 0m 3 per cent. for assurances and a(f) and a(m) 3 per cent. for annuities. In the industrial branch the reserves were placed on a considerably more stringent basis. The English Life Table (No. 8) was again used, but the rate of interest was 2½ per cent. for all premium-paying policies and 3 per cent. for free policies, compared with 2½ per cent. for whole life tables and 3 per cent. for all other policies in 1936. The results of the past two annual valuations are set out:

	1936	1937
Ordinary Branch—		
Surplus earned during the year	1,060,902	1,059,946
Brought forward	640,137	696,032
	1,710,039	1,755,978
Bonuses to policyholders... ..	912,606	941,370
Shareholders' account	101,401	104,597
Carry-forward	696,032	710,011
	1,710,039	1,755,978
Industrial Branch—		
Surplus earned during the year	219,640	352,741
Brought forward	132,283	120,297
	351,923	473,038
Bonuses to policyholders... ..	133,027	256,194
Shareholders' account	48,599	45,403
Investment reserve fund	50,000	50,000
Carry-forward	120,297	121,441
	351,923	473,038

The bonus in the ordinary branch is the same as in 1936, namely, 36s. per cent. on the sum assured. In the industrial branch the allocation to policyholders is approximately twice that made in the previous year, in spite of the undisclosed cost of setting up the more stringent reserves. For many years, however, the company has continuously strengthened its basis of valuation, and the much greater amount available to policyholders this year may be due to the fact that in 1937 a smaller added strain was incurred by the changes made than by those in previous years. If this is the correct interpretation, it would appear probable that future allocations to policyholders will be on a much higher scale than in the

past, and will be related rather to the level of 1937.

New sums assured in 1937 in the ordinary branch were £8,685,000, against £8,766,000, and annual premium income increased from £4,422,000 to £4,495,000. The net rate of interest earned on the fund was £4 2s. 6d. per cent. against £4 3s. 11d. per cent. In the industrial branch new sums assured fell by £156,000 to £16,001,000. The premium income, however, increased by £163,000 to £5,854,000, and the net rate of interest was 2s. 2d. per cent. smaller than £4 12s. per cent. The expense ratio further from 34.27 per cent. to 34.71 per cent. Total assets amount to £68,710,000, compared with £65,628,000. At the end of 1937, British Government security holdings totalled 36.5 per cent. of the assets. At the other end of the scale, ordinary stocks formed only 0.7 per cent., and last year fell from £660,000 to £507,000. There appear to have been no major changes in investment policy during the year, but some falling off is noted in mortgages. Market values of investments "still very substantially" exceed book values, and the investment reserve of £3,500,000 remains intact.

Standard Life Assurance.—The accounts of this company, for its financial year ended November 15, 1937, include the results of the annual valuation of liabilities and assets, and reveal a position of great strength. The assets are conservatively valued, and the liabilities are assessed on unusually stringent bases. A future rate of interest of 2½ per cent. is assumed for both assurances and annuities; for mortality the A1924/29 table is used for assurances, using select net premiums, and the O(4) table for annuities—taking all the lives as select at the date of the valuation. Reserves are held in addition to those brought out on these bases. The results of the last two years are given below:—

	1936	1937
Surplus earned during the year...	458,175	488,432
Surplus income transferred from guarantee fund	38,802	39,406
Brought forward	30,970	31,365
	527,947	559,203
Bonuses to policyholders	396,582	428,169
Transfer to inner reserve	65,400	65,400
Pension fund	15,000	100,000
Carried forward	31,365	31,034
	527,947	559,203

For the eleventh year in succession the rate of bonus is 42s. per cent., calculated on the sum assured and existing bonuses. Although this rate definitely places the company among the "high bonus" offices, it is well within earning capacity.

For a number of years it has been the practice to transfer £85,000 to inner reserve and £15,000 to pension fund; on this occasion the whole of the £100,000 has been transferred to the trustees of the staff pension fund. The annual transfers of £15,000 out of revenue were required mainly to meet the actual pension payments falling due in the year. The directors have recently decided that it would be in the interests of the company that a fund be instituted (controlled by trustees) charged with payment of the present and future pensions. Last year's transfer of £100,000 is the initial contribution by the company to the fund. Thus the Standard has adopted the practice which is rapidly becoming usual among the leading assurance companies.

In 1937 total assets increased from £28,228,000 to £29,605,000. A fifth successive record total was established for new sums assured, at £4,341,000, compared with £4,074,000 in the preceding year. In addition, group life assurances for £789,000 were obtained, showing an increase of £287,000. Total new sums assured thus for the first time exceeded £5 millions. Capital redemption policies were issued for £468,000, against £543,000. The activity of the company in group pension business is evidenced by the issue of 1,922 policies, securing deferred annuities of £373,000 per annum. The net rate of interest is practically unchanged at the very high figure of £4 15s. per cent. Mortgages increased from £3,199,000 to £3,370,000, but there was no pronounced increase in British, Colonial and foreign Government securities. Debentures amount to £8,271,000, against £7,921,000, and preference shares to £2,571,000, against £2,460,000. The outstanding movement of the year, however, was in ordinary shares, which further increased from £3,917,000 to £4,659,000.

Scottish Equitable Life Assurance.—The chief item of interest in

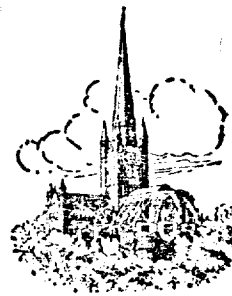
the latest report is the result of the valuation of liabilities as at December 31, 1937. In 1936 the end of the financial year was altered from March 1st to December 31st. The results shown below for the past valuation period are, accordingly, for four years and ten months:—

	1928-33	1933-37
Surplus earned during quinquennium	1,294,134	1,106,041
Brought forward	125,282	131,198
	1,419,416	1,237,239
Allocations:—		
Bonuses to policyholders	1,038,218	1,064,146
Reserve account	250,000	250,000
Carry forward	131,198	173,093
	1,419,416	1,237,239

The former basis of valuation took account of mortality according to the O(4M) (S) table, using O(4M) net premiums and taking interest at 3 per cent. On this occasion the new A1924/29 mortality has been used with interest at 2½ per cent. The change has entailed a certain cost, which, being undisclosed, has operated to reduce the amount of trading profit shown above. The basis of valuation of annuities is again according to a(1) and a(m) tables with interest at 3 per cent.; in addition, a further reserve of £40,500 has been made against annuity contracts, no doubt as a special provision against increased longevity.

The rate of bonus declared is at the same satisfactory rate as five years ago, namely, 2 per cent. per annum calculated on the sum assured and declared bonuses. The net rate of interest earned is £4 2s. 5d. per cent., which is only 2d. per cent. smaller than shown in the preceding account. New business was £1,923,000, compared with £1,595,000 in the previous accounting period of ten months. Total assets have increased from £11,611,000 to £11,746,000, and stock exchange securities stand in the balance sheet at considerably less than market values on December 31st. The reserve account remains unaltered at £250,000. Loans are slightly smaller at £3,187,000, and holdings of British Government securities fell from £1,512,000 to £1,404,000. Colonial and Foreign Government securities were also smaller, at £850,000, against £1,070,000. On the other hand, debentures increased from £2,984,000 to £3,194,000, preference shares from £896,000 to £980,000, and ordinary shares from £972,000 to £1,138,000.

A NEW VIEW



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see Telephone Directory

Investment

Markets and the Crisis.—Throughout the Stock Exchange one response, and one only, has been made to the events of the past seven days—an overwhelming desire to seek increased liquidity. Cold calculations of the cost of further armament expenditure are not a bull point for gilt-edged; while the Premier's sudden conviction that an industrial setback is now inescapable has undoubtedly affected the average holder of equities. But neither factor is comparable in importance with the effect of acute apprehension of rapid political deterioration. The question now uppermost in the market's mind is whether the present crisis, and not the next but one, marks the point of breakdown. Power politics in Central Europe, war in Spain and the Far East, and tension between Lithuania and Poland—all have combined to put prices down by greater amounts than at any time of economic uncertainty since 1931, or any time of political uneasiness since 1914. Gilt-edged have fallen to the lowest points since 1933. War Loan was under par, and was marked at 99½, on Wednesday. And falls of 10s. or more, such as were recorded on Wednesday, in normally stable industrial market leaders like Guinness and Imperial Tobacco, and to a smaller extent in Associated Portland Cement and "Bats," are eloquent of the temporary supersession of rational investment standards. Liquidity, and not yield calculations (as our tables on pages 642 and 643 clearly show), has been the operative factor in this week's frightened markets.

The extent of the deterioration of investment values is evident in the following table. The selected dates are those that correspond to Dr Schuschnigg's fateful visit to Berchtesgaden, Mr Eden's resignation, the Austrian coup, Wednesday's alarming falls, and the subsequent recovery:—

	High 1937	Feb. 14, 1938	Feb. 21, 1938	Mar. 11, 1938	Mar. 16, 1938	Mar. 17, 1938	Fall since Mar. 11
Gilt-Edged							
2½ per cent. Consols	84½	78½	77½	75½	71½	72½	3½
3½ per cent. Conversion	106½	104½	104	101½	98½	99½	2½
3½ per cent. War Loan	105½	103½	103½	102½	99½	100½	2½
Foreign Bonds							
4½ per cent. Austria	91½	85½	73	68	50	50	18
7 per cent. Austria	105½	101½	77	68	26½	27	41
8 per cent. Czechoslovakia	108½	104½	93½	96	82	80	16
7 per cent. German	66	55	50½	54	43	44	10
Industrials							
Ass. Port. Cement (11)	110½	85½	84½	80½	68½	68½	11½
Brit. Am. Tobacco (11)	138½	105½	103½	102½	88½	94½	8½
Distillers (11)	124½	99½	97½	94½	86½	91½	3½
Guinness (11)	141½	123½	121½	118½	103½	106½	11½
Imperial Tobacco (11)	183½	141½	140½	139½	120½	125½	13½
I.C.I. (11)	41½	32½	30½	30½	27½	24½	6½
Turner and Newall (11)	112½	80½	78½	78½	70½	73½	5½
Mines and Commodity Shares							
E. Geduld (11)	£10½	£10½	£10	£10½	£9½	£9½	5½
Union Corporation (12s. 6d. fully paid)	225	167½	166½	166½	150½	145½	21½
West. Wits. (10s.)	£19½	£8½	£8½	£7½	£6	£6½	£1½
Anglo-Italian (11)	132½	77½	78½	78½	57½	72½	5½
"Shell" Transport (11)	147½	91½	90½	88½	81½	85½	3½
Rubber Trust (11)	48½	25½	25½	25½	20½	21½	3½
"Financial News" Indices							
Fixed Interest	136½	131½	130½	129½	127½	126½	2½
Industrial Shares	124½	90½	88½	87½	79½	81½	6½

Although the selling of gilt-edged has been pronounced, it is proper to record that an appreciable volume of buying occurred at the lower levels which prevailed in mid-week. But support for Central European bonds was non-existent, and leading industrials—some of which appear to have been especially affected by the liquidation of impaired margin accounts—recovered less than half their losses on Thursday. And the sharp falls in the best Kaffir shares, like East Geduld, and in commodity shares, run counter to the logical outcome of war finance.

Policy for Investors.—It is plain, indeed, that the rate of fall recorded by the best equities and commodity

shares this week cannot continue indefinitely. Of the future of gilt-edged values, it is difficult to speak with confidence, for problems of public finance and taxation are bound to become more acute in the immediate future. The reverse of that medal, however, is the lively possibility of an inflationary rise in prices for leading commodities (tempered at first by the adequate level of stocks which now exists) and a high level of activity for armament and ancillary industries. The realisation that, even if war comes, the best equities and commodity shares will provide some protection against the disadvantages which fixed-interest securities invariably suffer during an inflationary regime, should in due course produce some recovery from their lowest levels. An arms race is not an adequate substitute for a broad economic recovery, but it clearly invites neither the danger of a widespread industrial slump, nor the risk of a sweeping profits deflation. If the market's worst fears come true, investment standards may well be replaced by control at every point of Stock Exchange dealings. But until the political position is irretrievable, the best equities may well be a better hedge against inflation than mere monetary liquidity.

Wall Street Reactions.—Wall Street's first response to the acute depression in European centres was a rise in the Dow Jones industrial index of 3½ points on Tuesday. In the circumstances, domestic news counted for little; the outstanding market factor was the flight of funds to New York. The extent of the movement, from the first, flattered the actual volume of foreign support for American stocks, and London's break on Wednesday was succeeded by a sharp plunge in stocks. The Dow Jones index lost 4½ points on Wednesday, and heavy selling, much on foreign account, took the volume of trading over one million shares for the first time in many weeks. The Whitney case, indeed, has been displaced from leading importance. On Friday last week, Mr Richard Whitney, who was president of the New York Exchange from 1930 to 1935, was indicted on a charge of grand larceny, involving the alleged misappropriation of \$103,000 from a trust account. The plea of guilty has been entered to this charge, and sentence will be pronounced on March 28th. The market is naturally concerned over the effect of the case on its relations with the Securities and Exchange Commission. There have been recent indications that the Exchange was preparing to adapt itself more closely to the views of the Commission. In fact, the recent report of an independent exchange committee on the management of the Exchange was an attempt to make full concession to the Commission's demands, while retaining the forms of self-government. Whether the S.E.C. will remain ready to accept this solution following the Whitney affair is causing the market much thought.

Company Notes

I.C.I. Profits.—The declaration of a final dividend of 5½ per cent., making 8½ per cent. for the year, compared with 8 per cent. in 1936, was followed by a recovery in the ordinary stock to 29s. 6d. in late dealings on Thursday. Net income, after providing £1,500,000 for central obsolescence fund and £1,171,862 for income tax and N.D.C., amounted to £7,510,707, compared with £7,203,329 in the previous year, when £1 million was provided for obsolescence and £846,093 for taxation. It would appear that the dividend is covered by earnings of 13.2 per cent. The sum of £1,500,000 is put to general reserve, and £172,000 is provided for employees' pensions. The book value of marketable and unquoted investments has been reduced by £1,115,674 to £7,706,648, following the sale of certain holdings. Their market and computed values, however, amount to £5,882,582, and while their

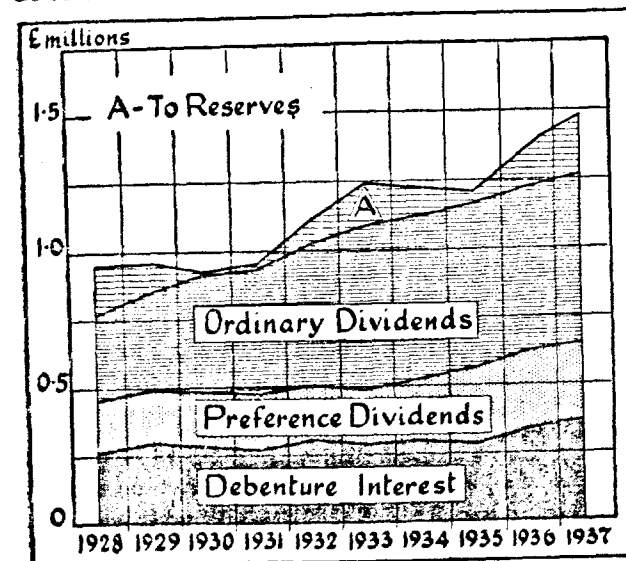
capital value is regarded as unimpaired, on the basis of earning power, the directors have applied £1,500,000 from general reserve to reduce book values, leaving a residual depreciation of £324,066. In effect, therefore, the latest earnings have covered the larger part of the investment depreciation, without impairing reasonable dividend expectations. The shares yield almost 6 per cent. on an 8½ per cent. basis.

County of London Electric.—This company has again shown a generous measure of progress, both in output and in profits. The rate of increase in output for the last three years, indeed, has exceeded 55 per cent.—a remarkable achievement for such a well-established undertaking. Operations and profits are analysed in the following table and chart:—

	1935	1936	1937
Units sold to consumers (millions)	885	1,035	1,200
Increase (%)	14.1	16.7	15.9
Units sold to C.E.B.	682	831	715
Revenue from sales of energy	3,452,530	4,002,900	4,357,847
Trading profit	1,677,980	1,860,290	2,050,869
Net revenue (inc. divs.)	1,907,920	2,120,081	2,378,110
Deb. interest, etc.	285,518	324,677*	371,841
Reserve for depn. & sinking funds	669,706	699,385	791,796
Taxation	30,000	50,000	100,000
Preference divs.	282,915	282,915	293,994
Ordinary stock:—			
Earned	639,781	763,104	820,479
Paid	599,246	599,246	612,371
Earned (%)	11.4	14.2	15.3
Paid (%)	10½	10½	10½
Gen. and No. 2 reserve funds	125,000	150,000	150,000
Carried forward	387,413	425,289*	483,397

* Excluding special allocation of £18,241, covered by £42,259 profit on investments realised, balance of £24,018 being added to carry forward.

COUNTY OF LONDON ELECTRIC—NET PROFITS, 1928-37



Comparison of the provision made for depreciation with our standard scale is impracticable, since a large part—it is not disclosed how much—of the undertaking is subject to the 1925 Act, which prescribes the rates of sinking-fund provision. In the accounts, this provision is included under one head, together with the normal reserve for depreciation on the rest of the undertaking. The figure as a whole, however, appears to be relatively generous, and the 10½ per cent. dividend is probably covered by a larger margin than our table at first sight suggests.

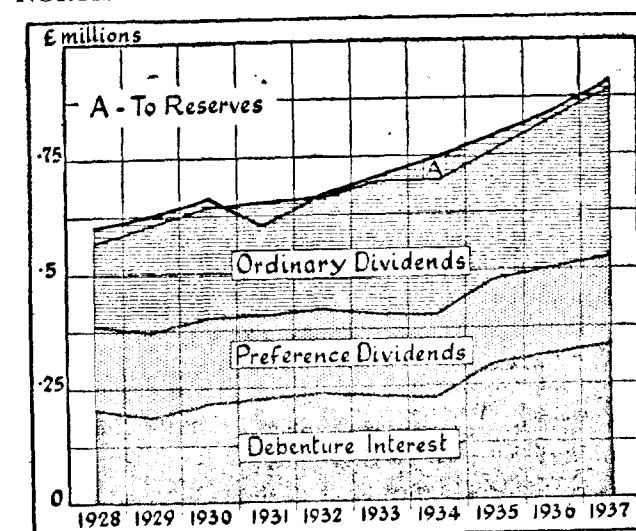
North-Eastern Electric.—The increase in profits of this company during the last two years markedly reflects the industrial revival on the north-east coast. The increase in net revenue has been largely devoted to strengthening the provision for depreciation. The growth of real earnings

is, in fact, much greater than most electricity undertakings could show. Revenues for the past three years are analysed below:—

	1935	1936	1937
Profit	1,096,505	1,244,590	1,410,801
Interest payable	230,959	250,806	247,818
Sinking funds and reserves for depreciation	370,516	466,770	592,959
Preference dividends	185,482	185,482	185,482
Ordinary stock:—			
Earned	309,548	341,532	384,542
Paid	285,595	333,194	333,194
Earned (%)	6.7	7.2	8.3
Paid (%)	6	7	7
Carried forward	158,036	166,373	217,721

The variation in net revenues during the past decade is evident from the following chart:—

NORTH EASTERN ELECTRIC—NET PROFITS, 1928-37



THE STANDARD LIFE ASSURANCE COMPANY

AGAIN . . . THE ANNUAL COMPOUND REVERSIONARY BONUS is

47½%

yielding for the year to many of the older members over . . .

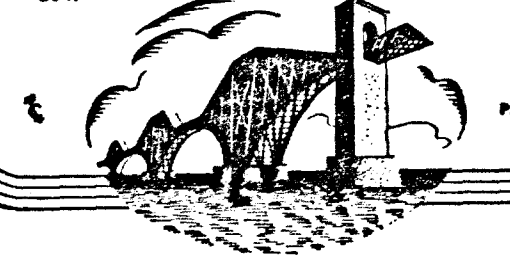
80%

on the original sums assured

ASK FOR A COPY OF THE ANNUAL REPORT

HEAD OFFICE . . . 3 GEORGE STREET, EDINBURGH
LONDON . . . 46 QUEEN VICTORIA STREET, E.C.4
15A PALL MALL, S.W.1

EST. 1825



It is impossible strictly to compare the provision made for depreciation with our standard scale, since the apparently modest appropriation is supplemented by a very generous provision for repairs and maintenance direct from the revenue account. The figures for these items are not yet available, but assuming that there has been no change of policy, it seems probable that the current dividend rate of 7 per cent. is covered with a small margin on the basis of our standard depreciation scale. The £1 ordinary stock units yield £5 2s. per cent. at 27s. 6d.

Clyde Valley Electrical Power.—The results of this company show a substantial advance, though on a rather smaller scale than the North-Eastern Company, which is, in many respects, governed by comparable economic factors affecting the area served. Net profits have increased from £438,290 to £536,327, and after transferring £250,000 (against £200,000) to contingency fund, ordinary earnings are still substantially increased from £170,781 to £210,468. The company's recent progress is analysed below:—

	1935	1936	1937
Revenue from sale of energy...	903,564	1,023,627	1,175,608
Net profit	414,817	439,290	536,327
To contingency fund	180,000	200,000	250,000
Interest	4,497	10,509	17,859
Preference dividends.....	58,000	58,000	58,000
Ordinary shares:—			
Earned.....	172,320	170,781	210,468
Paid	168,000	168,000	168,000
Earned %.....	8.3	8.2	10.7
Paid %	8	8	8
Carried forward	95,019	97,800	140,268

The allocation to contingency fund is in excess of that which our standard depreciation scale would prescribe; on the latter basis, earnings would be equivalent to nearly 12½ per cent. on the ordinary capital. On their well covered 8 per cent. dividend, the £1 shares yield £4 4s. 3d. per cent. at the present price of 38s.

Canadian Pacific Results.—The declaration last month of a 2 per cent. dividend on Canadian Pacific preference stock was better than the market had anticipated. Few investors, however, were led to infer that a substantial improvement in railway operations had been recorded last year. The preliminary results, announced this week, show indeed that "other income" is largely responsible for the recovery. While gross railway earnings increased by \$6,522,795 to \$145,085,558, working expenses absorbed \$6,091,659 more at \$121,343,311. Railway operations thus showed a net improvement of no more than \$431,136, but "other income" has substantially increased from \$6,631,371 to \$11,629,711. After providing for fixed charges (increased by a further payment in respect of the "Soo" line, which is now in process of reorganisation), the net profit balance amounts to \$9,462,284, compared with \$6,029,184 in 1936. On a conservative accounting view, the 2 per cent. preference payment is just covered, for it absorbs \$2,745,138, while special appropriations require \$6,671,630. The latter consisted of a further sum of \$3,849,184 to meet interest obligations of the "Soo" subsidiary, nearly \$2½ millions for losses on lines abandoned, and some \$327,000 for miscellaneous charges. These appropriations, it has been officially stated, do not essentially concern dividend policy, and it is clear that, with an accumulated profits balance of \$137.2 millions, the company can afford to treat them as a capital, rather than a

revenue, matter. It is true, nevertheless, that they have been effectively provided from current earnings during the past year.

The investor may well consider two questions pending the issue of the full report. How long will special appropriations be necessary? The "Soo" reorganisation, presumably, will not relieve the Canadian Pacific of its bond interest guarantee, and a statement regarding prospective abandonments of unremunerative lines would be welcome. Secondly, will railway net revenues show appreciable improvement this year, even if this season's harvest is normally satisfactory? It would, at any rate, be unwise to count on the maintenance of "other income." Dividends contributed \$6½ millions in 1937, against \$3.9 millions in 1936, largely owing to the payment, by Consolidated Mining and Smelting, of \$3.50 per share, against \$2.00 per share in 1936. The subsequent fall in base metal prices is not an encouraging factor. Nor is it clear that the experience of the steamships (which earned \$2,458,832, after providing \$3,894,469 for depreciation, against a net loss of \$14,063, after \$3,567,151 for depreciation, in 1936) will be repeated this year. The reaction in the preference stock from 37 when the dividend was announced in February to the present price of 32½ is not inexplicable.

Unilever Trading Companies.—It is difficult to translate the results of the Unilever group's trading and stores undertakings into dividend prospects for the twin holding companies. They were more favourable, generally speaking, than in 1936, and one objective of last year's reorganisation scheme—to enable the British company to pay out a more generous proportion of its earnings—should therefore be assisted. United Africa is the keystone of the produce companies. Trading results for the year to September 30th show an increase from £1,726,717 to £2,127,412, and the dividend has been increased from 10 to 11 per cent. An interesting analysis of the sources of trading profits shows that British West Africa contributed £668,433, other British colonies and foreign territories £787,989, and mining rights and ancillary interests £670,990. The directors have transferred £70,000 to contingencies and £400,000 to general reserve, and the balance carried forward is raised by £131,100. This conservatism seems warranted in view of the further setback in produce prices since last September, and, in particular, of the difficult cocoa position. Some 20 per cent. of the United Africa dividend, which absorbs £1,210,000 gross, is payable to African and Eastern Trade Corporation, whose profits show an increase from £170,866 to £184,129, and whose dividend has been stepped up from 7½ per cent. to 11 per cent. The Niger Company, which holds 65 per cent. of the United Africa capital, together with preferred shares in Lever Brothers (now assimilated into the new company) and interests in the Belgian Congo has, surprisingly, passed its ordinary dividend, preferring instead to make a 50 per cent. share bonus. Profits, in fact, are substantially reduced from £1,377,475 to £982,640, and the entire sum, together with a draft of £142,360 on the balance carried forward, has been transferred to general reserve, to muster the £2,875,000 required for the scrip bonus.

This step, indeed, is somewhat difficult to explain. The parent company will lose £575,000 in gross cash dividends from the Niger Company, and the point of a capital bonus, distributable to a parent which already controls the entire equity, must presumably be sought in taxation practice. Nor is it obvious that the transfer of the Congo interests to the Dutch company had been effected at the end of last year. The balance sheet shows only minor changes in the valuation of shares in subsidiary companies, which stand at £11,924,066, compared with £11,926,408 at the end of 1936. It is evident, from inspection of last year's

Unilever profits, that the loss of even £575,000 gross income by the parent company would not rule out an appreciable increase in the ordinary dividend. The sum, it is true, is equivalent to 5 per cent. on the ordinary capital, but the 7½ per cent. dividend paid in 1936 was covered by earnings of 15.6 per cent. Room is still left, it would seem, for an increase in the 1937 distribution.

Home and Colonial Group Recovery.—The latest reports of the Lever and Unilever stores companies show some appreciable recovery from the poor results of the two previous years. The total profits of Home and Colonial itself are 43 per cent. higher at £296,494. Depreciation absorbs a little less at £61,550, and though other expenses are some £21,000 greater at £50,150, mainly owing to increased taxation, preference and preferred ordinary dividends are covered with £3,542 to spare. In 1936, these charges were short-earned by £68,354. The surplus itself is equal to no more than one-fifth of one per cent. on the ordinary shares, but it represents the first positive earnings for the equity since 1934. Reference is again made in the report to rising turnover and to development of business, and it would seem that the recent policy of shop modernisation and the adjustment between rising costs and selling prices have played their part in the improvement. The accounts of other companies in the group, Lipton, Meadow Dairy and Maypole Dairy, make an equally favourable comparison with 1936. The Maypole dividend is raised from 5 per cent. to 7 per cent., earnings amounting to 9.3 per cent. against 6.4 per cent. Meadow Dairy shows an almost identical movement in percentage earnings, but the 5 per cent. dividend is maintained. The balance sheets provide indications of improved conditions. Thus the group's policy of closing unremunerative stores is illustrated by the provision of £32,037 for writing down fixtures and fittings of Home and Colonial's closed branches in 1937. The consolidated balance sheet shows that, although trade investments have risen from £8,463 to £65,182, the cash position is much improved at £512,939 compared with £294,922. The current price of 3s. 3d. for Home and Colonial 4s. shares suggests, however, that the market is looking forward some way to continued improvement.

Pinchin Johnson Position.—Since 1932, Pinchin Johnson has recorded a consistent improvement in profits, but recently the rate of recovery has diminished. Total profits last year amounted to £389,343, a level which is less than 2 per cent. above the 1936 results. In the market's view, last year's profits are disappointing. A year ago, it was hoped that although selling prices had not kept pace with the rising cost of materials and labour, the lag would to a great extent be caught up in 1937. The latest report, however, explains that costs have further increased, but that price levels have not appreciably improved. In March last year, again, the Board did not expect any difficulty in maintaining at least the same dividend on the capital, as increased by a 10 per cent. share bonus. This hope has also been disappointed. As the following comparative table shows, the 17½ per cent. dividend is only just covered by earnings:—

	Years to December 31		
	1935	1936	1937
Profit	361,380	382,613	389,343
Tax and N.D.C.	56,000	69,500	92,000
Fees and staff fund.....	3,250	3,250	18,750
Preference dividends	30,940	34,395	33,930
Ordinary Shares:—			
Earned	271,190	275,468	244,663
Paid	259,497	257,076	244,642
Earned per cent.	20.9	21.4	17.5
Paid per cent.	20	20½	17½
Carry forward	79,837	98,229	98,250

† And 10 per cent. capital bonus.

An increase of £22,500 in the provision for tax and N.D.C. and an allocation of £15,000 to staff pension



The Government of Southern Rhodesia invites enquiries regarding the potentialities of mining in the colony

Southern Rhodesia to-day offers a profitable field of investment to Companies undertaking exploration and mineral investment.

The colony is rich in Asbestos, Chrome, Tungsten, Coal and numerous other minerals.

Gold mining is in a flourishing condition and its further development is awaiting capital.

£100,000,000 IN GOLD ALONE HAS BEEN PRODUCED IN THE LAST FORTY YEARS, AND NUMEROUS PROSPECTS AWAIT INVESTIGATION. THE COUNTRY'S VAST MINERAL WEALTH REQUIRES MORE DEVELOPMENT

MINERAL PRODUCTION FOR 1937 EXCEEDED £7,400,000

Enquiries may be addressed to The Secretary, Department of Mines, Salisbury, Southern Rhodesia or to

The High Commissioner for Southern Rhodesia, Rhodesia House, 429, Strand, London, W.C.2.

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
INSURANCE COMPANY
ASSETS EXCEED £16,000,000
FIRE LIFE ACCIDENT MARINE
Edinburgh: 25 St. Andrew Square
London: 5 Walbrook, E.C.4. and 45 Pall Mall, S.W.1.

fund have reduced the amount earned for the equity by some £30,000, despite the £7,000 rise in total profits. On the old capital, earnings for the equity in 1937 would represent 19.2 per cent. Except in France and in China, (where business, once at a standstill, has been resumed), sales in 1937 in all markets showed a substantial increase. It would seem that besides rising costs, conditions in France have been responsible in a large measure for the comparatively small increase in profits. Last year Pinchin Johnson received no revenue from France, "against a substantial figure in 1936." The strong balance-sheet position is maintained, the chief change being the reduction in general reserve following the share bonus a year ago. Stocks, however, are £72,000 higher at £649,080, and cash and trustee securities are £57,000 lower at £548,338. At the current price of 28s. 3d. the 10s. ordinary shares yield £6 13s. per cent.

Other Company Results.—A large number of important results are analysed in our usual table of profit and loss accounts starting on page 666. Over 85 companies in all are dealt with, including miscellaneous industrial concerns such as British Thomson-Houston and British United Shoe Machinery, while shops and stores are well represented. A number of important rubber company results have also been published. The reports are discussed on page 641 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings commence in this issue on page 650. At the *National Provident Institution* meeting, Mr Robert E. Dickinson reported that new policies had been issued last year for gross sums exceeding £2,500,000—a new record, and the first occasion on which the figures had exceeded £2,000,000. The forthcoming amalgamation with the Hungarian General Savings Bank was discussed at the recent meeting of the *Hungarian General Credit-*

bank. The Hon. W. B. L. Barrington pointed out that the break-up value of *London and Lomond Investment Trust* ordinary stock exceeded £200 for every £100 nominal at the end of January. Lord Ashfield's review of the *North Metropolitan Electric* position stressed the effect of rising costs last year, but anticipated further progress in future, even if the rate might be less spectacular. At the *Scottish Power* meeting, Mr George Balfour discussed the development of electricity supply in the Highlands areas, and declared that the load was developing rapidly. At the *Metropolitan Electric* meeting, Mr Balfour reported that new consumers were being connected at the same rate as last year. At the annual meeting of *African Theatres*, Mr Schlesinger pointed out that the intrinsic value of properties and share investments greatly exceeded their book values. Mr A. C. Herring, addressing shareholders of *Geo. W. King, Ltd.*, at the first general meeting, described the company's rôle in the equipment of aircraft factories. The amount of armament work done, however, had been comparatively small. At the *Davis and Timmins* meeting, Mr F. Le Neve Foster reported that both profits and turnover established a record, and remarked that in 40 years' existence, the company had paid its preference dividends, and passed the ordinary dividend only once. Shareholders of *Olympia, Ltd.*, were informed by Mr Louis Nicholas that except for July and August, Olympia was fully let during the current year. In a review of the *Consolidated Mines Selection* interests, Mr McDermott pointed out that the company had an indirect interest in all the important mining undertakings of the Gold Coast. Addressing members at the meeting of the *Hongkong and Shanghai Banking Corporation* held in Hongkong, Mr G. Miskin reviewed the recent events in China, and expressed the belief that the recuperative powers of both China and Japan were great, and would in time be assured. At the *Provincial Cinematograph Theatres* meeting, Mr Mark Ostrer voiced the directors' opinion that enough reserves had been accumulated to take care of the immediate future.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET MARCH 29 ACCOUNT MARCH 31

The pressure on the Stock Exchange this week has proved more serious than at any time since political apprehensions first began to sway the market. Normal investment criteria have been jettisoned and gilt-edged and equity shares alike have slumped to new low levels, as described on page 636. The panic demand for liquidity on Wednesday, however, was carried too far, even in relation to the dark political situation, and moderate though not fully sustained recoveries throughout the list were recorded on Thursday.

In the *gilt-edged market*, War Loan, which had marked below par on Tuesday, fell at one time to 99½ on Wednesday, but advanced over par on Thursday. Although selling was heavy, a certain volume of buying was reported, even when prices looked least secure. Old Consols touched 71 on Wednesday, but recovered to 72½ on Thursday. The Middlesbrough scrip opened at 3 discount, but improved half a point subsequently.

Further heavy falls were recorded in *European bonds*, led by the Austrian 7 per cent. issue. German and Czech loans were also severely affected. Selling of Far Eastern bonds continued, Chinese issues in particular losing the benefit of their sharp recovery at the end of last week.

Home Rails were the target of special selling pressure, particularly in the last

hour on Wednesday. The market showed great reluctance to take stock, and Southern preferred were as much as 3½ points lower on the day.

As in other sections, the *industrial market* maintained a reasonably steady front on Monday. There was no immediate selling pressure, although the tone was flat. The true damage to market confidence, however, was fully revealed on Tuesday and Wednesday. The break in prices followed a rush of selling orders, with almost complete absence of any support for leading issues. Steady investment shares, like brewery and tobacco issues, were among the most seriously affected, as our table on page 636 shows. A partial recovery occurred on Thursday.

Substantial losses occurred in the steel group—armament shares providing no exception—and electrical equipment issues, particularly cable shares, were also heavily sold. Leading motor issues were almost unsupported, and all the engineering issues, despite their armaments connection, lost ground. Brewery shares were specially affected by taxation fears, Bass and Guinness falling 13s. 6d. and 10s. 3d. respectively on Wednesday. The miscellaneous industrial leaders, such as Murex and Turner and Newall, showed sharp falls ranging up to ½ on Wednesday, while bank and insurance shares were heavily marked down.

The *oil market* started the week in subdued fashion, but although quotations were widened no abnormal selling occurred. On Tuesday the falls continued, and selling increased to panic dimensions on Wednesday. Nerves were

steadied on Thursday, and an all-round rally occurred. The *rubber market* followed the general trend, experiencing on Wednesday one of the heaviest selling sessions for some time.

Gold shares provided no exception to the tendency of the markets. After a chastened opening and gloom on Tuesday they were affected by the general break of prices in mid-week, but rallied on bear covering later. Other mining shares followed a similar trend, but Rhodesian copper, lead and zinc issues at least provided an exceptional rise on Tuesday.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corr. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Mar. 11	6,730	12,740	87.1	129.6
Mar. 14	6,925	13,170	86.3	129.2
Mar. 15	8,315	11,815	81.9	128.3
Mar. 16	8,550	11,150	79.4	127.0
Mar. 17	9,705	11,165	81.0	126.9
1938 High...	...	...	97.2	131.0
Low...	...	...	79.4	126.9
			Jan. 12	Feb. 4
			Mar. 18	Mar. 17

* Approx. total recorded in S.E. List. † 1928 = 100. * July 1, 1935 = 100. † 1928 = 100.

ACTUARIES' INVESTMENT INDEX

On Tuesday last (March 15th), the Actuaries' index of 151 industrial equities reached a new low point of 65.8, the fall being rather more severe

than that occurring in the previous week. The average yield, in consequence, rose to 5.53 per cent. A week and a month ago the index stood at 68.2 and 70.0 respectively, the corresponding yields being 5.33 and 5.09 per cent. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Feb. 15, 1938	Mar. 8, 1938	Mar. 15, 1938	
Insurance (10)	120.4	118.4	112.0	121.5
Building mats. (6) ..	82.6	81.5	75.8	87.1
Coal (9)	96.2	95.9	93.8	106.7
Elec. Light, etc. (16) ..	120.0	120.2	117.2	120.2
Iron and steel (17) ..	59.1	57.5	56.1	66.4
Stores, etc. (18)	62.8	60.0	57.8	66.4
Breweries, etc. (20) ..	129.8	127.1	119.8	133.6

Group	Yields (%)			Prices 1938 Low
	Feb. 15, 1938	Mar. 8, 1938	Mar. 15, 1938	
Insurance	3.48	3.58	3.78	112.0
Building materials ..	6.86	6.96	7.47	75.8
Coal	5.45	5.3	5.65	93.8
Electric light and power ..	4.47	4.46	4.58	117.2
Iron and steel	6.87	7.21	7.46	56.1
Stores, etc.	4.72	4.86	5.06	57.8
Breweries, etc.	5.10	5.21	5.54	119.8

New York

WALL STREET's slight improvement on a small turnover last Monday gave little inkling of the violent movements to follow. On Tuesday the steel and metal groups staged a vigorous advance, and turnover was appreciably higher. This, however, proved to be a forestalling move, as misadvised as it was opportunist. For the news of London's mid-week break depressed stocks even more than Tuesday's advance had put them up. Du Pont, for example, rose \$4½ on Tuesday, and fell \$5 on Wednesday—a movement which was symptomatic of the whole market. In sum, three days' gains were wiped out in a day, on a turnover which exceeded one million shares for the first time in many weeks. An improvement in the rate of steel operations, estimated by *Iron Age* at 32 per cent. of capacity, against 30 per cent. a week ago, might have provided the background for a mild domestic advance, but the week's movements have been linked to London rather than New York. Railroad stocks proved vulnerable to the sharp fall in mid-week, and bonds were nervous.

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):—

	WEEKLY AVERAGES				
	1938 Low Mar. 16	1938 High Jan. 12	Mar. 2, 1938	Mar. 1938	Mar. 1938
347 Ind'ls.	92.3	101.5	98.2	94.6	92.3
32 Rails	24.6	31.4	29.4	26.7	24.6
40 Utilities	68.0	78.8	71.7	69.5	68.0
419 Stocks	77.4	86.4	82.7	79.5	77.4
Av. yield %	8.35	5.37	5.70	5.37	5.40

* 50 Common Stocks.

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

	Mar. 10	Mar. 11	Mar. 12	Mar. 14	Mar. 15	Mar. 16
	106.2	104.3	104.7	106.5	111.0	105.0

High: 116.9 January 11th. Low: 101.3 February 3, 1938.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Mar. 10	460	6,750	79
Mar. 11	770	7,820	142
Mar. 12*	500*	3,440*	59*
Mar. 14	430	5,130	90
Mar. 15	760	5,810	119
Mar. 16	1,020	7,200	173

* Two-hour session.

New York Prices

Close Latest			Close Latest		
Mar. 16, 1938	Mar. 10, 1938		Mar. 16, 1938	Mar. 10, 1938	
1. Rails & Transport			4. Manufactur-		
Atchafalaya	33	30	Briggs	21½	21½
Balt. & Ohio	6	6¼	Chrysler	51½	51
B.M.T.	9½	9¼	Elec. Autolite ..	18	18½
Can. Pacific	6½	6	Gen. Motors	33½	33½
Ches. & Ohio	33	31	Hudson Mfr.	7½	7¼
G.N. Ry. Pt.	20	17½	Nash Kelvinator ..	9	8¼
Illinois Cent.	9½	9	Packard Mfr.	4½	4¼
N.Y. Central	16	14½	Bendix Avtn.	12	11½
Northern Pac.	10½	9¼	Boeing Airplan ..	27½	28½
Pennsylv. R.	20	18½	Douglas Air.	35½	35½
Southern Pac.	16½	13½	United Aircraft ..	23	24¼
Southern Ry.	10½	8½	Air Reduction	54	53
Union Pac.	71¼	70	Allied Chem.	164½	162
Greyhound	9½	10¾	Col. Carbon	68	69¼
2. Utilities and Communications			Dupont	116	116
Am. W. Works	8½	8¾	Int. Carbide	72½	72½
C.W. & S.	1½	1½	U.S. Ind. Alc.	18½	17
Con. Edison	21	20½	Allis Chalmers	46½	46
Col. Gas & Elec.	7½	6¾	Gen. Electric	38½	37¾
El. Bond & Sh.	7	6¾	West. Elec.	91½	89½
Nat. Pow. & Lt.	6½	6½	American Can	86	87
N. American	18½	17½	Addressograph ..	21	20½
Pac. Gas & Elec.	25½	26	Caterpillar	44	42
Pub. Lighting	36	35½	Cont. Can.	41½	42½
Pub. Serv. N.J.	29½	30½	Ingersoll Rnd.	70	70½
Stan. Gas & El.	3½	3½	Int. Harvester	63½	61½
United Corp.	2½	2½	Johns Manville	72½	72½
U.S. Gas Imp.	10	10	Am. Radiator	12½	12
Amer. Tel.	131½	129	Corn Prods.	64½	63
Internat. Tel.	7½	7½	J.I. Case & Co.	84½	84½
Westn. Union	25½	20½	Golden State	20	18
Radio	6¼	6	G.A.M. Trans.	39½	38½
" B. Pref.	49½	46½	Celanese of A.	15¼	14
3. Extractive and Metal			Ind. Rayon	18½	17½
Am. Rol. Mill	18½	18½	Colgate Palm.	9	9½
Beth. Steel	54½	55½	Eastm'n Kdk.	154	150
Beth. Steel P.	92¼	90¼	Gillette	9¼	9¼
Republic St.	16	16½	Lambert Co.	11½	10½
U.S. Steel	51½	51½	Loews	46½	44½
U.S. Steel P.	105	104½	20th Cen. Fox	21½	21½
Alaska Ind'au	10½	9½	5. Retail Trade, &c.		
Am. Metal	31	31½	Mont. Ward	34	33½
Am. Smelting	47½	47	J.C. Penney	66½	67½
Anaconda	31½	31½	Sears Roebck	59½	57½
Boba Alern.	25½	26½	United Drug	18½	19
Cerro de Pas.	39½	39	Woolworth	42½	41
Int. Nickel	49	48½	Borden	17½	17½
Kennecott	35½	36½	Gen. Foods	27½	27½
Patino Mines	10½	10½	Kroger Giey.	15	14½
Tex. Glt. Sul.	31½	31½	Nat. Biscuit	19½	19½
U.S. Smelt.	69	67	Nat. Dairy	14	13½
Vanadium	16½	16½	Am. Tob. B.	68	66½
Atlantic Refig.	22¼	21¼	Lig. Myers B.	90½	88½
Phillips Petr.	36½	36½	Lorillard	16¼	15½
Shell Union	14	13¼	Reyn. Tob. B.	39	37½
Shell Un. Pr.	99½	99½	Nat. Distillers	21½	20½
Socomey Vac.	14	14	Schenley Dis.	22½	20½
Stan. Oil Cal.	31	30¼	6. Finance		
Stan. Oil N.J.	49½	48½	Comel. Credit	35½	34
Texas Corp.	39½	40½	Atlas Corp.	7	7
Capital Issues			Com. Inv. Tr.	39	36½

Capital Issues

Week ending March 19	CAPITAL ISSUE TOTALS		
	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	525,000	257,405	267,595
By S.E. Introduction ..	Nil	Nil	Nil
By Permission to Deal ..	879,465	...	1,710,465
Sav. Certs. w.e. Mar. 14	100,000	...	...

Year to date	Including Conversions		Excluding Conversions
	Nominal	Conversions	
1938 (New Basis)	52,119,775	38,814,268	...
1937 (New Basis)	134,678,855	103,342,313	...
1938 (Old Basis)	37,446,595	25,391,193	...
1937 (Old Basis)	70,561,311	41,949,669	...

Destination (Excluding Conversions)

Year to date	U.K. Brit. Emp. Foreign		
	exc. U.K.	U.K.	Countries
1938 (New Basis)	29,583,702	6,801,337	2,425,229
1937 (New Basis)	78,032,408	24,156,765	1,153,140
1938 (Old Basis)	18,896,594	4,095,475	2,399,124
1937 (Old Basis)	37,228,635	4,820,844	Nil

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	18,461,000	3,432,846	16,920,323
1937 (New Basis)	28,445,793	12,247,113	62,449,337
1938 (Old Basis)	14,084,122	2,135,712	9,111,109
1937 (Old Basis)	17,277,953	7,082,202	17,584,524

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

STOCK EXCHANGE INTRODUCTIONS

St. Martin Preserving Company, Ltd.—Issued capital 1,075,000 4s. shares. Incorporated 1927 as Branstons Artificial Silk; production ceased 1930. St. Martin Preserving assets bought 1937 for £125,000 cash. Net assets acquired, £157,185. Profits: Year to May 31, 1934, Dr. £21,044; 7 months to end 1934; Dr. £1927; three months to March 31, 1935, Dr. £1,050 (not audited); 50 weeks to April 30, 1936, £17,068; year to April, 1937, £13,364. (Last two periods after depreciation, before interest.)

BONUS SHARES
Niger Company, Ltd.—It is proposed to capitalise £2,875,000 of general reserve, and to distribute bonus shares on basis of one new share for two old shares.

CONVERSIONS AND REPAYMENTS

Richardsons, Westgarth & Company.—Issue of £500,000 5½ per cent. first mortgage debenture stock at par, to repay debentures of companies amalgamated and advances from bankers and for general purposes. Redeemable at 102½ by drawings by March, 1963, or from 1943 to 1953 on notice at 105 and thereafter at 102½. Net assets, £1,112,812. Estimated combined profits for year to March 31, 1938, £82,000 after depreciation.

SHORTER COMMENTS

Company Results of the Week.—**COURAGE & COMPANY** report a moderate improvement in profits, which amount to £397,106, against £388,881. **NUNNERY COLLIERY**, whose dividend is raised from 10 to 12 per cent., and whose profits of £79,461 are 6 per cent. higher, point out that increased values realised for coal under the Central Selling Schemes have been largely absorbed by higher wages and materials costs. **VAUXHALL MOTORS** expanded their business considerably in 1937, though higher costs of materials prevented a corresponding rise in profits. Trading profits are 8 per cent. higher at £1,905,760, but increased expenses (in particular maintenance and plant rearrangement costs) have reduced net profits below the 1936 level. Among the larger rubber companies, **GULA-KALUMPONG** have earned £87,193, against £49,154, while **JAVA AMALGAMATED** and **RAMBUTAN** have both raised their dividend to 10 per cent. Further London stores make a mixed showing. The profits of **MAPPIN & WEBB** at £77,894 are slightly higher; **FREDERICK GORRINGE, LTD.**, have maintained their net profits, but **BRADLEYS (CHEPSTOW PLACE)** have experienced a setback. An increase in both orders received and output enabled **BRITISH THOMSON-HOUSTON** in 1937 to earn £573,168, against £480,721. Orders on hand at the end of the year also were at a higher level than at the end of 1936. **BRITISH UNITED SHOE MACHINERY** have earned £594,981, against £568,183, and the dividend is increased from 17 per cent. to 19 per cent. tax free. No comment is offered in the report to explain a fall of £26,000 in the profits of **PEEK FREAN &**

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

[illegible]

(a) Interim dividend.	(b) Final dividend.	(c) Dividends for full year.	(d) Paid in £N.Z.	(e) Allowed for exchange.	(f) Paid in S.A.	(g) Flat yield.
(h) Yield on 3½% basis.	(i) Based on payment of 6%.	(j) Based on payment of 5%.	(k) To redeem par, in year 1987.	(l) Paid in 40% coupon.	(m) Paid in 40% coupon.	(n) Paid in 40% coupon.
(o) Yield on 15.8% basis.	(p) Yield worked on a 5% basis.	(q) Yield based on 45% of coupon.	(r) Yield worked on a 14% basis.	(s) Yield worked on a 14% basis.	(t) Paid in 40% coupon.	(u) Paid in 40% coupon.

Prices, Year 1938				Prices, Year 1938			
Jan. 1 to Mar. 16, inclusive		Last Two Dividends		Jan. 1 to Mar. 16, inclusive		Last Two Dividends	
High-est	Low-est	(a) %	(b) %	High-est	Low-est	(a) %	(b) %
Name of Security				Name of Security			
Price, Mar. 16, 1938				Price, Mar. 16, 1938			
Change since Mar. 9, 1938				Change since Mar. 9, 1938			
Yield Mar. 16, 1938				Yield Mar. 16, 1938			
£ s. d.				£ s. d.			
25.3	22.6	Nil	Nil	Iron, Coal, &c. cont.	23.9	-9d	Nil
26.2 1/2	24.9 3/8	Nil	1c	Thornycroft, John & Co.	54.12	+52	1 16 8
26.10 1/2	22.9	10c	10c	U. S. Steel Cos. Ord. £1	25-x	-9d	7 4 0
28.9	22.9	10c	35ad	Vickers 10c	20.6	-9d	4 17 6
36.6	33.1 1/2	10c	12c	Ward (Thos. W.) £1	23.9x	-7 8 d	8 5 5
51.6	45.7 1/2	15c	12 1/2	Wearhead S. etc. Df £1	35-	-	7 4 6
50 1/2	45 7/12	15c	15c	Whitehead I. & S. £1	5.8	-58	6 17 3
				Yarrow & Co. £1	47.6	-	6 6 3
5.9	3.9	Nil	Nil	Textiles	3.9	-3d	Nil
5.6	3.9	Nil	Nil	Bleacher £1	4.6	-	Nil
5.4 1/2	3.4 1/2	Nil	Nil	Bradford Dyers £1	3.6	-	Nil
7.6	5.9	10c	10c	Brit. Cel. Ord. 10c	5.9	-6d	Nil
41.9	34.1	10c	10c	Calico Printers £1	35-	-2 6	5 14 0
48.1 1/2	37.3	3 1/2	7b	Coats, J. and P. £1	37.6	-1 6	5 12 0
39.9	33.9	7 1/2	21a	Courtaulds £1	33.9	-2 6	5 14 0
4.4	4.3	Nil	4a	English Swg. Ctn. £1	4.9	-3d	Nil
3.9	2.6	3	5b	Line Cotton Spn. £1	26.3	-1 10 1/2	6 6
49.4 1/2	40-	11 1/2	11 1/2	Lin. Thread Stk. £1	42.3	-2 6	5 19 0
18.9	10.7 1/2	6c	Nil	Parons & Baldwins £1	10.7 1/2	-	11 6 8
				Whitworth & Mit. £1	38-	-2 6	5 5 0
45.3	38-	8c	10c	Electrical Manufacts.	78.9	-6 3	5 4 6
95.6	78.9	5	15b	Associated Elec. £1	78.9	-1 6	5 2 0
49.4 1/2	39.6	15b	5a	British Insulated £1	78.9	-1 6	5 2 0
31.6	26.9	Nil	10c	Callenders £1	28-	-2 7	3 2 6
73.7	67.9	15c	17 1/2	Comp. Cable £1	28-	-2 7	3 2 6
19.4 1/2	16.9	15b	5a	English Electric £1	68.3	-3 5	5 2 0
41.3	35.3	5b	5a	General Electric £1	163.1	-1 3	5 0 0
25.3	25.3	6c	7 1/2	Henleys (W. T.) 5c	38-	-9d	5 4 0
				Johnson & Phillips £1	27.6	-1 3	5 9 3
				Siemens £1	39.7	-5 8	10 2 6
81.3	69.9	Nil	81c	Electric Light, &c.	63.9x	-2 6	4 10 0
68-	63.9	6a	9b	Brazal Iron £1	26-	-2 6	4 10 0
29.3	24.6	2a	5b	Bournemouth & Pic.	33.6	-6d	4 9 6
34.3	33.3	3 1/2	4b	British Pow. & Lt. £1	38-x	-1 6	4 4 3
41-	38-	3a	5b	City of London £1	46-x	-3 3	4 11 6
51-	45.6	3a	7 1/2	Clyde Valley Elec. £1	36.6	-1 6	4 19 0
38.3	34-	5b	4a	County of London £1	32-x	-1 6	4 14 0
33.3	32.6	2 1/2	5a	Edmundsons £1	45.6	-1 3	4 13 4
24.4 1/2	20.6	2 1/2	9a	Lancashire Elec. £1	27.6	-3 6	5 1 6
48.4	44-	3a	9b	Land. & Elec. £1	47.6x	-1 3	4 4 3
58-	35-	2 1/2	4 1/2	Metro. Electric £1	35.6x	-1 6	4 10 0
32-	27-	2 1/2	4 1/2	Midland Counties £1	27.6	-3 6	5 1 6
48.9	44.6	4a	6b	North-East. Elec. £1	10.7 1/2	-	11 6 8
37.9	34.6	2 1/2	5 1/2	North Metro. £1	35.6x	-1 6	4 10 0
40.8	37.6	3a	5b	Scottish Power £1	38.6	-1 6	4 3 0
				Yorkshire Electric			
25-	22.6	5 1/2	5 1/2	Gas L. & C. £1	23-	-6d	4 16 0
17 1/2	11.9	6 1/2	4a	Imp. Cont. Stk.	12 1/2	-3 5	5 9
24.9	22.1 1/2	2 1/2	2 1/2	Newc.-ont-Tyne £1	22.6	-6d	4 12 6
109.4	101.4	2 1/2	3b	S. Metropolitan Stk.	105 1/2	-1	5 4 3
				Motors and Cycle			
51.3	40-	10c	15c	Albion Motors Ord. £1	40-	-6 3	7 10 0
39.4 1/2	32.5	12 1/2	15 1/2	Assoc. Equip. Ord. £1	33.9	-2 6	4 8 11 1/2
23.9	19.7	50c	50c	Austin 5c	27.3	-7 1/2	9 1 9
23.9	19.7	Nil	Nil	Birm. Sm. Arms £1	19.3	-	Nil
22.9	19.9	33 1/2	33 1/2	Dennis 1-	21.3	-1 3	6 0 0
23.1 1/2	19-	5c	6c	Ford Motors £1	19.4 1/2	-1 3	6 0 0
57.6	48.9	2 1/2	12 1/2	Lucas, J. (£1)	50-	-	6 0 0
49.4 1/2	71.3	20	25b	Leyland Motors £1	72.6	-7 6	6 4 0
33.3	26.4 1/2	11 1/2	45c	Morris Motors 5-Od.	26.6	-3 6	8 10 0
33.3	35.4	15c	20c	North-East. Hold. £1	46.3	-3 9	10 10 0
95.5	85.3	15b	15b	Rolls-Royce £1	12.2	-1 3	4 18 0
16.7 1/2	11.8	25c	40c	Stand. Motor 5-	12.2	-2 7	8 6 9 1/2
				Shipping			
73.6	4 1/4	15b	5a	Clan Line Steam. £1	4 1/4	-3 4	4 5 0
4.6	3-	Nil	Nil	Cunard £1	3.3	-6d	Nil
24.6	16.9	Nil	3c	Furness, Withy £1	17-	-1 3	3 6 0
23.7 1/2	17.6	4c	4c	P. & O. Def. £1	18-	-2	4 8 0
22.3	13.6	Nil	4 1/2	Royal Mail £1	18-	-1	5 0 0
				Union Castle Ord. £1	14.6	-2 1/2	Nil
				Tea and Rubber			
18.6	13-	2 1/2	5c	Allied Sumatra £1	13-	-1 9	7 14 0
30-	22-	4b	4a	Anglo-Dutch £1	22.6	-6 7	2 3 0
29.4 1/2	23.3	5a	10b	Bah Lias £1	23.9	-2 6	10 10 0
38.8	32.9	6c	2a	Jehanze Tea £1	23.9	-1 3	4 16 0
37.6	31.3	6 1/2	5a	Johanna Tea £1	37.6	-6	6 0 0
18.10 1/2	14.9	5	10 1/2	Jokai (Assam) £1	15.5	-2 6	8 0 0
3.10	2.10 1/2	10c	5a	Lingsi Plant. £1	15.5	-10 1/2	8 9 1/2
29-	21-	7c	4a	London Asiatic 2-	2.10 1/2	-4 1/2	7 0 0
3.8 1/4	2.9	5a	10b	Rubber Trust £1	22.2	-3 6	6 19 0
				Union Serdang 2-	2.11	-1 1/2	10 2 0
				Oil			
81.3	71.3	25c	5a	Anglo-Italian £1	72.6	-7 6	(c)
32.6	25-	12 1/2	32 1/2	Atco (Trinidad) 5-	31.3	-9d	8 16
36-	26.3	Nil	Nil	Attock £1	31.3	-9d	8 16
61.3	5	22 1/2	6a	Burmah Oil £1	51.8	-15 1/2	5 6 6
12.10 1/2	6.6	10d ps	11d ps	Mexican Eagle M. \$4	6.6	-2 6	14 0 0
4.42	4.37	11 1/2	6a	Royal Dutch fl.100-	4.37	-2 1/2	4 15 0
51.6	4	112 1/2	17 1/2	Shell Transport £1	41.8	-12	4 18 0
51.8	4 1/2	10a	20b	Trinidad Lease. £1	41.4	-9 1/2	7 0 0
				Miscellaneous			
20.3	18.9	5c	5c	Accented Trade £1	19.4 1/2	-7 1/2	5 3 4
25-	20.10 1/2	8c	9c	Allied News £1	21-	-1 6	8 12 0
25.9	22-	7c	7c	Amal. Metal £1	22.6	-1 3	6 4 6
16.6	12.6	60c	5a	Amal. Press 10c	12.6	-1 6	8 16 0
15.6	11.3	11b	10b	Assoc. Brit. Pic. 5-	11.9	-1 9	8 19 0
12.1 1/2	12.1 1/2	20 1/2	26 1/2	Assoc. News, Df. 5-	12.6x	-1 1/2	10 12 0
88.1 1/2	58.9	7a	10b	Assoc. P. Cement £1	68.9x	-12 6	6 0 9
7.5	5.9	5	10b	Borax (Indo) £1	60.4x	-5	0 0 0
4.3	3.8	m 29c	m 29c	Borax Pure Df. £1	4.0	-4 1/2	3 0 0
24.9	24.9	7 1/2	10c	Borax Deferred £1	25.6	-6d	7 16 0
17.9	12.6	9c	Nil	Bowl. Paper Mills £1	12.6	-2 6	Nil
52.4	44.6	15b	7 1/2	Bristol Aero. 10c	45-	-1 3	5 0 0
40.6	40.6	4 1/2	8 1/2	Brit. Aluminium £1	41.3	-3 1 1/2	6 5 0
35.4 1/2	28.4	120c	21 1/2	British Match £1	35-	-4 7	6 0 0
				Brit. Alum. Tob. £1	41.3x	-8 4	4 10 0
81.9	67.6	8b	7b	British Oxygen £1	51.3	-1 3	9 14 0
62-	51.3	7 1/2	17 1/2	Brookhouse (J.) £1	51.3	-1 3	9 14 0
68.4	57	Nil	Nil	Cable & Wir. Ord.	59.2	-5 1/2	Nil
78.8	64	15c	20b	Carreiras A Ord. £1	61.2	-1 1/2	5 7 9
41.3	38.9	10c	12c	Crittall Mtg. Ord. 5-	40-	-2 1/2	12 10 0
33-	26.4 1/2	10c	12c	De Havilland Av. £1	40-	-	6 5 0
37.6	36.1 1/2	10b	5a	Dunlop 9c	27.3	-2 9	6 12 0
16.3	11.6	10c	10c	Eastwoods Ord. £1	11.6	-2	8 14 0
26.3	24.6	30b	15a	Elec. & Mus. Ind. 10-	25-	-6d	7 0 0
21.3	17-	10c	11 1/2	Fairy Ready Co. 5-	17.9	-6d	7 0 0
				Fairly Aviation 10-			

NEW ISSUE PRICES

Issue	Issue price	Mar. 16, 1938	Change since Mar. 9	Issue	Issue price	Mar. 16, 1938	Change since Mar. 9
Allnec. Box 5-	10-	8 0-8 6	-4 1/2	Green Hearn.	2-	1 0-2 0	3d
A.L.P. 5 1/2 db.	100	3 1/2-3 1/2 pm	-7 1/2	Hudn. & P. Ref.	10.1	9 6-10 3	3d
Ass. Per. 5-	7.9	1 1/2	-1 1/2	Hudn. 3 1/2	10.1	1 1/2	2 1/2
Bank of India	£1	par	-7 1/2	Hudn. 3 1/2	90 1/2	1 1/2	2 1/2
Bandanga 5-	98	7 1/2-7 9	-17 1/2	London 3 1/2	98	par-4 1/2 pm	-1 1/2
Birming. 5-	98	11 1/2-12 1/2 dis	-17 1/2	L. Pwr. 3 1/2	99	14 1/2-14 dis	-1 1/2
Brit. Stad. 1-	101 1/2	3 1/2-3 7 1/2	-17 1/2	N. Merc. Tst.	20-	2-	1 1/2
Bristol 3-	101 1/2	3 1/2-3 7 1/2	-17 1/2	Plym'th 3 1/2	98	24 1/2-14 dis	-1 1/2
Canada 3 1/2	98 1/2	3 1/2-3 dis	-17 1/2	S. Shields 3 1/2	98	24 1/2-14 dis	-1 1/2
Coscor Ord. 5-	7.6	3 1/2-4 1/2	-17 1/2	Sting 3 1/2	101	24 1/2-14 dis	-1 1/2
Do. 6 1/2 pl.	£1	4 7 1/2 dis	-1 1/2	Wick 3 1/2	£1	2 0-1 6 dis	-
				6% pref. £1	£1	2 0-1 6 dis	-

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association (Table does not include certain closed trusts)							
Name and Group	Mar. 16, 1938	Change since Mar. 9	Name and Group	Mar. 16, 1938	Change since Mar. 9		
Municipal & Gen. For. Gov. Bond	13.9-15-x	-1 1/2	Keystone	12.9-13.9	-7 1/2		
Limited Invest.	17-18-17	-1 1/2	Gold Str. Ser.	16.9-17.3	-7 1/2		
Mit. & Southern	18.3-19.3	-1 1/2	Keystone 1st	15.6-16.6	-9d		
Scottish & Northn.	16.9-17.9	-9d	Keystone 2nd	13.6-14.6	-7 1/2		
Bank Insurance			Keystone Flex.	14.6-15.6	-9d		
Bank & Insur.*	18.6-19.6	-9d	Key. Consol.	14.1 1/2-15.1 1/2	-9d		
Insurance*	19.9-20.9	-3d	Allied				
Nat. Invest.	17.3-16.3	-1 1/2	Brit. Ind. 1st	16.6-17.6x	-6d		
Scott. B.I.T.*	15-16-3	-1 1/2	Do. 3rd	17-18-	-9d		
Cornhill deb.*	21-21.9	-1 1/2	Do. 4th	16.6-17.6	-6d		
Cornhill deb.*	12.9-13.6	-1 1/2	Elec. Inds.	15.3-16.3	-6d		
National C.	17.6-18.6	-6d	Metals & Min.	13.3-14.3	-9d		
National D.	12-13	-1 1/2	Other Groups				
Armagamated	19-20-x	-3d	Brit. Emp. 1st Unit.	16-17-x	-7 1/2		
Century	15.10-11	-1 1/2	Brit. Gen. "C" ...	14.16-15	-4 1/2		
Gilt-edged	18-18.6	-1 1/2	Rubber & Tin	11 1/2-13	-4 1/2		
Scottish	15.6-16.6	-1 1/2	Producers	7.6-8-	-3d		
Universal	17.1-18.1 1/2	-1 1/2	Domestic	7.3-7.9	-		
W. & A. Mortgage	12.9-13.9x	-4 1/2	1st Prov. "A" ...	20.3-21.3	-		
Inv. Flexible	12.9-13.9x	-4 1/2	Do. "B" ...	14.9-15.9	-6d		
Inv. Gas & El.	11.10 1/2	-4 1/2	Do. "C" ...	15.9-16.9	-6d		
Inv. General	15.10 1/2	-7 1/2	Selective "A" ...	15.1-16.1	-7 1/2		
Inv. 2nd Gen.	13.4-14.4 1/2	-4 1/2	Selective "B" ...	15.1-16.1	-7 1/2		
Inv. Gold	17.7-18.7 1/2	-7 1/2	Brit. Trans.	13-14-	-4 1/2		
Inv. Hundred	13.9-14.9	-6d	Bank, Ins. & Fin.	15.6-16.6	-6d		
Inv. Provident	14.6-15.6	-6d	British Bank Shrs.	20-21-	-3d		
Security First			Do Insur. Shrs.	15.9-16.9	-9d		

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (A) Yield on 20% basis. (n) Including bonus of 5% free of tax. (m) Yield worked on 2 per cent. basis. (r) Calculated at 18½ annas per share of Rs. 9. (p) Annas per share. † Free of Income Tax. (t) Yield worked on 35% basis. (y) Yield on 16½% basis. (s) Highest price 132½ and 25 per cent. dividend on old shares, before 50 per cent. capital bonus. Yield at 25 per cent. = 46 lbs. 6d.; at 16 per cent. = 44 lbs. 0d. (u) Paid on 4,300,000 more capital than in preceding year. (d) 17½ per cent. cash dividend and 7½ per cent. in deferred ordinary stock. (v) Dividend before the 200% capital bonus 44. per share.

profits of RADIATION, LTD., at £327,682 are only a little short of those earned in 1936. Material prices, wages, and first contribution to a pensions scheme have more than offset increases in selling prices. INTERNATIONAL PAINT show an increase of 26 per cent. in profits to £158,295, and the dividend is increased from 16 per cent. to 20 per cent. Net profits of GALLAHER, LTD., are £615,859, against £529,111, and a new issue for cash is proposed to finance expanding business. At £224,034, net earnings of GODFREY PHILLIPS, LTD., are little changed, and the dividend is maintained at 11½ per cent.

MISCELLANEOUS

Geo. W. King, Ltd.—The profit of the business for 1937, after charging all working expenses and management remuneration and after making allowance for doubtful debts, amounted to £23,158, from which must be deducted directors' fees, £550; amounts written off buildings, plant and machinery, fixtures and fittings, loose tools and motor vehicles, £2,277; amount written off patents, £617; provision for income tax and National Defence Contribution, £2,589—leaving £17,125. Dividend on the ordinary shares of 10 per cent., £10,000; preliminary expenses be written off, £1,153; carry forward, £5,972. The trade of the company continues to be satisfactory.

African Theatres.—Addressing members at the annual meeting in Johannesburg, Mr. Schlesinger summarised the history of the business since it was started 25 years ago, and compared profits and dividends year by year since 1921. "In discussing the balance-sheet position, he stressed the value of undisclosed surpluses which were just as tangible as those divulged. Thus none of the subsidiaries had given effect in their accounts to the increased value of their properties in certain centres."

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year
BANKS				
Chartered of India	7½	14	...	14
Dresden Bank	...	5	...	4
National of India	9½	18	...	18
INSURANCE				
Eagle Star Insurance	2½	30	Apr. 1	2½
Do. do.	7½*	15	Apr. 1	7½*
Union (Canton)	a 12½	25a	...	37½
TEA AND RUBBER				
Amesst Rubber	7½	12½	...	7½
Batavia Rubber	3½	6	Apr. 22	Nil
Cluny Rubber	7½	10	...	4
Damansara Rubber	...	5	...	4
Gajah Rubber	6½	10	Apr. 11	6
Hanweila Rubber	12½	20	Apr. 13	12
Hidden Streams Rub.	...	10	...	7½
Java Amal. Rubber	...	10	Mar. 31	5
Karak Rubber	...	10	...	7½
Lanadon Rubber	6½	9	...	5
Ledun Rubber	7½	12½	...	7½
Rangalia Cons.	...	6	Apr. 7	3
MIXING				
Amalgamated Zinc	2½	5	Apr. 8	5
Globe and Phoenix	a 20½	40	May 2	80½
Hongkong Tin	10*	...	Apr. 4	30*
Killinghall Tin	7½*	...	Apr. 2	20*
Koregum (India) Pref.	...	5	Apr. 23	7½
Do. do. Ord.	...	5	Apr. 23	7½
Rawang Tin	2½*	...	Mar. 30	5*
OTHER COMPANIES				
At. and Eastern Trade	...	11	...	7½
Alliance Trust	14½	25	...	23
Amalgamated Metal	...	7	...	...
Atkinson (J. & E.)	...	6	Apr. 5	5
Baker (John) & Bessemer	...	7½	...	5
Berry Wiggins "B"	...	16½	...	16½
Do. do. "A"	...	10½	...	10½
Blythe Colour Works	12½	17½	...	17½
Boots Pure Drug	6*	...	Mar. 31	6*
British Automatic	...	4	...	3½
British Pepper, etc.	...	5	...	6½
Broome and Wade	a 7½*	...	Mar. 31	7½*
Carter's Knolly	...	4*	...	4*
Brewer	...	10	Apr. 13	5
Ceylon Timber, etc.	...	5*	Mar. 31	2½*
Ceylon Planters	...	...	...	...

Company	*Int. or Final	Total	Payable	Prev. Year
Clarendon Property	2*	...	Mar. 31	2*
Colombo Gas, etc.	5½	10	Apr. 14	10
Coltness Iron	2,99½	23½	...	20
Coventry Mac. Tool	...	8	...	...
Crabtree Electrical	5*	...	...	5*
Dean (W. H.)	5*	...	Mar. 31	Nil*
Firth (T.) & Brown (J.)	a 11½	22½	...	15½
For (Denmark)	...	20	...	12
Foster (M. B.) & Sons	10½	14½	...	17½
Ericsson Telephones	a 19½	25	...	25½
Flower and Sons	a 13½	a 18	...	24
Folkestone Gas	3½	7	...	7
Ford (Belgium)	...	25	...	25½
Galloway (P. H.)	...	10	Apr. 7	10
Goldsmiths & Silver	a 2½*	...	Apr. 2	2½*
Hallard Cycle	5*	...	...	5*
Harrisons & Crossfield	...	a 12½	...	15
Hills (R. H. O.)	a 15½	a 22½	...	a 13½
Hodfields	a 10½	a 20a	...	20
Hopkins (G.)	8½	12	Mar. 31	6
Horticks	6½*	...	Apr. 1	Nil
Hudson's Bay Co.	a 6*	a 4	Mar. 31	8½*
Initial Services	a 5½*	a 7½	Apr. 15	a 7½
Irrawaddy Flot.	6*	...	Apr. 6	6*
Kempdown Brewery	3*	...	...	3*
Kenward and Court	4*	8	...	Nil
King Line	...	10	...	...
Lanarkshire Steel	...	7	Mar. 30	17½
Maypole Dairy	12½	17½	Mar. 31	a 2½*
Mellersh and Neale	a 2½*	...	...	Nil
Midland Tar	8½	13½	...	12½
Napier (D.) 8% Pref.	a 10½	a 17½	...	20
Olds Discount	...	7½	...	6
Pinchin Johnson	5*	...	...	5*
Pollard (E.) and Co.	3½	5	Mar. 31	7½
Rayne (H. & M.)	...	...	...	...
Ruberoil Co.	...	...	...	...
Savoy Hotel	...	...	...	...
Scot. Cap. Invest.	...	...	...	...
Sharpness Docks	...	...	...	...
Smart Bios.	...	...	...	...
Telephone and Trust	...	...	...	...
Totalisators Pfd.	a 15½	a 25	...	22½
Do. Deferred	...	115	...	56½
Tunn's Asbestos	...	11	...	10
United Africa	7½	12½	...	12½
United Premier Oil	8½	13	...	12
Upsons	10½	15	...	6
Wearmouth Coal	11½	17½	Apr. 8	17½
West's and Moultons	3*	...	...	3*
Wood (Edward) & Co.	...	...	...	...

(a) Paid on a larger capital.
 * Free of Income Tax.
 (e) Also bonus of 10 per cent. from capital reserve.
 (w) 1 per cent. of Income Tax.

ranked high on the list of exports. Austria also had an active textile industry, and an important export trade in cotton, woollen and silk manufactures. She imported textile fibres and other raw materials; and, despite her lignite and water power, her supplies of fuel—especially coal—were deficient. Nor was she self-sufficient in food-stuffs. Living animals, together with cereals, fruit and nuts were purchased from neighbouring countries to make good the deficiency of her home supplies. Her imports came mainly from Central European countries. Germany was at the head of the list, though purchases from Hungary, Poland and the Little Entente countries were considerable. Her best customers were found mainly in the same group of countries, but Italy significantly ranked second on the list in 1936. If Herr Hitler embarks on a large scale programme of fortification and public works, Austria's imports of raw materials may be destined to increase in the near future.

Iron and Steel Developments.—The position of the iron and steel industry has undergone a marked change in recent months. Last year there was a veritable scramble for supplies which failed to keep pace with the rapidly increasing home demand. Rising domestic production had to be supplemented by a substantial increase in imports, facilitated by the suspension of the import duty on pig iron and by the reduction of the steel duties. By the end of last year, however, the shortage of materials had been overcome, and during the last few weeks supplies have tended to accumulate to such an extent that certain sections of the market have become seriously congested. Consequently, there has been a marked decline in new transactions, for there is now no incentive for consumers to order their requirements for a long period ahead. In order to relieve congestion in the market and to prevent the accumulation of unwieldy supplies, the import duty on pig iron is expected to be re-introduced shortly and the duties on steel will revert to the higher level in force before their reduction in July last year at the end of this month. It is anticipated that, as a result of the increase in import duties on steel, stocks will be reduced rapidly to normal dimensions without necessitating any appreciable reduction in domestic output. This view, however, assumes that the demand for British iron and steel will continue at a high level. So far, domestic consumption has been fairly well maintained, but the demand for many "light" materials has recently shown a noticeable decline. Moreover, exports have fallen sharply, shipments of iron and steel having declined from 200,500 tons in February, 1937, to 156,700 tons in the past month. And, if present trends continue, the iron and steel industry may well be faced with the necessity of curtailing output later this year, in spite of the anticipated fall in imports and the probable acceleration of the pace of re-armament.

The international position of the steel industry has been strengthened by increased co-operation between American producers and the Cartel. At a meeting held by the Cartel in Brussels a fortnight ago, it was decided to maintain prices at the level to which they were reduced on January 17th, in the belief that a firm price policy would induce consumers to place new orders. As competition from the United States is now less intense than a few months ago, the Cartel is in a stronger position than previously and, in the absence of a sharp decline in demand, it should have no difficulties in its attempt to maintain prices. The maintenance of quotations abroad, in turn, will tend to strengthen the domestic price structure. But the future course of demand, both at home and abroad, is still an uncertain quantity.

Decline in Overseas Trade.—The trade returns for February are scarcely encouraging. The deterioration on the world economic front since last autumn has been

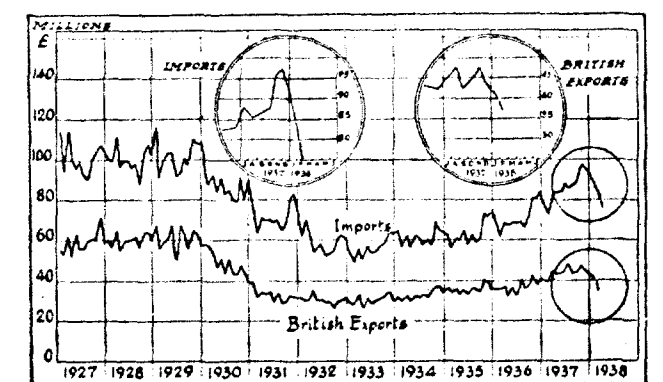
accompanied by a rapid decline in British exports, from £47.2 millions in October to £37.5 millions last month. For the first time since 1933, moreover, exports in February were lower, in value, than during the corresponding month a year earlier. As the first of the appended tables shows, the value of British exports last month was 2.7 per cent. smaller than in February, 1937. Owing to the rise of prices since last year, the relatively small decline in the value of exports masks a substantial fall in the volume of our shipments. Thus, *The Economist* index of the volume of exports of British manufactures declined from 111 (1935 = 100) in February, 1937, to 101½ in the past month:—

	(£ thousands)			Change between 1937 and 1938	
	1936	1937	1938		Per cent.
February					
Total imports	62,269	71,712	75,739	+4,027	+5.6
British exports	35,111	38,572	37,529	-1,043	-2.7
Re-exports	5,651	6,928	5,528	-1,400	-20.2
Total exports	40,761	45,450	43,056	-2,443	-5.7
Excess of imports over exports	21,508	26,262	32,683	+6,421	+19.6
Transshipments under bond	2,033	3,092	2,461	-631	-25.6
Two months ended February					
Total imports	132,131	147,331	160,657	+13,326	+9.0
British exports	69,563	77,636	78,714	+1,058	+1.3
Re-exports	9,967	12,030	10,323	-1,707	-14.1
Total exports	79,530	89,665	89,036	-649	-0.7
Excess of imports over exports	52,601	57,646	71,621	+13,975	+19.5
Transshipments under bond	4,442	6,041	5,319	-722	-13.6

Total imports declined from £85.0 millions in January to £75.7 millions last month. In contrast to exports, however, the value of imports last month was still 5.6 per cent. higher than in February, 1937, largely as a result of the heavy intake of dairy products, and iron and steel and scrap. If allowance is made for changes in prices, imports of raw materials were still appreciably higher than a year ago. Thus, *The Economist* index of the intake of raw materials (1935 = 100) rose from 102½ in February, 1937, to 111½ last month. Owing to the relatively bigger fall in British exports than in imports, the unfavourable balance of trade showed a further substantial increase, from £26.3 millions in February, 1937, to £32.7 millions last month.

The accompanying diagram shows the trend of the value of total imports and British exports since 1927:—

TOTAL IMPORTS AND BRITISH EXPORTS



During the past two years, it will be seen, imports have risen much more rapidly than exports; but towards the

OLD GOWRIE
TOBACCO

"For almost a century skilled craftsmen have been blending, in turn, and blending tobaccos for Rattray's in Perth, their Virginia friends—Old Gowrie and Hal of the Wind—are known the World over for their fineness—their unique flavour. Rattray's tobaccos continue to be blended by hand by skilled craftsmen who love and understand their art."

Price: 20/8 per lb., post paid. Send 5/2 for sample 1 lb. tin, post free. Export: 22/8 per 2 lbs. plus post.

Chas. Rattray
PERTH, SCOTLAND

Rattray's Hal of the Wind Tobacco is the full-bodied strength of Old Gowrie.

Industry and Trade

Shock to Business Confidence.—Germany's cold-blooded annexation of Austria came as a severe shock to business confidence, which had already suffered from the deterioration of world economic conditions since last autumn. The immediate result is likely to be a further decline in new civil investment for the home market and in export orders. Consequently, the downward trend in business activity, noticeable since last autumn, is likely to be accelerated in the immediate future, for plans for the inevitable intensification of re-armament cannot be put into operation at once. At the same time, a further substantial increase in defence

expenditure is likely to prevent anything like a serious slump in business activity later in the year, though, as re-armament expenditure is concentrated on a limited number of industries, it will further distort the balance of Britain's economic structure. Thus, there is likely to be a further decline in commercial shipbuilding and in the cotton and other industries dependent on international trade, while the activity of the metal trades may be sustained by increased armament expenditure. But if the fear of an outbreak of general war increases, there may well be a scramble for commodities which, in turn, would lead to rising prices and an increase in the demand for finished goods. If, on the other hand, the political tension subsides, the decline in commercial activity may well outweigh the prospective increase in armament expenditure.

Austria's Economic Position.—What effect is the acquisition of Austria likely to have upon the economic position of the Third Reich? The statistical material assembled on page 665 suggests a preliminary answer to a question which we hope to discuss in greater detail in the near future. In the first place, the Austrian National Bank's gold reserve of 243 million schillings and foreign assets worth 168 millions represent a useful windfall for Germany, in view of her present foreign exchange position. So far as raw materials are concerned, Austria has valuable iron ore deposits, which Germany lacks, and vast forests. As a whole, however, post-war Austria was an industrial and commercial rather than an agricultural state. Of her occupied population, only one-third was engaged in agriculture. Timber, wood-pulp, paper with its allied products, and iron and steel manufactures

OTARD'S EST. 1793
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LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

end of last year the value of both purchases and sales abroad took a downward turn, long before trade had recovered to the pre-depression level of 1929.

* * *

Overseas Trade by Commodities.—The volume of the imports of many important materials were still higher last month than in February, 1937. The increase, as the table below shows, was substantial in the case of iron ore and scrap, and iron and steel manufactures, delivery of the latter having been speeded up in anticipation of an increase in the import duties at the end of this month. Imports of machinery, however, were lower in volume than in the corresponding month a year ago:—

RETAINED IMPORTS—MONTH OF FEBRUARY

Item and Measure	1936	1937	1938
Wheat '000 cwt.	6,614	10,008	7,100
Beef and veal '000 cwt.	885	811	869
Mutton and lamb '000 cwt.	520	578	605
Sugar (unrefined) '000 cwt.	3,393	2,724	3,817
Iron ore and scrap '000 tons	542	516	798
Raw cotton '000 cwt.	1,145	1,161	1,367
Sheep and lambs' wool '000 cwt.	742	590	478
Flax, hemp and jute tons	33,574	40,115	31,151
Crude petroleum '000 gals.	38,313	22,142	39,603
Hides, wet and dry '000 cwt.	138	105	98
Wood pulp '000 tons	173	106	154
Rubber '000 cwt.	133	5	369
Unwrought copper tons	16,695	21,229	20,068
Pig lead tons	27,116	28,934	28,817
Tin: Ore and concentrates tons	5,162	4,405	4,943
Blocks, ingots, slabs and bars tons	1,155	609	1,241
Iron and steel manufactures '000 tons	123	82	230
Machinery tons	5,976	11,743	10,972

A number of export trades, however, have suffered a serious setback as a result of the shrinkage of world trade. Exports of cotton, wool and other textiles, for example, registered a sharp decline between February, 1937, and the past month. Shipments of iron and steel materials were also appreciably smaller than a year ago, and coal exports have made no further headway. Exports of machinery, on the other hand, were again substantially higher than a year ago, partly, no doubt, because of the long time-lag between the placing of orders and their completion:—

BRITISH EXPORTS—MONTH OF FEBRUARY

Item and Measure	1936	1937	1938
Coal '000 tons	2,582	2,610	2,611
Iron and steel scrap tons	9,116	23,963	5,081
Pig-iron and ferro-alloys tons	6,973	13,563	7,913
Railway materials tons	14,980	8,124	12,849
Total, iron and steel manufactures tons	167,815	200,498	156,730
Textile machinery tons	4,894	4,274	6,765
Total machinery tons	32,662	30,676	35,008
Cotton yarns '000 lb.	12,450	12,575	9,996
Cotton piece-goods sq. yds.	166,100	160,117	117,410
Wool tops '000 lb.	4,139	3,524	2,403
Worsted yarns '000 lb.	2,516	2,145	1,517
Woolen tissues '000 sq. yds.	7,889	7,475	6,046
Worsted tissues '000 sq. yds.	3,147	2,973	3,326
Linen piece-goods '000 sq. yds.	7,776	8,144	4,417
Leather boots and shoes doz. pairs	31,400	30,359	31,715
Leather cwt.	21,614	28,424	13,565
Paper and cardboard cwt.	314,953	320,187	267,115
Locomotives and parts tons	2,424	1,874	1,998
Motor vehicles and chassis No.	7,033	8,365	9,161

In the absence of an early revival of export business, a further decline in shipments during the next few months may be unavoidable.

* * *

The Tin Buffer Pool Again.—Attention has again been focussed on the question of a buffer pool for tin in consequence of a resolution passed at a meeting of the Tin Producers' Association on Monday last calling for the formation of such a pool at "as early a date as possible." The question is believed to be under consideration in the leading producing countries and will be discussed at the next meeting of the I.T.C. on April 5th. It is probable that a referendum will be taken in Malaya before the Government of that country makes up its mind on the question. Hence a final decision can hardly be taken at

the beginning of April, though it is generally believed that a pool will be formed by the middle of the year. Meanwhile, the market is going through a difficult period. Invisible stocks are large, and home warehouse stocks in this country have been steadily increasing, to reach a total of 4,095 tons at the end of last week. This is the highest level for three years, and further increases are likely, in view of the decline of consumption in this country and the United States. Moreover, Malayan stocks are increasing as a result of the arrangements to relieve the unemployment position, discussed a week ago. In these circumstances, the accumulation of a buffer stock from new production might have a depressing effect upon prices, rather than the bullish effect which the promoters of the scheme desire. In such an event a further curtailment of production would be necessary, which would put an additional strain on the loyalty of the signatory countries. The buffer pool proposal, therefore, is one which requires careful consideration before it is finally adopted.

* * *

Wholesale Prices Decline.—After a slightly firmer tendency a fortnight ago, wholesale prices resumed their downward trend. The renewed fall in prices is reflected in the decline in *The Economist* indices of the prices of primary products in this country and in the United States. The decline is ascribed mainly to the tension in international relations, as a result of which stocks have tended to accumulate, in spite of the curtailment of output. The rise in the French index is due to the depreciation of the franc, which has caused an advance in the prices of imported materials.

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 Reichsanst.	
	British Complete Index (sterling)	Primary Products						
		British (sterling)						American (dollar)
1936 Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
Jan. 27th 1937	134.2	164.2	184.5	167.0	131.0	115.9	114.3	95.7
Feb. 24th 1937	136.3	168.2	185.5	167.4	131.8	116.8	114.3	96.2
Mar. 31st 1937	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5
Apr. 28th 1937	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0
June 2nd 1937	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th 1937	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5
July 28th 1937	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th 1937	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22nd 1937	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6
Oct. 20th 1937	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3
Dec. 1st 1937	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29th 1937	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938 Jan. 5th	128.9	148.2	136.8	164.5	120.6	137.4	143.6	96.9
Jan. 19th 1938	127.8	146.5	137.7	164.3	120.9	138.1	143.5	96.9
Feb. 2nd 1938	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Feb. 16th 1938	125.0	141.7	136.8	164.5	119.5	138.1	142.4	96.9
Mar. 2nd 1938	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 16th 1938	123.9	140.8	134.8	164.5	120.0*	138.8*	142.5	97.2

* These figures relate to March 9th.

† Monthly average.

The downward movement in prices this month stands in striking contrast to the position a year ago, when a hectic scramble for commodities caused prices to be marked up without consideration of the underlying supply-demand position. Changes in the group indices comprising the complete *Economist* index are given below:—

The Economist INDEX (1927=100)

	Sept. 18, 1931	Mar. 10, 1937	Mar. 2, 1938	Mar. 16, 1938
Cereals and meat...	64.5	87.9	88.7	86.5
Other foods	62.2	70.2	60.7	60.2
Textiles	43.7	71.9	57.3	56.5
Minerals	67.4	114.9	94.4	95.4
Miscellaneous	65.8	83.9	78.2	77.6
Complete index	60.4	85.0	75.6	74.8
1913 = 100	83.1	116.9	104.0	103.0
1924 = 100	52.2	73.4	65.3	64.7

With the exception of minerals, all the group indices showed a decline during the past fortnight.

INDUSTRIAL REPORTS

This week's reports from industrial centres contain further evidence of the decline in new orders in a number of industries. The volume of new business in iron and steel remains restricted and certain sections of the market are now seriously congested, partly as a result of heavy imports in anticipation of the increase in duties at the end of this month. There has been a further decline in the activity of the tinplate industry, which operated at only 48.3 per cent. of capacity last week. The output of coal continues above the level of last year. Industrial demand remains at a high level, but household requirements declined under the influence of warmer weather, and export business remains at a low level. The decline in overseas orders is ascribed to severe competition from Germany and Poland and to the expectation of a decline in prices. Sales of cotton yarn and piece-goods were the smallest in any week for many years. Moreover, both spinners and weavers are complaining of the scarcity of delivery instructions against old contracts. The wool textile industry, on the other hand, has experienced a slight improvement as a result of the firm tendency in raw wool prices.

Coal

Cardiff.—The volume of exports is well maintained. For the first ten weeks of the year shipments in the foreign and coastwise trades at the docks of the Great Western Railway Company averaged just under 400,000 tons, and in the week ended March 12th they totalled 408,100 tons, compared with 395,500 tons the previous week, and 375,805 tons in the corresponding week of last year. These figures show the exceptional strength of the contract position of the collieries, for there has been very little new business, and the market operations of middlemen have been negligible. Current quotations are unaltered, and it is unlikely that there will be any material change in them pending the result of the discussions which are now in progress over the application of the miners for an increase in their wage rates from 30 per cent. to 40 per cent. above the new 1937 standard. The market for coke is quieter, patent fuel is featureless, and the ex-ship prices of Portuguese pit-wood are easy.

*

Newcastle-on-Tyne.—Coal and shipments from the North-East are disappointing, the figures for the Tyne last week being 241,352 a decrease of 20,642 tons compared with last year. Continued mild weather adversely affects the market. Whilst the Northumberland steam market is fairly steady at present, it is generally felt that difficulty will be experienced in maintaining full-time working over the summer months. The Durham section is steady; coking and gas coals are cleared without difficulty, whilst collieries producing steam classes are comfortably placed. Coke is a dull market, production moving off slowly.

*

Glasgow.—The export market has shown a moderate improvement this week. Shipments have been on a

rather better scale, and new inquiries have increased, although so far not much business has been reported. Overseas buyers are apparently anticipating lower prices. At the moment the market remains steady, with the tendency, if anything, easier. Land-sale business is moving steadily, but there is now no shortage of supplies and prices in one or two cases have again weakened.

COAL OUTPUT AND EMPLOYMENT

District	Week ended February 19, 1938		Week ended March 5, 1938	
	Output	Wage-earners	Output	Wage-earners
Northumberland	000 tons	000's	000 tons	000's
Durham	291.9	45.6	302.1	45.3
Yorkshire	713.3	117.8	715.3	118.0
Lancs, Cheshire and N. Wales	982.3	143.2	947.9	143.7
Derby, Nottingham & Leicester	365.7	69.1	370.1	68.9
Staffs, Wores, Salop & Warwick	761.9	98.7	741.3	98.9
South Wales and Monmouth	428.7	67.8	425.9	67.8
Other English districts*	821.2	137.6	829.0	137.2
Scotland	124.8	22.5	123.6	22.5
Total	5,143.6	793.7	5,113.5	793.8

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that the volume of new business is restricted. The anxiety of foreign suppliers to deliver iron and steel ordered when it was difficult to obtain British steel has led to severe congestion in some departments.

Stocks of pig iron have accumulated at the blast furnaces and at the consuming works, and little business is being transacted excepting against old specifications. It is estimated, however, that whilst this acceleration of deliveries has caused some overloading of the market the surplus material will be rapidly absorbed, although for a time it may act as a check upon business in British pig iron.

Large quantities of semi-finished steel have arrived in this country of late, and most of the works using this class of material are having more delivered to them than is convenient. As a result, there is a lull in fresh buying which may last until consumers have reduced their stocks.

The demand for finished steel has declined somewhat of late; but the requirements of users are still large and the heavy branches of the industry in particular are well employed. Owing to the quietness of new business, arrears in deliveries are being worked off; but a considerable tonnage of orders remains on the books.

*

Sheffield.—There is a distinct falling off in the volume of business in the iron market. Little new business is being arranged, even where contracts are nearing expiration, users preferring to cover their requirements week by week until the outlook has become clearer.

In the steel market activity is well maintained, the call for basic and acid billets being very active. Structural

steel continues to be prominent. Production of steel exceeds that of twelve months ago, and to meet the requirements of special steel additional furnaces are being installed. The call for motor steel is reviving. Heavy engineering establishments have enough work to keep them busy throughout the year, but the lighter sections of industry are experiencing a slight falling off in the weight of orders.

*

Middlesbrough.—As imports of pig iron from the Continent continue to arrive, it is evident that suppliers are endeavouring to ship material under contract so that it will arrive before the end of March, when it is expected that the import duty will be restored. Founders are therefore in a comfortable position for supplies, whilst producers of Cleveland pig iron are unable to dispose of the available quantities.

Local producers are expecting business to revive during the second quarter, as they anticipate a diminution in imports. Demand, moreover, is expected to expand, as a result of the increase in armament expenditure.

In the steel departments the output of heavy manufactured steel is well maintained. But there is still a lack of demand for sheets for export, whilst the home trade is quiet.

Imports of foreign ore are well maintained, the quantity which arrived during the first 14 days of March being 112,000 tons, against 108,000 tons during the first fortnight of February. The sea-freight Bilbao to Middlesbrough is now 7s. 6d. per ton, with a similar rate applying from the Mediterranean ore ports. Blast-furnace coke is available, with demand easier.

*

Cardiff.—The latest returns of the tinplate industry give a production equivalent to only 48.29 per cent. of capacity under the pooling scheme. This is the lowest point touched for the past two or three years, and with no immediate prospect of an improvement in demand more mills have closed down. In the course of a speech at Swansea, Sir William Firth attributed the depressed state of the trade largely to the heavy stocks accumulated last year. The market for galvanised sheets is also quiet, but heavy re-armorment requirements are helping to maintain the production of pig iron and steel. Prices are unchanged. At Swansea last week shipments of tinplates totalled 4,846 tons, compared with 4,592 tons the previous week and 12,501 tons a year ago. Stocks now amount to 8,025 tons, compared with 3,880 tons at the corresponding period last year.

Textiles

Cotton (Manchester).—Business has been unsettled by the European political situation. Export business has continued at a low ebb. Rather wider fluctuations have taken place in raw cotton prices. Most factors in the general position appear to favour bearish sentiment, although the opinion is held in some quarters that commodity prices are likely to advance if the trouble in Europe continues. About 93 per cent. of the farmers in the United States

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.]

A SOUND BALANCE SHEET AND WELCOME RESULTS

SERIOUS CONDITIONS IN THE FAR EAST

IMPORTANCE OF BRITISH INTERESTS RECOGNISED BY GOVERNMENT

EFFECTS OF WARFARE ON TRADE

CHINA'S RECUPERATIVE POWER

MR G. MISKIN ON THE OUTLOOK

The ordinary yearly general meeting of the shareholders of the Hongkong and Shanghai Banking Corporation was held in Hongkong, on the 26th ultimo, Mr G. Miskin (the chairman) presiding. The Chief Manager read the notice convening the meeting.

The Chairman said:—Ladies and Gentlemen,—Since our last annual meeting a knighthood has been conferred upon Sir Vandeleur Grayburn by His Majesty the King.

During a period of unprecedented difficulty Sir Vandeleur has been both a tower of strength to the bank and a wise and able counsellor in the financial affairs of the colony. I am sure that you will join me in congratulating him very warmly upon the well-deserved honour which he has received.

The report and statement of accounts having been in your hands for the required period, I will, with your permission, take them as read.

RESULT OF YEAR'S OPERATIONS

After making full provision for all known losses and contingencies, the net profits for the year amount to \$15,432,216.84, to which must be added \$3,340,789.84 brought forward from last year.

After deducting the interim dividend of £400,000 paid at 1/2.5/8 and directors' remuneration, there remains available for distribution \$12,127,542.35, which it is proposed to—

To pay a final dividend of £3 per share	subject	\$7,744,537.82
to deduction of income tax	...	...
Transfer to bank premises	...	1,000,000.00
Carry forward to new account	...	3,383,004.53
		\$12,127,542.35

The figures of our balance sheet have been converted at 1/2.7/8, the same as last year, so a comparison is an easy matter once more.

NOTE ISSUE

The principal change is in our note issue, which has increased by some \$72,500,000 and is shown this year in two amounts, while on the other side Hongkong Government certificates of indebtedness show as a separate item of just over \$170 millions as cover for our excess issue.

The Hongkong Government now publish at stated periods the condition of the currency fund, from which it can be seen that well over 100 per cent. cover is held by them against the certificates of indebtedness which we hold. It is not only a great satisfaction to your board to know that our liability to the public is so well secured but also that the currency of the colony is in such a sound condition.

Other changes in the balance sheet have not been very startling; bills payable are up about \$6,750,000, current accounts up \$51 millions, while fixed deposits are down \$29 millions.

On the other side, cash with certificates of indebtedness is up \$61 millions, securities up \$23 millions, bills receivable up \$46 millions, while loans are down \$26 millions.

Your directors are very glad to be able to present to you to-day such a sound balance sheet and a welcome profit and loss account at such a time. All known and likely losses have been amply provided for, and in addition a moderate sum has been allocated for any possible losses which may come to light later on.

THE WAR

Conditions in the Far East are to-day more serious than they have ever been in the history of our bank. The two great nations of the Orient are at grips grimly determined to fight it out. All the efforts made in recent years to outlaw war through treaties, pacts and covenants have broken down. So far from intervening to bring this conflict to an end, the leading Western countries are seen aligned into groups supporting widely opposed theories of government; watching each other intently like boxers at the opening of their bout. Under such conditions British interests in the Far East might well be pictured in the eyes of His Majesty's Government as only a small item in the sum total of the vast interests of the British Commonwealth of Nations. Nevertheless, the indications are that the importance of the Far Eastern question is fully realised, and very welcome was the statement issued last August at a critical time in Shanghai which formally promised "all possible measures to protect British lives and interests" at that port. We feel confident that when necessary and in face of every difficulty we can count on support for our legitimate interests.

Few years have seen such contrasts as the past year in China, and it is a sad task to set about reviewing the political situation there during 1937. The year started so well and ended so differently. In each of the past few years your chairmen have uttered words of warning about the dangers inherent in the unsatisfactory political relations between Japan and China. Last year your chairman stated that relations with Japan dominated the political scene. He mentioned that negotiations between the two countries were, when he spoke, in suspense as a result of the Sian incident when General Chiang Kai-Shek was kidnapped. That affair, it now appears, was a key-point in Sino-Japanese relations.

The result was an accession of strength to those Chinese who, rightly or wrongly, saw no hope of co-operation with Japan and advocated a policy of stern resistance to aggression. The subsequent meeting of the 3rd Plenary Session of the Central Executive Committee last February confirmed that line of action, which had already been made one of the main planks in the policy of the Kwangsi leaders and of the Communists. From that time on it seems that the influence of those who wished for compromise and delay gradually waned. An understanding was reached with the Communist army and the way was prepared for action by a united China as soon as the need should arise.

HOPEFUL OUTLOOK CLOUDED

You will remember that early in the year the liberal and friendly tone of the utterances of General Hayashi, then the Japanese Prime

Minister, and of Mr Sato, his Foreign Minister, caused a feeling of optimism in regard to the development of relations between the two countries. In China itself there were signs of stability and progress such as had not been apparent for many years. The outlook was, in fact, hopeful, though we were aware that the cloud of Sino-Japanese distrust still hovered in an ill-omened way on the horizon. It is doubtful if this cloud could have been dissipated even with the best will in the world. An accumulation of aggravations made it almost inevitable that a storm would have to take place before the air could be cleared. But I do not propose to detain you with any comments about the causes and origins of the war (let us be frank and call it war outright). Our bank is in a delicate position because of its interests in all parts of the Far East, and at critical times like these the old proverb "least said soonest mended" proves its aptness. The easy and rapid transmission of news from one end of the world to the other is sometimes a mixed blessing. Too many spokesmen are in fact quite as bad as too many cooks.

EFFECTS ON TRADE

Let us turn from politics to trade. You all know how promising the situation was during the first half of the year. Prices were rising, the improvement in communications by rail, road and air was opening up the country more and more, the standard of living was improving owing to good crop conditions in the interior as well as the greater demand for export produce; furthermore, exchange, both internal and external, had never in our time remained for so long a period with such small variations. Proof of this satisfactory state of affairs can be seen in the Chinese Customs returns. At the end of July exports had increased 45 per cent. and imports 36 per cent., as compared with the same period in 1936. Later imports and exports of course fell off, the former more than the latter, but it is remarkable that at the end of the year the import and export figures together yet showed an increase of approximately 9 per cent. over 1936.

The political barometer is still too low to warrant a forecast of fine weather for merchants in the near future. In Central China the channels of foreign trade are now affected as never before since the opening of the treaty ports. Yet, may I be so bold as to suggest that for this very reason the catastrophe is perhaps magnified in the eyes of many. If, as seems likely, the Yangtze Valley continues to suffer throughout the spring and summer, the effect on trade in general will naturally be serious, but there will be adjustments. A loss here will become a gain there, and I do not think it necessary to be too despondent. We shall have to wait a time for a real recovery, but the recuperative powers of both Japan and China are great, and will, in due course, be sure. Even now we see how China's misfortunes are leading to developments in the Western provinces which might otherwise have been unattempted for decades. It is, however, of the greatest importance that peace on reasonable terms should not be long delayed. Otherwise the dislocations will be less easily repaired; there will be the danger of other countries becoming involved, while both combatants may be driven into desperate expedients which will deadlock all trade.

Meantime we extend our deepest sympathy to the sufferers in the war areas, where the conditions have not been paralleled since the Taiping Rebellion of some 80 years ago. Distress is also great in the foreign communities. The Lord Mayor's Mansion House Fund gave help at a most opportune moment, but further help is needed and the International Red Cross organisations at Shanghai and Hankow also deserve liberal support. I should further like to express a word of sympathy to the relations of the members of the British forces who lost their lives while serving at Shanghai, and to Sir Hughe Knatchbull-Hugessen at his misfortune in being seriously wounded when travelling from Nanking to Shanghai on official duty.

MAINTENANCE OF STABILITY

At a time like the present for obvious reasons it is impossible for those outside Government circles to make any reliable statement of the currency and financial position of China, or for that matter of Japan. Wartime conditions prevail and must be faced with a realisation of the dislocations which they mean. However, due credit must be given to those who have directed China's foreign exchange market during the year. Stability has been maintained, and in fact during the early part of the year, as threats of unorthodox financial experiments were warded off, the new currency firmed in strength and merchants showed increasing confidence. There was, of course, valuable co-operation on the part of foreign banks. Moreover, a number of factors assisted towards equilibrium of the balance of payments: commodity prices were still rising; there had been two years of bumper crops; internal conditions were quieter

than for some time; the opening-up of the country was increasing the circulation of bank-notes; arrangements for the formation on sound and modern lines of a Central Reserve Bank were well advanced, and a fresh attempt at budget control had been initiated.

Such was the situation when in July the first signs of a serious conflict were seen. In August, when the fighting broke out at Shanghai and bombs fell in the business centre of the Settlement, it was necessary to take steps to prevent panic, so restrictions were placed on the withdrawals of deposits in the Chinese banks. These measures were supplemented by what is known as the Wei-Wah, or blocked currency system, which permitted the constituents of the Chinese banks to transfer funds from one blocked account to another by means of Wei-Wah cheques or orders. This proved effective in preventing any large-scale panic flight from the currency though it was subjected to pressure for some time. Gradually the demand for foreign currencies declined appreciably and at the end of the year the problem was no longer so serious.

SILVER AND FOREIGN DEBTS

China's interest in silver remains dependent on its conversion into a currency reserve fund in gold or foreign exchange. Thus, during the year, large amounts of silver were shipped from Hongkong to foreign countries on account of China. Last summer Dr H. H. Kung made an arrangement with Mr Morgenthau for the earmarking of gold against Chinese silver. This was supplementary to the agreement of May, 1936, under which the United States Treasury had already arranged to purchase regular and substantial amounts of silver from China and to provide facilities in United States dollar exchange for currency stabilisation purposes. No official figures are available to show what funds in gold or foreign exchange are held by the Chinese Government, and while abnormal conditions prevail we can hardly expect progress to be made in the publication of reliable statistics.

At the beginning of 1937 the Chinese Government was still negotiating for a readjustment of certain foreign debts in arrears. In April the London Bondholders' Committee, constituted to deal with such questions, recommended the acceptance of terms for a settlement of the Hukuang Railways Loan similar to those already adopted in readjustment of the Tientsin-Pukow Railway Loans. Two United States dollar loans were also put on a new basis, namely the Chicago Bank Loan and the Pacific Development Corporation Loan, both dating from 1919. Furthermore, the good work of settling up certain long outstanding advances and material debts to Government departments proceeded satisfactorily.

The conclusion of agreements regarding the Chinese Government loans in default and the improved outlook in China to which I have already referred, had a favourable effect on Chinese bonds quoted on the London Stock Exchange and it was thought, early in the year, that it might shortly be possible to bridge the hiatus in the London issues of Chinese loans which had existed since the Reorganisation Loan of 1913. The Minister of Railways first initiated discussions regarding the possible flotation of loans for new railway construction in China. Subsequently, when Dr Kung was in London for the Coronation ceremonies, negotiations for the building of a railway from Canton across Kwangtung to Meih sien made progress. At the same time Dr Kung also broached the subject of a loan to be used partly to provide additional assistance in the stabilisation of the Chinese currency and partly for the refunding of a portion of the domestic debt. We were consulted about this matter but no agreement was reached. We were, and are, bound by the agreement of 1920 between the International Consortium Group of banks, so we naturally sought the views of the other groups in regard to both these projects. They of course had to be left in abeyance when the Sino-Japanese conflict commenced.

CUSTOMS REVENUE

The Chinese Customs Revenue in 1937 amounted to no less than \$342,000,000, an increase of \$18,000,000 over 1936, thanks to the excellent start given in the first seven months of the year. You are aware that negotiations are proceeding in regard to the Customs tariff and administration in the areas controlled by the Japanese forces. It is hardly necessary for me to emphasise how important it is that the Customs Administration should remain as now constituted, and continue to be the sole instrument controlling Customs affairs throughout the whole country. The present administrative system has weathered political upheavals and civil strife over many years and the maintenance of its existing status and credit is unquestionably to the advantage of both China and Japan, in order that in due course the refinancing and rehabilitation of the country may proceed smoothly. I am glad to say that repeated assurances

have been given by the Japanese that the foreign loans will be respected.

Sir Frederick Maze is in a difficult position. He is an official of the Chinese Government, but as Custodian of the revenues earmarked for the service of important foreign loans he had certain responsibilities which are of an international nature. Bondholders of all countries look to him to steer a course between strongly conflicting currents. We are confident that with his customary tact and political sagacity he is doing his utmost to preserve the integrity of this important administration. As an international trustee he deserves international support. The foreign powers have in the past brought their influence to bear under similar circumstances and they are, we understand, doing so now, particularly as the retention of the "Open Door" in China depends a good deal on the continued existence of an internationalised Customs Administration such as exists at the present time.

SALT

The Salt Revenue in 1937 is reported to have been very much the same as in 1936 owing to further increased taxation, but the Salt Administration has unfortunately failed to maintain its control over the North China salt areas. This Administration has been in the situation of an ugly duckling alongside the favoured Customs, and it has therefore been rather neglected by its foster parents, the international Powers. Nevertheless it is important that the Customs and Salt should be treated on an equivalent basis, as the arguments used in the one case apply also in the other. The outstanding foreign loans secured on the Salt Revenues require a comparatively modest annual remittance of funds and the revenues collected should continue to be ample for these requirements.

It is satisfactory to be able to note that, in spite of the war, the National Government has continued regularly to pay the foreign loan obligations secured on the Customs, Salt and Railways.

SITUATION AT SHANGHAI

Before I pass on to deal with other countries in which we operate, you will expect me to say something about Shanghai since its status is likely to be a prominent subject once again in coming months. This is a matter which is of very great importance to all foreign business interests in Shanghai. We have seen the neutrality of a part of the International Settlement violated during the recent fighting. This would probably have been avoided if intervention had taken place in the early stages and thereby much loss of life and property might have been saved. The value of the existing Settlement regime cannot be questioned: one has only to visualise the situation had there been no Settlement at all to get justification for its continuance in an unimpaired form. If and when the Powers are prepared to negotiate and agree upon some new regime for Shanghai, then of course the situation will be altered, but in the meantime it seems to me and to your directors that, as a result of the recent events at Shanghai, we have sufficient cause to call for a strengthening rather than a weakening of the present Municipal Council Administration. There should, moreover, be guarantees which will ensure the strict observance of neutrality in regard to its boundaries. The difficulties of this Shanghai problem are immense, but they deserve the close attention of the Powers, whose responsibility it is to obtain at any rate a satisfactory *modus vivendi* if an agreement on a permanent basis cannot be found just yet.

NO ILL-EFFECTS IN HONGKONG

And now, to turn away from China, here in Hongkong we have been fortunate in that the misfortunes of China have not so far had any ill-effects on the Colony. In fact, many of our local industries have made satisfactory progress during the year. It is, however, certain that for real and lasting prosperity the Colony must rely upon normal and sound trading conditions in China, and the present struggle is therefore being watched with much anxiety.

In Japan, foreign trade has continued to increase in value. The excess of imports was at one time unusually high, but the imposition of stricter import controls effected a reduction and the year ended, according to the published returns, with the adverse balance somewhat over Yen 600,000,000. The war has, of course, brought in its train abnormal conditions in trade and finance and the future must be largely dependent on the outcome of events in China.

In Manchukuo the expansion of trade figures has continued and there are indications that the opening-up of communications, coupled with several years of normal trade, is increasing the purchasing power of the people. State monopolies and supervision or control of indus-

tries and exchange are, however, making things increasingly difficult for foreign merchants and the "Open Door" is now almost a thing of the past. In the coming year the question of extra territoriality will have to be faced by the foreign powers with interests in the country.

WORLD TRADE

World trade conditions, and especially conditions in the United States, affect in a varying degree trade in all the countries of the East. Thus fairly optimistic reports from India are qualified by doubts as to the state of world trade throughout the coming year. The rumours spread from America last April that the price of gold was likely to be reduced, had immediate repercussions of an adverse nature on the Philippine Islands and Malaya. The former was also affected by the labour troubles in America and, as in fact happened generally throughout the world, in Malaya the last quarter of 1937 gave a slight set-back to the satisfactory conditions reported prior to that time.

In the Philippines increases in revenue and trade throughout the year reflect the prosperous state of the islands, but the unexpected statement made by President Quezon last March in regard to putting forward the date of complete independence had an unsteady effect. An early solution of this problem is very desirable. The trade situation is, generally speaking, good, and there is optimism about the future of mining.

Our bank has faced many difficult periods in the seventy-three years of its existence and has seen many vicissitudes in China. A few months ago our Shanghai manager, Mr A. S. Henchman, commented that he found it extremely difficult to see the wood for the trees. He was trying to take a long view, and I think you will agree that it is not easy for us at the present moment to see clearly through the dense forest of gloom in which China and Japan stand. On both sides there are dangerous tendencies and pitfalls. We must move warily, keeping our eyes open, ready to welcome and take advantage of the first ray of light. It is helpful and cheering to feel that His Majesty's Government are keenly observing political events out here and are prepared to support British interests as and when necessary. Trade can flourish only when confidence and enterprise go hand in hand. If the policy of His Majesty's Government engenders confidence, then the Far Eastern merchant can be trusted to show enterprise. As an instance I should like to draw attention to the initiative and enterprise displayed during these critical months by the two leading shipping firms on the China coast and Yangtze River—Messrs Jardine Matheson and Company, and Butterfield and Swire—whose staffs, in gallantly keeping their services operating, have set a fine example, worthy of the best traditions of the British mercantile marine.

THE OUTLOOK

At the present moment the outlook is cheerless, and it is easy to become depressed at the prospect of a long series of difficulties in China, but I have tried to show you reasons for not regarding the future with too much pessimism. Foreign trade in the Far East has more than anywhere been built up by enterprise and by a readiness to face with courage obscure and unknown situations. I am confident that the British will lead the way in tackling the new problems and the changed conditions which we are likely to see out here during the next few years. As for the bank, it can be counted on to do its rightful share.

One last word. I think you will all agree that we owe our appreciation and thanks to the members of the staff who have worked in China throughout the past year. In each China port where we have branches there have been critical moments and difficult occasions which have in every case been faced with courage and ability. I feel you can rest assured that your interests are in good hands.

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 WILLIAMSON'S REMARKS

In rising to second the report, Mr S. T. Williamson said:—Mr Chairman, ladies and gentlemen, it is with pleasure that I rise to support the report and accounts as presented, and feel sure that I am voicing the wishes of shareholders in expressing our appreciation to those at the helm of this great financial institution which stands out as a lighthouse in the troubled sea of Far Eastern commerce to-day.

The chairman's speech has been of a most comprehensive nature covering in detail the trend of Eastern trade, and leaves nothing

calling for further comment, and I feel certain that it will be eagerly awaited by financial interests all over the world and be foremost in the important Far Eastern reviews of the year.

SATISFACTORY RESULTS

The result of the year's working must be considered to be highly satisfactory, especially when it is noted that a profit of \$15,000,000 is shown after paying all charges and making provision for bad and doubtful accounts and contingencies, which certainly is a magnificent showing under existing conditions. Heavy clouds still make their appearance on the financial horizon owing to the unfortunate clash between the two great Powers with whom we are so closely associated in Eastern Trade—there has already been an appalling loss of life and much misery, to say nothing of the huge expenditures and the heavy loss of trade. It is obvious that wars or incidents will undoubtedly have their serious repercussions and complications, and it is to be hoped that those controlling the destiny of these ancient empires will be able to arrive at an early solution of their differences.

Your remarks, covering the Customs, Salt Administration and Railway Administrations, which are so deeply woven into the financial fabric of China, are especially interesting and it is pleasing to note that assurances have been given regarding these interests which are so international in character. With you, we do realise the heavy responsibilities placed on the shoulders of Sir Frederick Maze, and we sincerely hope that he will be able safely to pilot all the international interests involved to a successful issue.

I am particularly pleased to note your reference to those who "go down to the sea in ships"; there are also many others serving on this coast besides those mentioned by you, and one and all have faced their arduous duties in a manner which certainly upholds the highest traditions of the Mercantile Marine and deserve the greatest appreciation of us all.

TRIBUTE TO SIR VANDELEUR GRAYBURN

I well remember our chief manager stating at the opening ceremony of this building over two years ago that the bank up to that time had found nothing too small or too large to deal with; subsequent events have proved with a vengeance that there was a great deal more than the ordinary banking facilities necessary to meet the abnormal conditions recently experienced, and we do realise the courageous manner in which Sir Vandeleur Grayburn has dealt with all matters appertaining to the successful carrying on of trade in its varying degrees. We are especially pleased that His Majesty the King bestowed upon him the honour of knighthood which we feel was so richly deserved—we know that he is proceeding at an early date to England on a well-earned holiday after his strenuous labours and our best wishes will go with him.

Mr Chairman, ladies and gentlemen, I now formally second the adoption of accounts as presented, and in doing so I wish to express our thanks to the board of directors, the chief manager and his very able staff, and I cannot let this opportunity pass without stating that we fully realise and appreciate all Mr A. S. Henchman, our Shanghai manager, and all those serving in China, have been able to accomplish in the way of safeguarding our interests in the face of danger of every description.

The Chairman: There being no questions. As proposed by myself and seconded by Mr S. T. Williamson, 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.

NATIONAL PROVIDENT INSTITUTION

NEW BUSINESS AGAIN A RECORD

The one hundred and second annual meeting of the National Provident Institution for Mutual Life Assurance was held, on the 11th instant, in London.

Mr Robert E. Dickinson (the Chairman), in the course of his speech, said that he was sure the report would be regarded as evidence that the affairs of the Institution remained entirely satisfactory. During the past year they had issued policies for gross sums assured of over £2,500,000, and after deducting the amount reassured the net amount remained at £2,126,000. Their new business figures for the sixth year in succession showed an advance, and not only did they constitute a new record but they had for the first time exceeded £2,000,000. The centenary pension policy introduced two years ago had again contributed well to the total. Mortality continued to be very favourable, claims last year amounting to only £292,000.

While their interest income was larger following the growth of their funds, the average gross rate earned during 1937, at £5 2s. 8d. per cent., was 1s. 6d. per cent. less than that for the preceding year. The result of the year's working had been that the life assurance and annuity fund had increased by nearly £400,000.

In previous years he had stressed the importance of starting to take life assurance when young, and in this connection he drew attention to their "coming man's policy," which was designed for the young man starting on his business career or on married life.

Another new introduction was the "child's Magna Carta policy." This was a form of deferred assurance for children, but it had the added attraction that substantial assurance on the life of the parent who effected the policy was provided during the period of deferment. In deciding with which office to place his life assurance a man had three main points to consider: the stability of the office, the premium and bonus rates, and the policy conditions generally. On each of these points the National Provident ranked very high, and they looked to their members to give them opportunities of proving this to their friends. They had a policy to suit every need, and in helping to increase business members would be furthering the prosperity of the institution.

The report was unanimously adopted.

LONDON AND LOMOND INVESTMENT TRUST LIMITED

INCREASED REVENUE AND DIVIDEND

HON W. B. L. BARRINGTON'S SPEECH

The seventh ordinary general meeting of London & Lomond Investment Trust, Limited, was held, on the 17th 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 James F. Hay, 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:—The income received during the year ended January 31, 1938, amounted to £88,199, as compared with £73,636 in the previous year. The net revenue, after charging expenses of management, interest and income tax, amounted to £44,079, an increase of £10,081. The directors recommend payment of a final dividend of 3½ per cent. (actual), making 6 per cent. for the year, as against 5½ per cent. for the year to January 31, 1937.

You may have noticed that in our list of investments a new item appears in the shape of a £50,000 holding in 2½ per cent. National Defence Bonds, 1944-48. This results from the investment of the profits obtained from the realisation of certain of our equities which we considered were overpriced.

SURPLUS OF ASSETS

The following summary shows the surplus of assets over liabilities and capital at January 31, 1938, as compared with the corresponding figures at the same date last year:—

	1938	1937
Appreciation in Investments ...	£93,960	£427,912
Capital Reserve ...	100,000	80,000
General Reserve ...	40,000	30,000
Carry Forward...	17,150	7,318
	<u>£251,110</u>	<u>£545,230</u>

Notwithstanding the shrinkage in value of the investments, the figures at January 31, 1938, indicated a break-up value of over £200 for every £100 of ordinary stock.

As regards the future, I do not suppose there has ever been a more difficult time at which to estimate revenue, and I prefer not to prophesy. I can only again emphasise the conservative policy that we pursued last year. Unless there is an actual cataclysm, we should be able to maintain the present dividend for the current year.

I should like to take this opportunity of expressing the board's great appreciation of the invaluable services of Messrs Grahams, Rintoul, Hay, Bell and Company as managers and secretaries of your company.

The report and accounts were unanimously adopted.

The retiring director, Mr Wm. Walter Brock, was re-elected, and the auditors, Messrs Moores, Carson and Watson, chartered accountants, were re-appointed.

AFRICAN THEATRES, LIMITED

CONTINUED SUCCESS OF OPERATIONS

STRONG FINANCIAL POSITION

MR I. W. SCHLESINGER'S STATEMENT

The seventeenth annual general meeting of shareholders of African Theatres, Limited, was held in the board room, Realty Trust Buildings, Simmonds Street, Johannesburg, on the 12th March, 1938, Mr I. W. Schlesinger (chairman and managing director) presiding.

In moving the adoption of the directors' report, balance sheet and accounts as printed and circulated, Mr Schlesinger said:—Gentlemen, although this is but the seventeenth annual general meeting of the shareholders of African Theatres, Limited, as such, in point of fact it is the twenty-fifth since the inception of the business. In other words, this year we commemorate the silver anniversary of our entry into the field of theatrical and cinema enterprise; for, as many of you will remember, it was in May of 1913, under the title of African Theatres Trust, Limited, and with an initial cash capital of £12,500, that we laid the foundations of this company.

IMMEDIATE SUCCESS OF COMPANY

The success which attended the launching of that venture was immediate and remarkable, so much so that during the ensuing eight years, i.e. to 1921, trading profits of nearly half a million pounds were earned, and an organisation, unique in its entirety, had been built up. By 1921, having completely outgrown its original framework and requiring additional funds with which to finance an extensive building programme, it became apparent that the company would have to be reconstructed. Accordingly, this was done, African Theatres Trust, Limited, selling its entire undertaking to this company, which had been formed for that purpose with a capital of £500,000. The vendor's consideration was a fully-paid allotment of 400,000 shares of the face value of £1 each in the capital of the new concern, leaving 100,000 shares, which were taken up, at par, by public subscription. At the time to which I refer African Theatres Trust, Limited, was capitalised at £75,100, so that, in disposing of its assets in the manner mentioned, its members benefited to the extent of 324,900 bonus shares in the capital of African Theatres, Limited.

Incidentally, I would mention that the opportunity of this reconstruction was taken of eliminating from the new title the word "Trust," the import of which had been generally misunderstood. From that point onward African Theatres, Limited, without any alteration in objects, direction, or control, continued in the same path as its predecessor down to January, 1932, when, for reasons which are well known to you, the operative side of its activities was made over to a subsidiary—now the well-known African Consolidated Theatres, Limited. This company, African Theatres, Limited, thereupon became what is termed a holding company, and has remained so to the present time. Such then is a brief account of the mutations which have occurred in the character and set-up of our business since incorporation twenty-five years ago under the style of African Theatres Trust, Limited.

GROWTH OF EARNINGS

Having already mentioned that during the years prior to the formation of the present company, the profits earned by its predecessor amounted to nearly half a million sterling, the bulk of which, it should be noted, was ploughed back in strengthening and expanding the business, I will now afford you a view of the earning power which African Theatres, Limited, has evidenced since it took over in 1921. The statement is as follows. (See foot of next column.)

In the accompanying table gross earnings have amounted to £2,872,708 and net profits to £1,513,378, of which (subject to your acceptance of our present recommendations) £1,183,333 will have been distributed in the form of dividends, producing an average annual rate of over 13 per cent. For the year 1932, which was the vortex of a world-wide depression, the dividend was passed, but with that solitary exception, in each of the other seventeen years trading profits have justified a declaration.

STRONG RESERVE POSITION

Concurrently with the distributions set out above, the company has maintained a consistent policy of building up adequate reserves. At December 31, 1937, those funds stood at £329,244, representing over 60 per cent. of the issued capital, the incidence of which is reflected in the statement without being specifically shown therein. A progressive yet prudent management of the company's affairs has created other substantial reserves upon which I shall touch later. I must not, however, detain you with further particulars which relate to the past. I have said enough, I hope, to show that the record to date of this and the former company in the matter of earnings and distributions, based upon the total amount subscribed in cash as working capital—which at no time has exceeded the sum of £175,100—is one of which any body of shareholders may be justifiably proud. In saying this I would not have you forget the modest beginnings from which we sprang, nor that the position of financial strength to which we have attained, as likewise our eminence in the entertainment business, have been won in the face of periodic visitations of acute commercial depression and lamentable national and civil strife, which at various times during the past twenty-five years have militated against this country's normal development.

RECORD TRADING RESULTS

Coming now to the accounts which are before you, I am pleased at this silver jubilee meeting to be able to say that the trading results we are called upon to consider are better than any previously produced—gross earnings, and net profits surpassing the previous year's high water mark by £20,000. As you know, African Theatres, Limited, has two sources of revenue only, i.e. rentals accruing from properties leased to our operating subsidiary, and dividends from investments in other subsidiary and allied concerns, all identified with theatrical and cinema enterprise.

In the present accounts that income is given as under:—

Property rents	...	...	...	£98,576
Dividends received	...	...	...	£152,820

A total of 251,396

An increase in the former, over the previous year, of £4,880, and in the latter of £17,100; indicating that the volume of business trans-

Year ended	Gross Earnings £	Net Profits £	Dividend Nos.	Amount of Dividend £	Rate %	Carry forward £
28 Feb., 1922	130,201	62,792	1/2	30,000	6	26,092
" 1923	104,019	36,266	3	35,000	7	27,358
31 Dec., 1923	104,080	47,529	4	33,333	8	41,554
10 months						
31 Dec., 1924	124,978	54,257	5/6	62,500	12½	33,311
" 1925	152,556	73,309	7/8	75,000	15	31,620
" 1926	190,321	96,599	9/10/11	85,000	17	43,219
" 1927	201,104	97,489	12/13	90,000	18	50,708
" 1928	205,271	83,455	14/15/16	100,000	20	34,163
" 1929	208,008	82,310	17/18	75,000	15	41,473
" 1930	223,302	90,236	19/20	75,000	15	56,709
" 1931	207,650	54,674	21	50,000	10	61,383
" 1932	87,780	10,572	...	...	...	955
" 1933	133,941	75,463	22	50,000	10	1,418
" 1934	146,557	84,581	23	50,000	10	10,999
" 1935	172,129	114,988	24	75,000	15	25,987
" 1936	229,415	167,840	25/26	137,500	27½	31,327
" 1937	251,396	188,458	27/28	100,000	20	94,786

acted by the companies providing this revenue had been well maintained throughout the period during which it arose. Against this increased revenue, we have to offset a slight addition of £1,154 in overhead expenses: the whole resulting in a balance of £188,458 being carried to profits appropriation account, via which, and subject only to accrued taxation, we are enabled to show in the balance sheet a residue of net profit amounting to £169,786. Our recommendations dealing with the allocation of the net profits available for distribution are as set out in the directors' report to which I shall refer later.

THE BALANCE-SHEET

Items comprising the balance sheet are as follows:—Share capital authorised and issued at £500,000 remains unaltered.

Debentures.—Originally an issue of £500,000 secured by a specific mortgage over certain properties as shown, by a process of annual redemption the amount outstanding has now been reduced to £304,000. Normally, the residue then current is redeemable at December 31, 1947, but in terms of the relative trust deed, the company may retire the balance at any earlier date. Meantime, it continues to redeem at the rate of £25,000 per annum.

Creditors:—

Secured by first mortgages over certain properties	...	...	...	£544,763
Open accounts (secured and unsecured)	...	...	...	82,726
				£627,489

Compared with the previous year, this item reflects an increase of £140,417, made up as follows:—

First mortgages	...	...	...	£98,436
Open account	...	...	...	41,981
				£140,417

The heavier liabilities appearing in this balance sheet arise from the acquisition of further real estate in several of the larger towns of the Union, and the erection thereon of super-cinemas and theatres of the most modern design. The finance necessary in this connection was obtained through the customary channel of First Mortgage Bonds, which accounts for the expansion in that section of our indebtedness. In addition thereto allowance has to be made for a great number of building construction costs not covered by mortgage money, and which at December 31 last were outstanding under the heading of open accounts. The increases reflected in this item of the balance sheet are thus briefly explained, but should further information be sought I shall be pleased, before the termination of these proceedings, to supply such other particulars as may be required.

RESERVE ACCOUNT £329,244

It will be appreciated that this is not a reserve against any specific liability, obligation, or commitment on the part of the company. It is a fund which, in the main, has been built up out of trading profits by periodic allocations voted in general meeting, and is available for any contingency which might arise. Commencing with an amount of £116,540 (the excess in value of assets acquired from African Theatres Trust, Limited, over and above the consideration paid by this company) each year, where it has been found expedient so to do, a substantial proportion of the available annual working surplus has been transferred to this account, until, as you will see, at the close of last year it reflected a balance of £329,244. The stability lent our general financial condition by the presence of this reserve fund need not be emphasised.

PROFITS APPROPRIATION ACCOUNT

I have indicated that the amount carried to the balance sheet from profits appropriation account is £169,786, and will defer further comment until moving the resolutions, of which notice has been given you in the directors' report.

CONTINGENT LIABILITIES

These are unchanged, excepting, of course, that as the obligations from which they arise are reduced in accordance with the relative agreements, so does this company's contingent liability as guarantor become less and less. The two subsidiaries on whose behalf we act as surety in this connection are earning good profits and well able to discharge all the liabilities they have incurred. Consequently, the risk of our guarantees being called up is so remote as to be practically non-existent.

THE ASSETS

On the asset side of the balance sheet we firstly have Properties—land, theatre buildings, etc.—at cost, £1,208,506, a reduction in value of the previous year's figure of £153,087. Offsetting this contraction you will observe that Share and Debenture Investments, £516,266, and Sundry Debtors and Loans, £205,018, Less Reserve £2,000—£203,018, reflect an amalgamated increase of £322,876. The reason for this rearrangement in our main assets lies in the fact that during the year we made over to four subsidiary companies, formed for the purpose, the equity we held in certain sites, and the partially constructed theatre buildings thereon. As and by way of payment these subsidiaries did three things. They relieved us of all the indebtedness we had contracted against the security of the properties in question: assumed responsibility for the balance of moneys to become due under building contracts in progress at the several situations, and allotted to us fully paid shares for the residuary value. In this way we were able to preserve intact investments made in the sites and buildings now referred to, also to disencumber our balance sheet of existing and future liabilities incurred in the same connection. In due course a large portion of the amount shown against sundry debtors and loans, namely £205,018, will be translated into further shareholdings in the four subsidiary property-owning companies to which I have referred. It was not convenient, however, that this should be done prior to December 31st last, and, as a temporary measure, the position was allowed to remain in the present form.

THE CASH POSITION

Cash in hand and at bankers is a self-explanatory item, and completes the component headings of the balance sheet, in which you will observe the assets total £1,930,520—that is, £171,745 higher than last year.

The surplus disclosed in the balance sheet is £999,031, arrived at as follows:—

Total assets	...	...	...	£1,930,520
Deduct—				
Total liabilities—				
Debentures	...	...	...	£304,000
Secured creditors	...	...	...	£544,763
Open accounts	...	...	...	£82,726
				931,489

Producing surplus net assets of 999,031

The figure just quoted, namely, £999,031, is but the apparent surplus of assets over liabilities: for, although undisclosed, the accounts contain other surpluses which are just as tangible as those already noted. These relate to our properties and share investments, in both of which respects intrinsic value greatly exceeds the book value. Recent appraisements by sworn Government valuers establish that our holdings of real estate, and the theatre buildings, etc., erected thereon, are worth in round figures £1,600,000; in other words, £391,494 more than is declared in the balance sheet.

AFRICAN CONSOLIDATED THEATRES HOLDING

Similarly with our share and debenture investments. Here, too, an even greater allowance has to be made, for, included therein at par value, I would ask you to note, is the holding we have in our operative company, African Consolidated Theatres, Limited. The authorised and issued capital of that highly prosperous subsidiary is £1,000, divided into one thousand shares of the face value of £1, each fully paid, seven hundred and eighty of which are owned by African Theatres, Limited, and stand in the books at the nominal figure of £780. Over the past five years to December 31, 1937, the dividends we have received from this source have averaged £95,940 per annum. Therefore, valuing these shares on the basis of a 10 per cent. return being the equivalent of par, they are then worth over £1,200 per share, resulting in a surplus of £935,220 over and above the figure for which we have taken credit.

Summarised then, this aspect of our position becomes as follows:—

Surplus assets as shown in the balance sheet	...	£999,031
Property account—surplus on valuation	...	391,494
African Consolidated Theatres shares—surplus on valuation	...	935,220

Total net assets and undisclosed surplus at December 31, 1937 ... £2,325,745

ENHANCED VALUE OF PROPERTIES

In these calculations no allowance has been made for the steady appreciation which has been occurring in the market value of the real

estate assets of our property-owning subsidiaries. As you know, we either own outright or have a controlling interest in a dozen or more subsidiaries of that nature. None of them, however, has given reflection in their respective accounts to the enhanced value of their central city and suburban properties in Johannesburg, and other progressive centres in the Union. Consequently, a consolidated statement of our financial condition, at the close of this the twenty-fifth year from the date of the original company's establishment in 1913, would disclose a further substantial surplus arising from the consideration now indicated. In all, therefore, you must agree that the element of security standing behind an investment in the shares of this company is present to a point which is altogether exceptional.

THE PROPOSED PREFERENCE ISSUE

Before submitting the resolutions arising out of the directors' report, I wish to say a word concerning an issue of preference shares which the board had in contemplation, and to which I made reference in my address to shareholders at last year's meeting. On that occasion I indicated that we were considering a funding operation which would have had the effect of replacing all fixed and floating indebtedness by a cumulative preference issue of an amount sufficient for that purpose, and leaving a margin adequate to absorb new building construction then and now in progress. This project was very carefully surveyed and practical steps taken to carry it through. Unfortunately, however, the completion of our arrangements synchronised with a severe break in the world's financial markets, and, after much deliberation, we decided to postpone the issue until a more propitious time, when its success could be assured. The matter has not been shelved, and although I cannot say exactly when we shall take it up again, when we do, existing shareholders will receive preferential consideration.

Incidentally, I would mention that, although statements have appeared in the Press to the effect that the London Stock Exchange had been approached as a preliminary to this suggested flotation, and, in view of prevailing conditions, had withheld consent, such reports are entire fabrications. No such approach, directly or indirectly, was made, neither was that course even remotely contemplated: any rumours to the contrary can, therefore, be discredited. When originally broaching this subject I undertook that, should it assume concrete form, shareholders would receive direct and prior advice from the company's secretary—and I take this opportunity of renewing that promise.

PROFITS AND DIVIDENDS

We have now to deal with the amount available for distribution, which, as shown in profits appropriation account is £169,786 4s. 1d., an improvement upon last year of £25,958 16s. 7d. The particulars are as follows:—

	£	s.	d.
Net profit for the year	188,458	16	7
Add:			
Amount brought forward, after providing for the charges voted at the previous annual general meeting	31,327	7	6
	219,786	4	1
Deduct:			
Interim dividend No. 27 at the rate of 10 per cent. paid in August, 1937	50,000	0	0
	£169,786	4	1

Out of this we recommend an allocation of £25,000 to general reserve, bringing that fund to £354,244. There will then remain £144,786 4s. 1d., of which we propose to distribute £50,000 as and by way of final dividend No. 28—at the rate of 10 per cent., making, with the interim dividend of 10 per cent. paid last August, a total distribution of 20 per cent. for the year. Having satisfied these charges we shall carry forward to the next account an amount of £94,786 4s. 1d., which, as you will see, exceeds by £63,459 the amount brought forward into the present accounts.

UPKEEP OF PROPERTIES

It is pointed out in the directors' report that the reduction in the rate of this year's final dividend, and the consequent larger carry-forward, arise from the renovation and maintenance demands which our theatres and cinema houses continue to make upon us in an ever-increasing degree. Many of our properties, particularly those in suburban districts and smaller towns, were erected years ago, when in structural design, acoustics, ventilation and comfort generally,

ideas were very different from what they are to-day. To meet the requirements of the public, and to keep in line with innovations which are being constantly introduced in this specialised branch of architecture, building construction and interior equipment, we have to expend large sums of money. The programme assigned to the current year is heavier than usual, and, being in the nature of a capital outlay, we have thought it desirable to make special provision therefor, and much of the surplus which we propose be not distributed will be applied to the purpose named.

I now move that the directors' report, balance sheet and accounts be adopted. In doing so I wish you to know that the current year's prospects are very bright. Conditions prevailing throughout South Africa in all trades and industries and in every division of commerce continue to be most favourable, every index suggesting that the prosperity which this country has experienced during the past few years has now become a settled feature of its general business activities. In view of this, it will not surprise you to know that the trading returns of African Consolidated Theatres, Limited, whence our main income is drawn, are more than well maintained, and the same may also be said of our other subsidiary and allied companies. I therefore anticipate that the next succeeding accounts will disclose a further expansion in our earnings, with a corresponding improvement in the resultant net profit.

The chairman's resolution, having been duly seconded, was carried unanimously, whereupon he intimated that it was the company's intention to pay the final dividend of 10 per cent. on April 30th to all shareholders registered on March 31, 1938.

The retiring directors, Messrs I. W. Schlesinger, D. H. Barnett and W. F. White, were re-elected for the usual term, the retiring auditors, Messrs Deloitte, Plender, Griffiths, Annan and Company, were also re-elected.

The meeting terminated with a vote of thanks to the chairman.

HUNGARIAN GENERAL CREDITBANK

NEW GENERAL MANAGER

AMALGAMATION WITH HUNGARIAN GENERAL SAVINGS BANK

At the meeting of the board of the Hungarian General Creditbank, held on March 9th, Dr Tibor de Scitovszky announced that, the task he had set himself on entering the service of the bank being accomplished, he had come to the decision to resign his post as general manager, hereby realising an earlier intention. The board took cognisance of Dr de Scitovszky's decision with the deepest regret, expressing their appreciation and gratitude for the excellent and untiring work which Dr de Scitovszky devoted to the bank during 16 years, often amidst difficult economic conditions. The board elected Dr de Scitovszky as its vice-chairman and received with great satisfaction his assurance that, though unable to continue the direct administration of the bank, he was ready to take part in the management of its affairs also in the future in his quality both as member of the board and as vice-chairman.

The board decided to offer the post of general manager to Dr Tihamér Fabinyi, who, owing to his outstanding gifts, capacity and experience in economic questions, seems exceptionally qualified to manage the affairs of the Hungarian General Creditbank and to direct the expansion of business that is in store for the Creditbank.

The board further decided to move to the general meeting of its shareholders, to be held on March 29th, the amalgamation of the Hungarian General Savings Bank Company, Limited. In virtue of this proposition the Hungarian General Creditbank is going to allot to the shareholders of the amalgamated Hungarian General Savings Bank Company, Limited, one share of its own in exchange for five Hungarian General Savings Bank shares.

In proposing the above amalgamation the board of the bank was led by the conviction that this transaction constituted an important step towards reducing the framework of the Hungarian credit system, this being an integral part also of the economic programme of the Government, and that, partly owing to several transactions of recent date, all preliminary conditions required for the successful execution of the proposed merger as well as for the carrying on of the bank's expanding business have been fulfilled with regard to the mobility of the bank and in every other respect.

In accordance herewith, the meeting of the board of the Hungarian General Savings Bank Company, Limited, held on March 9th, likewise decided to move to the extraordinary general meeting of the shareholders, to be held on the 29th inst., the amalgamation of that bank with the Hungarian General Creditbank, the former merging into the Hungarian General Creditbank.

NORTH METROPOLITAN ELECTRIC POWER SUPPLY COMPANY

CONTINUED EXPANSION IN VOLUME OF BUSINESS

INCREASE OF OVER 93,000,000 UNITS SUPPLIED

LORD ASHFIELD'S REVIEW

The ordinary general meeting of the North Metropolitan Electric Power Supply Company was held, on the 15th instant, at Caxton Hall, Westminster, London.

Sir James Devonshire, K.B.E., M.I.E.E. (Deputy-Chairman), who presided in the absence of Lord Ashfield, read the speech prepared by the latter as follows: Those of you who have had an opportunity to study the report and accounts for the year ended December 31, 1937, will, I think, agree that the record for the year is satisfactory; there was no falling off in the rate of progress which, happily, your company has experienced for several years past, and the volume of business transacted once again shows considerable expansion when comparison is made with the figures for the previous year. The number of units of electricity supplied by the company in the year 1937 was 690,800,000, and this total represents an increase of 93,200,000 units, or 15.6 per cent., as compared with the total for 1936.

CONSUMPTION PER CONSUMER STILL GROWING

As in previous years, the total consumption of electricity has increased at a greater rate than the number of consumers. In other words, the consumption per consumer is still growing. It would, of course, be misleading to refer to the consumption per consumer in relation to the total number of consumers, because of the disparity which exists in the consumption by the various classes of consumers. For example, the electricity consumed annually by one large power user might well be equivalent to that consumed by a large number of domestic consumers. But if we take the units supplied to domestic consumers only it will be found that the average consumption during last year was 709 units, which represents an increase of 102 units per consumer, or nearly 17 per cent., compared with the previous year. If the comparison is taken back for a few years it is even more striking. In 1930 the average annual consumption per domestic consumer was only 487 units, and in 1934 it was only 527 units. Since 1930, therefore, the average domestic consumption per annum within the areas of our distribution undertakings has grown by no less than 45 per cent. From these figures it will be apparent that the rate of growth is increasing, and the last year has seen a more pronounced upward movement in consumption than we have experienced before.

The reason for this very considerable expansion in domestic consumption is to be found in the growing appreciation among all classes of the population of the convenience and economy of electricity in the home, and also, I venture to suggest, in the liberal and progressive policy which has been pursued by your company in the matter of rates of charge. I have referred at length when addressing you in previous years to the effect of the level of charges upon consumption, and on this occasion I would only add that the policy pursued by your company has, in the opinion of the directors, been justified by the results. A further stimulating factor has been, I think, the efforts of our sales and service organisation.

BOARD'S POLICY JUSTIFIED

If you will turn to the report and accounts you will find evidence that the policy pursued by the company in the past has been amply justified. For the year 1937 the balance from working amounts to £881,014. The gross revenue from the sale of electricity amounted to £2,529,864, an increase of 15 per cent. when compared with the previous year. The receipts from the wiring of premises and sales of electrical fittings and apparatus amounted to £433,676, an increase of 16 per cent. Sundry receipts amounted to £71,719. The total gross revenue for the year, therefore, amounted to £3,035,259, as compared with £2,633,795 for the previous year—an increase of 15 per cent.

The operating expenses incurred in 1937 in order to earn these receipts amounted to £2,154,245, as against £1,810,015 for the previous year. The principal reasons for the increase of £344,230, which is equivalent to an increase of 19 per cent., are two-fold. The first is that the quantity of electricity generated by the company and imported from the Central Electricity Board has in total increased by roundly 16 per cent.; and the second is that the average cost per unit generated and imported has risen by nearly 6 per cent. The principal factor contributing to the greater cost of electricity is the price of coal, which in 1937 rose to new high levels. It is probable that further increases in the price of coal will occur, and

these, together with the rising tendency of prices for all supplies generally, point to a further advance in our expenses during the current year. It will be appreciated that the rise which has taken place during the last year or so in the level of our operating expenses is serious when considered in relation to the company's charges to consumers, and that a continued increase in the costs of operation may render it necessary to reconsider the present rates of charge for electricity supplied.

The difference between the figures of gross revenue and operating expenses which I have given you represents the balance from working of £881,014. The amounts received by way of interest and dividends on our investments, less the loss incurred on the sale of certain investments which it was necessary to realise during the year and the amount written off the investments, totalled £23,935. The balance brought forward from the last account was £63,666. The available balance is therefore £968,615, which is £63,310 more than the sum available at the close of the previous year.

ALLOCATION OF PROFITS

On the other side of the net revenue account you will see that the disbursements in respect of interest on mortgages, debenture stocks and loans amounted to £80,627. There is no change in the allocation to the reserve fund for the 5 per cent. mortgages, or in the amount allocated to the 4 per cent. debenture stock redemption fund. The next item in the account relates to the redemption fund for the 3½ per cent. debenture stock; this debenture stock was issued at the end of 1935, and the allocation of £15,625 represents the first of the charges in respect of the sinking fund established under the trust deed. The allocation to the depreciation and reserve account is £374,082, which compares with £337,352 for the previous year; and the last allocation is £30,000 to the contingency account, which is the same as the amount placed to this account in 1936. After making these deductions there remains for appropriation the sum of £436,518, and your directors recommend that this sum should be applied in the payment of the dividend on the 6 per cent. cumulative preference stock, involving £84,000, and a dividend on the ordinary stock of 10 per cent., of which 4 per cent. has already been paid, amounting to £278,151. If these appropriations are approved, there will remain a balance of £74,367 to be carried forward to the accounts of the current year, or £10,701 more than the sum brought forward from the accounts for 1936.

THE REAL RETURN ON CAPITAL INVESTED

While the dividend on the ordinary stock recommended by your directors is at the rate of 10 per cent. for the year, I would remind you that large amounts of ordinary stock have been issued from time to time at a substantial premium. If, therefore, allowance is made for these issues, the return on the ordinary stock is much less than 10 per cent. I would also remind you that it has been the company's policy for many years to invest its reserve funds in the business instead of in outside securities. The consequence of this policy, that is the issue of ordinary stock at a premium and the investment of reserves in the business, is that the nominal amount of issued capital is considerably less than the total amount which has been expended on capital works. To obtain a true view of the position it is necessary to include the Power Station Company. The total nominal issued capital of the two companies at December 31st last amounted to £8,723,704, but their capital expenditure at that date amounted to £12,670,528, a difference of £3,946,824, which has been financed out of reserves. For the year 1937 the total amount disbursed, or which it is now recommended should be disbursed, in the payment of interest and dividends of both companies amounts to £546,011. The average return upon the capital invested in the two undertakings as represented by their capital expenditure is, therefore, only 4.32 per cent. for the year.

It has been my privilege to preside at your annual meetings for nine years, and on each occasion I have had the pleasure of presenting to you results which have showed an improvement on those for the previous occasion. Year by year the accounts have reflected the progressive development of your undertaking. We have been singularly fortunate in the years that have passed, and when I look to the future I see no reason why we should not anticipate a continuance of our good fortune. The rate of development may be modified, but I am confident that the trend of our affairs will continue in an upward direction.

This concludes Lord Ashfield's speech. If, after I have moved the resolution concerning the report and accounts and the dividends, any stockholder would desire to have further information, I shall be pleased to amplify what Lord Ashfield has said.

The report and accounts were unanimously adopted, and the proceedings terminated with votes of thanks to Sir James Devonshire, the chairman of the meeting, and to Lord Ashfield, the chairman of the company.

SCOTTISH POWER COMPANY, LIMITED

STEADY DEVELOPMENT AND PROGRESS

The twenty-eighth annual general meeting of the Scottish Power Company, Limited, was held, on the 11th instant, at the Caledonian Hotel, Edinburgh.

Mr George Balfour, M.P. (the chairman), said that the accounts continued to reveal steady development and progress. The trading balance amounted to £694,531, of which £201,329 was left in the accounts of the subsidiary companies to cover depreciation and reserves. The total units sold amounted to 285,600,000, being an increase of 31,850,000, of which 121,000,000 odd units were sold under contract to the Central Electricity Board, and about 164,000,000 units for general power, domestic and business purposes, an increase of approximately 20,000,000 units, or 14 per cent. The resultant unit rate over the whole of their scattered areas was .869d. per unit and, excluding the Central Electricity Board contract, 1.309d. per unit.

EXPANSION OF THE UNDERTAKING

They had added 287 miles to their main transmission system and 142 miles to low tension mains during the year. They had connected an additional 9,216 consumers, an increase of 15 per cent., bringing the total number of consumers connected up to 70,006 as at December 31st last. They had afforded supplies to six additional small burghs and 30 villages and in addition had inaugurated public lighting supplies in five additional burghs and 21 county districts. They now supplied 344 burghs and villages spread over 22 counties. The street lamps connected to their mains totalled 10,619 scattered over 65 burghs and 125 county districts. During the current year, unless delayed by unforeseen circumstances, many additional burghs and villages would be connected to their services. To give some idea of their intensive programme for developing custom, the mileage run by their demonstration vans during the year was 110,679 miles. They now had 5,350 hired cookers and other appliances in use, of which over 1,600 were added during the year, in addition to cookers and appliances purchased by customers.

As far back as 1926 they obtained statutory powers to merge the smaller undertakings into the appropriate larger area and commenced this policy in the south of Scotland. During the year they had continued this policy of absorbing small isolated undertakings into their larger companies.

CHARGES FOR ELECTRICITY

Regarding charges for electricity, the two-part tariff had long been in operation in the whole of their areas. The nonsense talked about 10d. and 8d. a unit in the Highlands area could be dismissed from their mind. These flat rates were only retained for use in small individual cases where a trifling supply for lighting only was required. Such tariffs were really not profitable to the supply authority, but were necessary to make available a supply to consumers whose demand was negligible. But for the support of the business they obtained in the more populous areas it would be impossible for them, or indeed for any company, to provide supplies at such low prices in districts with, in certain large areas, a population of only 11 per square mile.

With regard to the misleading and indeed false statements which had been repeatedly reported regarding the provision of supplies by the Grampian Company in the Highland areas, he made bold to say that nowhere in Britain has such rapid development in such a sparsely populated territory been achieved. Indeed, he went so far as to express the view that nowhere in the world in like conditions and without any subsidy had so much territory been covered in such a short time or supplies given at lower prices.

The whole of the hydro-electric plants at Rannoch and Tummel had given every satisfaction during the year. The Cuaich-Seilich development was proceeding and the water of the Cuaich would be available in the autumn of this year. The load in all their areas was developing rapidly and by the time the Seilich development had been completed it was clear that they would already have connected load to absorb the whole of the output.

After payment of administration, general expenses and directors' fees and deducting a provision for income tax, the balance at credit of revenue account, including £10,468 brought forward from last year, amounted to £390,340. Deducting interest on loans, the general reserve appropriation, the dividend on the 6 per cent. preference stock and an interim dividend on the ordinary stock, there remained £229,520, out of which there had been paid since the close of the year the dividends on the 6 per cent. preference stock and the 4 per cent. preference stock, leaving a balance of £167,444.

The report and accounts were unanimously adopted and a final dividend of 5½ per cent., making a distribution of 8 per cent. for the year, less income tax, was declared.

METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED

IMPROVED RESULTS

The fifty-first ordinary general meeting of the Metropolitan Electric Supply Company, Limited, was held, on the 15th instant, at Winchester House, London.

Mr George Balfour, M.P., the Chairman, said that they were once again able to submit a report and accounts which he was sure shareholders would all regard as satisfactory, as they were able to show improved results and record very substantial reductions in prices during the past year. The directors intended to pursue consistently the policy of improving efficiency and cheapening their services.

It was a burden on all companies operating in London under the 1925 (No. 2) Act to have to make through the London Power Company a substantial contribution to a low-price supply to other authorities or undertakings receiving a supply from the Central Electricity Board, or if these authorities did not receive such benefits, of making a heavy contribution to the solvency of the Central Board.

They never seemed to escape from authorities, Boards and Bills, all supposed to help them and the consumers. They surely had enough experience now to guide them and teach them how little could be done by such means. They had come into a heritage of freedom. Let them not leave a legacy of "Mort Main" to rob future generations of their freedom of action. Let them, above all, preserve liberty of action for their successors.

The only deduction which could be made from the available figures was that undue restriction upon electricity supply authorities did not produce greater efficiency or a reduced price to the consumer. They had made reductions last year amounting to £150,000 on a full year and were making further reductions for the second half of this year amounting to over £65,000—in spite of rising costs.

During the year they had connected 19,177 new customers, making a total of 186,865 connected at the end of the last financial year, and they continued to connect new customers at approximately the same rate as last year. The directors recommended a further dividend of 7 per cent., less tax, making 10 per cent. for the year, on the ordinary shares and a bonus of 2 per cent., also less tax.

The report was adopted.

OLYMPIA, LIMITED

THE WOMEN'S FAIR

The ninth ordinary general meeting of Olympia, Limited, was held, on the 16th instant, at Olympia, London, W.

Mr Louis Nicholas, who presided in the absence abroad of Mr Philip E. Hill, the chairman of the company, explained the fall in revenue, pointing out that it arose from circumstances over which the directors had no control. He reminded the meeting that at the last general meeting he had pointed out the competition with which the company was faced and also referred to the alterations and improvements which were then in hand and which had now been completed and paid for at a cost of upwards of £240,000 with the result that the company now owned exhibition buildings that in the opinion of the board were unequalled by any in the country, having all the amenities required for the tenants, exhibitors and visiting public, together with garage accommodation under cover. The halls were so arranged that very large exhibitions could be accommodated as in one hall, while in the case of smaller exhibitions each of those buildings could be utilised as a separate unit.

He informed the meeting that the board had after careful consideration formed a company, known as Exhibition Promoters (Olympia), Limited, which was solely owned by Olympia, which company was now promoting and organising a Women's Fair and Exhibition to be held in November in the current year. The advertising of this new exhibition was under the auspices of Odhams Press. With this exhibition fixed, Olympia was fully let during the current year, except during July and August.

He regretted that the directors did not see their way to recommend a dividend on the ordinary share capital notwithstanding the fact that the company had available undistributed profits of £47,997 and £50,000 standing to the credit of dividend equalisation account, a total of £97,997, and the directors were of opinion that until the lettings of Olympia had been restored to their former level this decision was a prudent one in the interests of the company.

He explained that his personal opinion without being unduly optimistic, and taking everything into account, was that Olympia had now every chance in the near future of recovering its previous prosperity.

The report was adopted, and the proceedings terminated with a vote of thanks and confidence to the chairman and directors.

GEO. W. KING, LIMITED

RECORD OUTPUT

The first annual general meeting of Geo. W. King, Limited, was held, on the 16th instant, at the Institute of Chartered Accountants, London.

Mr A. C. Herring, V.C., A.C.A., who presided, said:—This is our first annual general meeting as a public company, and I am glad to say that the financial year which has just closed has been a successful one. The output of the company has been quite considerably in excess of anything which has ever been achieved in the past.

The total profit available amounts to £23,158 0s. 11d. Your directors recommend the payment of a dividend on the ordinary shares of 10 per cent., less tax.

During the year under review, not only has the turnover of the company increased, but the Conveyor Department, in particular, has been successful in breaking new ground. These conveyors are now manufactured to carry an infinite variety of goods, such as omnibuses, motor cars and practically all their components, refrigerators, bicycles, furniture, pickles, washing machines, electrical fittings, pricks, paper, glass, bananas, etc., with a consequent speeding-up and saving of costs in those factories and warehouses where they are installed. It is interesting to note that our conveyors are now being used by some of the largest and most successful companies in the country.

EQUIPMENT FOR AIRCRAFT FACTORIES

The amount of re-armament work which we have done is comparatively small, but in the aircraft industry we have recently developed conveying equipment for use in the manufacture of both military and commercial aircraft. We have received the contract for installing this equipment in the new shadow aircraft factory at Speke, work on which is now nearing completion. I think I am right in saying that we are the only people who have specially designed and produced conveyors for dealing satisfactorily with aeroplanes in course of construction, and the consequent saving of labour and speeding-up of work makes us optimistic of expansion in this direction.

Although your company at the moment may be a comparatively small one, the work which it undertakes is most important and specialised in nature. We feel that there will be a good demand for our conveyors not only in good times but also in bad times, as it is then that manufacturers look for means of reducing their costs, and conveyors are a very vital factor for such saving.

Another branch of engineering which to some extent is allied to conveyors and has therefore received our attention is that of hoists and cranes. We have now a complete range of hoisting gear, from patent rope blocks suitable for lifting hundredweights to electric hoists capable of lifting and travelling five tons, and these have met with a ready sale.

Our high-speed cranes have been designed to meet modern conditions, and they are now being used by some of the largest motor-car manufacturers in this country, where their special features have been appreciated.

AGRICULTURAL MACHINERY DEPARTMENT

So far I have only commented on one department of your business, but there are two others which have contributed to this year's results and which are good potential profit-earners, namely the agricultural machinery and sliding-door-gear departments.

The agricultural engineering department is playing its part in the production of equipment and buildings for the agricultural industry, where we think we are able to apply a higher standard of engineering technique than is usually given to this subject. We have also started a building section of this department, and we are in a position now to carry out contracts for farms built on the most scientific and labour-saving plans and complete in every detail.

The sliding-door-gear department has also developed satisfactorily during the year. This department manufactures door-gears from the lightest type suitable for chicken-houses to heavy systems suitable for doors weighing many tons.

With regard to the prospects for the ensuing year, your company is well equipped, well managed, and in a strong financial position, and the orders already executed this year and in hand at the moment are in excess of the corresponding figure for a year ago. In addition, only a small proportion of the factories in this country have so far been equipped with mechanical conveyors. I think it is only a question of time before practically every up-to-date factory will have conveyors installed, and I therefore feel that there is plenty of room for the future development of the activities of your company.

The report was unanimously adopted.

DAVIS AND TIMMINS, LIMITED

RECORD TURNOVER AND PROFITS

The thirty-ninth annual general meeting of Davis and Timmins, Limited, was held, on the 16th instant, at the Holborn Restaurant, London.

Mr F. Le Neve Foster (the chairman) said that at the meeting last year he ventured to hold out prospects of a good year. He thought it would be agreed that the past year's results more than justified what he had said. Once again—and for the sixth year in succession—profits showed a substantial advance on those of the previous year. The increase of profit was mainly attributable to a substantial increase in turnover, and, in fact, both profit and turnover constituted a record in the company's existence as a public company, which now covered a period of nearly 40 years. During that time the company had consistently paid the dividends on its preference shares and had passed its ordinary dividend in one year only, while the average rate of dividend distributed on the ordinary share capital was over 16 per cent. Few public companies could surpass this record.

He was glad once again to report particular improvement in sales of standard stock lines. Turnover in these lines for the year showed a satisfactory increase of 45 per cent. over 1936, as against the increase of 55 per cent. for 1936 over 1935.

The net profit for the past year was £51,261, as against £35,218 last year. The directors recommended the payment of a final dividend on the ordinary shares of 20 per cent., making 30 per cent. for the year, as against a total distribution of 17½ per cent. last year.

The consolidated balance sheet again gave a clear and concise picture of the state of the business and represented a strong position. The balance shown on general reserve and undivided profits account was £114,323, which exceeded the amount of the issued ordinary capital by the substantial sum of £29,323, and it nearly covered the item for goodwill and patents—£39,329—three times. This was all the more satisfactory when the reasonableness of the figure for plant and machinery—£78,650—was considered.

Internally, he was satisfied that the company had never, during its long career, been in a stronger or more efficient position than it was to-day.

The report and accounts were unanimously adopted.

PROVINCIAL CINEMATOGRAPH THEATRES, LIMITED

RECORD DIVIDEND

The twenty-eighth annual general meeting of Provincial Cinematograph Theatres, Ltd., was held, on the 17th instant, in London.

Mr Mark Ostrer (chairman and managing director) said that the net profit at £506,702, showed an increase of £2,777, and the sum available for distribution had never before been exceeded in the history of the company. During the recent years of expansion and consolidation the directors had utilised the surplus earnings to strengthen the company's financial structure. The reserve for depreciation, general reserve, debenture stock sinking fund and the carry-forward now amounted to approximately £2,000,000, but, in addition, very large sums had been written off out of profits in the past in respect of expenses of issues, goodwill and premiums on the redemption of the 6 per cent. debenture stock. But for their ultra-conservative policy they would not have maintained so definitely their predominant position as the leading exhibiting company.

The directors were of the opinion that the company had accumulated sufficient reserves to take care of the immediate future. They therefore recommended that a sum equivalent to last year's general reserve appropriation, namely, £75,000, be distributed among the participating preferred ordinary and ordinary shares, bringing the total dividends for the year on these shares to 9½ per cent. and 22½ per cent., respectively. He might mention that this dividend of 22½ per cent. on the ordinary shares constituted a record. He wished, however, to make it quite clear that these additional distributions might not be repeated, as each year would have to be considered on its merits, and, in addition, there must be taken into consideration the new problems with which this industry and the entertainment business in general was constantly confronted.

The year's results might be regarded as eminently satisfactory in view of the intensified competition with which they had had to contend, and he could confidently say that these results could not have been achieved but for the co-operation of the controlling company, Gaumont-British Picture Corporation. Profits for the current year to date had been maintained, and he had every reason to believe that next year he would be in a position to present a statement as satisfactory as he had done that day.

The report was unanimously adopted.

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

ACTIVE AND PROFITABLE YEAR

The forty-second ordinary general meeting of this company was held, on the 15th instant, in London.

Mr J. S. Wetzlar (a director) presided in the absence of Mr Walter McDermott (the chairman of the company).

A speech prepared by Mr McDermott, which was read by Mr F. A. Rogers, the secretary, stated: The recognition by your directors of the necessity for expecting periods of dullness to follow bright market conditions is their justification for avoiding the full sharing of the profits of any one good year and for keeping in mind the possibilities of serious commercial slumps and of the incalculable world effects of political events.

The profit and loss account shows a net profit of £229,694, and a dividend of 2s. 6d. per share, less tax, is recommended. The cash position of the company is sufficiently strong to take advantage of opportunities likely to be offered us, and the total valuation of our

investments at £754,978 on our books is substantially below the market value of the holdings making up this total.

The Anglo-American Corporation, in which we still have a large holding, had a very successful year's work, and declared in December last an increased dividend of 4s. per share. We have referred in our report to a participation in a loan to a mining company. The company concerned is The South African Land and Exploration Company, Limited.

Our holding in West Rand Investment Trust, which is substantially interested in West Witwatersrand Areas, Limited, and in the subsidiary companies, marks our connection with the rapid and encouraging development which is concerned with the testing and exploration of this extension of the Witwatersrand Gold Field. Our interest in Northern Rhodesia copper mining continues, and in that connection the results obtained by the Rhokana Corporation, Limited, for the year ended June 30, 1937, are very gratifying. Our holding of shares in Gold Coast Selection Trust, Limited, gives us an indirect interest in all the important mining undertakings in the Gold Coast Colony, as well as in large alluvial gold deposits on the Offia River.

The report and accounts were unanimously adopted.

(Continued from page 648)

imported feeding barley has been dull and prices have been further reduced.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

From—	Week ended		Season to	
	Mar. 5, 1938	Mar. 12, 1938	Mar. 11, 1937	Mar. 12, 1938
N. America	415	301	18,808	15,190
Argentina and Uruguay	322	277	12,828	5,118
Australia	380	506	7,569	7,918
Russia	10	29	11	4,294
Danube and dist.	127	96	6,812	5,103
India	14	907	1,953	
Other Countries	42	53	1,024	520
Total	1,310	1,322	48,019	39,176
To—				
U.K.	216	280	11,872	10,156
Orders	270	286	12,388	8,100
France	69	10	868	611
Belgium	64	37	3,180	3,530
Holland	43	45	1,180	2,213
Italy	30	20	3,804	716
Greece	54	94	1,301	1,320
Scandinavia	35	24	1,274	1,066
Austria, etc.	40	88	1,295	1,407
Other European Countries	325	170	693	2,872
Ex-European Countries	264	258	10,164	7,185
Total	1,310	1,322	48,019	39,176

Other Foods

Provisions and Meat.—On the London Provision Exchange during the past week bacon and hams were in quiet demand at unchanged rates. Colonial butter was firmer and Danish was steady. Colonial makes of cheese were also marked up in price, but Dutch cheeses were cheaper. With the warmer weather, supplies of eggs are showing a further increase, and the downward trend in prices has continued. At Smithfield market, meat was frequently slightly cheaper.

Colonial Produce.—The general price tendency was downwards and the markets were rather featureless. Cocoa was irregular, Accras being marked down while certain other sorts rose in price. Coffee prices were mostly unaltered, though Santos was a little cheaper; the market was quiet generally. The spot market in raw sugar was also quiet and prices again showed a sagging tendency. Demand for Indian and Ceylon teas at this week's auctions was stronger than of late and quotations showed a rising tendency.

Fruit.—Business at Covent Garden during the past week was not so active as had been expected in view of the bright, mild weather, states *The Fruit-grower*. Nevertheless, apples were again in good demand, and pears also encountered an active inquiry at slightly firmer rates. Hothouse grapes are now in limited supply, but South African remained an active item. Plums from the same source have been doing moderately well. Some English forced strawberries put in an appearance and showed quite good colour and size. Oranges continued to sell particularly well, while good Messina lemons were dearer owing to limited supplies. Demand for grapefruit improved.

OTHER FOODS: STATISTICS

	Week ended	
	Mar. 5, 1938	Mar. 12, 1938
BACON:		
Arrivals in London (bales):		
Danish	13,870	13,490
Canadian	7,024	6,184
Dutch	1,908	1,983
Lithuanian	1,138	1,119
Polish	3,124	2,044
COCOA:		
Movements in Lond. (bags):		
Landed	15,483	4,402
D/d for home consumption	12,875	9,065
Exports	702	248
Stocks, end of week	108,050	103,139
COFFEE:		
Movements in Lond. (cwt.):		
Brazilian—Landed	116	30
“ D/d for home consn.	98	256
“ Exports	2	2
“ Stocks, end of week	2,313	2,085
Central and S. American:		
Landed	6,102	9,522
D/d for home consumption	2,223	1,935
Exports	1,222	553
Stocks, end of week	74,890	81,930
Other kinds—Landed	17,989	16,513
“ D/d for home consn.	3,061	4,097
“ Exports	2,605	727
“ Stocks end of week	111,177	122,866
MEAT:		
Supplies at Smithfield (tons):		
Total	8,384	8,325
Beef and veal	4,157	4,555
Mutton and lamb	2,581	2,339
Pork and bacon	899	856
Poultry, etc.	647	575
PEPPER:		
Movements in Lond. (tons):		
Black—Landed	...	...
“ Delivered	3	10
“ Stocks, end of week	1,948	1,938
White—Landed	14	4
“ Delivered	20	506
“ Stocks, end of week	10,852	10,336
SUGAR:		
Movements, London and Liverpool (tons):		
Imports	11,930	4,215
Deliveries	17,263	16,799
Stocks, end of week	293,614	281,030
TEA:		
Sales on Garden A/c. (pkgs.):		
N. India	44,365	44,596
S. India	4,710	1,704
Ceylon	17,576	14,672
Java	2,480	3,637
Siam	1,011	133
Sumatra	5,987	3,039
Other	76,129	67,792

* Weeks ended Mar. 3 and 10 respectively.

Vegetables.—A good demand was in evidence for most lines of choice vegetables and salads at Covent Garden, says *The Fruitgrower's* report. Cucumbers were an outstanding feature, and lettuce, radishes, spring onions and Canary Island tomatoes were all arriving more freely. House-grown beans were firm in price, but Madeira beans were a point easier. Celery and rhubarb sold well and carrots were firm in price. Larger supplies of kitchen greenstuff were cheaper, but onions were easier, the warmer weather causing rapid deterioration. Supplies of old potatoes were well maintained and quotations were unaltered.

Miscellaneous Commodities

Oilseeds and Oils.—In sympathy with wheat and other commodities, linseed has declined. Indian shippers have continued to press new crop for sale and some business to Hull has been done at lower prices. Little business is being done in Argentine seed, in which Continental crushers appear to be more interested. As a result of increased arrivals of new Plate linseed, mills are resuming their activity, and there is thus less reliance upon imported oil, substantial quantities of which have come to hand in recent weeks. The new crop in India is progressing favourably and a bigger yield than last season is indicated. There have been no shipments to America in the past fortnight, but interest in Plate seed is expected to revive very soon. The market in Egyptian cottonseed is dull.

Rubber.—The market has been dull throughout the period under review, and prices have sagged. Meanwhile, consumption in the United States remains very poor and a further increase in stocks was recorded last month. The aggregate of dealers' and manufacturers' stocks is given as 288,883 tons last month, against 193,679 in February, 1937.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended	
	Mar. 5, 1938	Mar. 12, 1938
Landed	1,670	2,501
Delivered	1,323	1,070
Stocks, end of week	71,572	73,003

CURRENT STATISTICS

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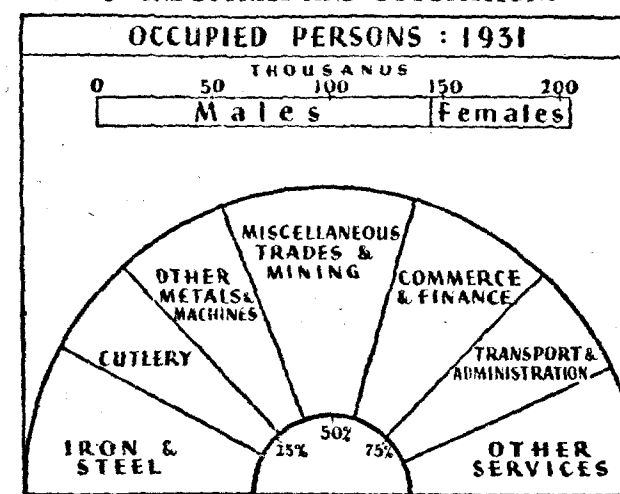
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

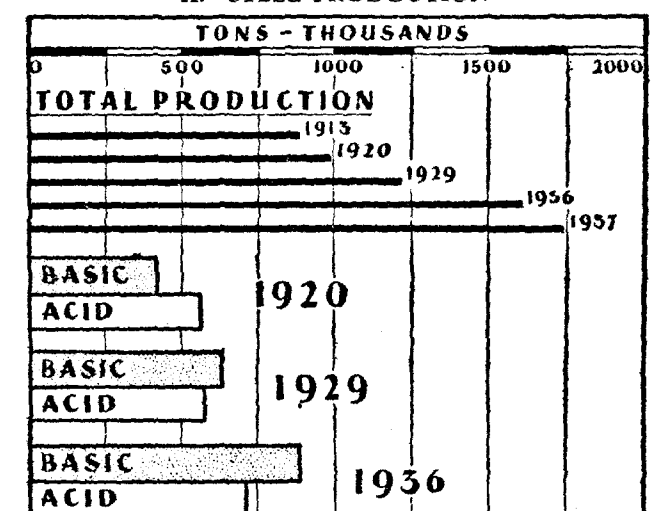
Sheffield

A leading article on page 612 records some impressions derived from a recent visit to Sheffield. The following charts illustrate some of the more interesting aspects of the City's economic activities. In Chart I the census figures have been used to bring out the relative numbers at work in different industries and occupations. Chart II tells of the increased importance of basic steel in Sheffield's industry and of the great rise in total output. Chart III compares the incidence of unemployment in Sheffield with that in the whole country. In Chart IV we present in graphical form some interesting facts about the City's finance, for which we are indebted to the courtesy of the Lord Mayor.

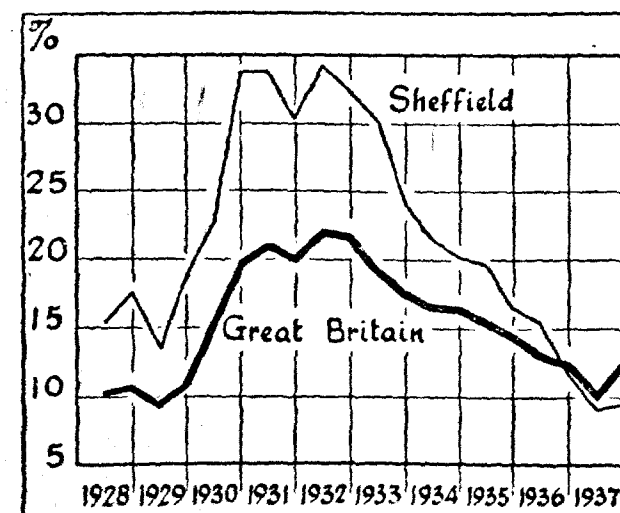
I.—INDUSTRIES AND OCCUPATIONS



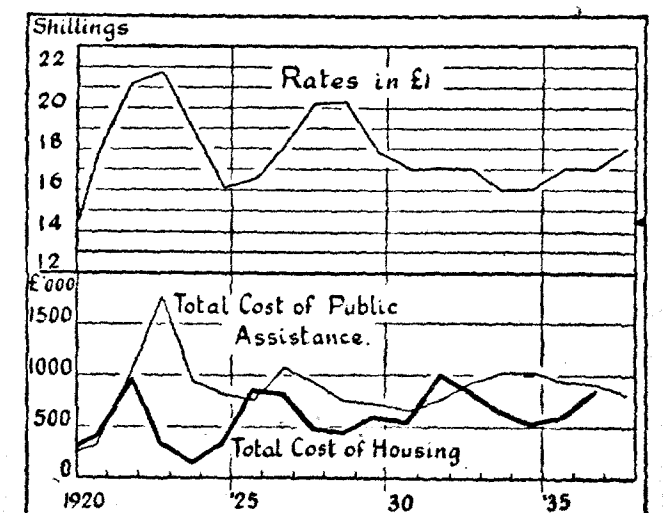
II.—STEEL PRODUCTION



III.—UNEMPLOYMENT (NOS. ON UNEMPLOYMENT REGISTER AS PERCENTAGE OF TOTAL INSURED)



IV.—RATES, HOUSING AND PUBLIC ASSISTANCE



Finance

GOVERNMENT FINANCE

For the week ended March 12, 1938, the total ordinary revenue was £24,196,000, against ordinary expenditure of £11,736,000. The surplus accrued since April 1st last is thus £10,156,000, against a deficit of £10,556,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1937-38	April 1, 1937	April 1, 1937	Week ended Mar. 12, 1938	Week ended Mar. 12, 1938
ORDINARY REVENUE					
Inc. Tax	288,150	242,151	277,084	8,161	10,287
Sur-tax	58,000	46,030	47,740	4,150	3,450
Estate, etc.	89,000	82,330	84,040	1,940	1,720
Stamps	29,000	25,180	20,980	590	1,570
N.D.C.	2,000	...	670	...	90
Other Inc.	1,500	1,120	1,600	20	30
Rev. Duties	467,650	396,811	432,114	14,861	17,147
Total I. Rev.	219,850	201,801	210,423	6,213	5,730
Excise	113,150	103,900	107,400	1,100	900
Total Cust. and Excise	333,000	305,701	317,823	7,313	6,630
Motor Duties	34,000	32,339	34,400	...	218
P.O. (Net Receipts)	11,800	14,650	13,530	350	170
P.O. Fund	1,350	1,320	1,260	...	...
Crown Lds. Rec. from Sun. Loans	4,300	4,550	5,230	...	...
Misc. Rec.	11,000	17,215	11,818	165	31
Total Ordinary Revenue	863,100	772,586	816,220	22,689	24,196
SELF-BAL. REVENUE					
Post Office and Broadcasting	75,198	65,300	69,820	900	1,130
Total	...	837,886	886,040	23,589	25,326

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for 1937-38	April 1, 1937	April 1, 1937	Week ended Mar. 12, 1938	Week ended Mar. 12, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	224,000	208,892	212,771	421	373
Payments to N. Ireland	8,000	6,656	7,229	...	...
Other Cons. Fund Serv.	3,200	2,872	2,942	14	...
P.O. Fund	300	420	...	...	...
Total	235,500	218,830	222,942	435	373
Supply Serv.	602,348	554,112	584,122	16,113	11,363
Total Ord. Expend.	862,848	783,142	806,064	16,548	11,736
Sinking Funds	...	11,572	9,870	1,225	230
SELF-BAL. EXPEND.					
P. O. and Broadcasting	75,198	65,300	69,820	900	1,130
Total	...	860,014	885,754	18,673	13,096

* Revenue required to meet expenditure.

† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.

‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After raising Exchequer balances by £231,394 to £2,798,379, the other operations for the week (as shown in the next column, but excluding £7,100,000 issued under the Defence Loans Act and £230,000 issued to Sinking Funds), reduced the gross National debt by £4,899,000 to about £8,140 millions.

WEEK'S CHANGES IN DEBT

NET REPAYMENTS, ETC.*	
Treasury Bills	3,549
Public Debt Advances	850
National Savings Certificates	100
P.O. and Telegraph (Money) Acts	400
	4,899

* Excluding £7,100,000 issued under Section 1 (1) of the Defence Loans Act, 1937. There were no net increases in debt.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to March 12, 1938, are shown below:—

(£ thousands)	
Ordinary Exp.	806,064
Issue to Exch. Eq.	200,000
Fund (July '37)	230,671
Issues under Defence Loans Act	30,850
Inc. in bles.	98
Ordinary Rev.	816,220
Gross	230,671
Less	9,870
New S.F.	9,870
Old S.F.	9
Net borrowing	220,792
	1,037,012

FLOATING DEBT

(£ millions)							
Date	Treasury Bills		Ways and Means Advances		Total Float- ing Debt	Float- ing Assets	
	Ten- der	Tap	Public Depts.	Bank of Eng- land			
1937							
Mar. 13	505.0	173.0	39.6	...	717.6	212.6	
	51	500.0	174.6	23.5	...	698.1	198.1
Dec. 18	622.0	317.3	41.6	...	980.9	358.9	
" 25	622.0	319.9	41.1	...	983.0	361.0	
" 31	889.7*		39.4	55.7	984.9	...	
1938							
Jan. 15	612.0	308.9	35.3	...	956.2	344.2	
" 22	597.0	301.0	28.1	...	926.2	329.1	
" 29	587.0	292.3	31.6	...	910.9	323.9	
Feb. 5	572.0	281.7	33.6	...	887.3	315.3	
" 12	557.0	276.9	31.9	...	865.8	308.8	
" 19	542.0	275.5	31.3	...	848.8	306.8	
" 26	512.0	273.1	30.2	...	814.3	312.3	
Mar. 5	512.0	283.8	38.8	...	834.2	322.2	
" 12	517.0	283.8	38.9	...	839.8	332.7	

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

(£ millions)						
Date of Tender	Amount			Average Rate %		Per Cent. Allottee at minimum Rate
	Offered	Applied for	Allotted	s.	d.	
1937						
Mar. 12	45.0	88.4	45.0	10	4.95	37
Dec. 17	50.0	78.8	50.0	13	9.17	85
" 24	50.0	68.4	50.0	12	0.64	74
" 31	50.0	80.5	50.0	10	11.59	47
1938						
Jan. 14	35.0	81.8	35.0	10	0.07	47
" 21	35.0	88.2	32.0	9	11.46	22
" 28	30.0	86.5	30.0	10	0.80	18
Feb. 4	30.0	88.4	30.0	10	0.98	18
" 11	30.0	87.7	30.0	10	0.89	18
" 18	35.0	86.6	35.0	10	1.04	23
" 25	40.0	92.0	40.0	10	1.39	33
Mar. 4	45.0	97.8	45.0	10	0.94	30
" 11	45.0	92.1	45.0	10	1.35	36

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On March 11th, applications at 99 17s. 5d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 36 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at 99 17s. 5d. per cent. and above were allotted in full. £50 millions of Treasury bills are being offered on March 18th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
8 wks. to: Feb. 27, 1937	5,850,746	4,394,809
Feb. 28, 1938	5,795,762	4,346,819
Week to: Feb. 27, 1937	704,562	528,421
Feb. 19, 1938	628,088	471,066
Feb. 26, 1938	668,565	501,424

Net Exchequer receipts, week to February 26, 1938: £100,000.

BANK OF ENGLAND RETURNS

MARCH 16, 1938

ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In circula. 479,475,746	Govt. Debt 11,015,100
In Bank De- 46,931,414	Securities 188,949,977
partment	Other Secs. 23,190
	Silver Coin 11,733
	Am't. of Fid. 200,000,000
	Issue 326,407,160
	Gold & Bullion 526,407,160

BANKING DEPARTMENT

(£ thousands)	
Prop. capital 14,553,000	Govt. Secs. 112,206,164
Rest 3,708,224	Other Secs. 3,640,045
Public Depts.* 11,109,347	Securities 20,393,400
Other Depts. 119,046,337	
Bankers 38,006,817	
Other 154,713,154	Notes 46,931,414
	Gold & Silv. 841,642
	Coin 184,083,725

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Am't. Mar. 16, 1938	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	479,475 +	215 +	15,660
Deposits: Public	11,109 +	1,462 +	11,737
Bankers	119,046 +	4,766 +	25,077
Others	35,667 +	424 +	1,590
Total outside liabilities	645,298 +	3,095 +	27,409
Capital and rest	18,261 +	13 +	20
COMBINED ASSETS			
Govt. debt and securities	312,171 +	6,990 +	19,225
Discounts and advances	3,640 +	2,885 +	124
Other securities	20,488 +	1,013 +	4,345
Silver coin in issue dept.	12 +	Same +	3
Gold coin and bullion	327,249 +	16 +	12,632
RESERVES			
Res. of notes & coin in banking department...	47,773 -	199 -	3,028
Proportion of reserve to outside liabilities—			
(a) Banks, dept. only ("proportion")	28.8% -	0.6% -	1.2%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.7% -	0.2% -	0.2%

COMPARATIVE ANALYSIS

(£ millions)					
	1937	1938			
	Mar. 17,	Feb. 23	Mar. 2	Mar. 9	Mar. 16
<i>Issue Dept.:</i>					
Notes in circ.	463.8	474.5	478.3	479.3	479.5
Notes in banking dept.....	49.8	51.9	48.1	47.1	46.9
Govt. debt and securities	198.1	199.3	199.6	200.0	200.0
Other secas.	1.9	0.6	0.4	0.0	0.0
Gold	313.7	326.4	326.4	326.4	326.4
<i>Deposits:</i>					
Public	22.8	16.7	11.4	12.6	11.1
Bankers'	94.0	105.6	115.7	114.3	119.0
Others	37.3	35.6	36.0	36.1	35.7
Total	154.1	157.9	163.1	163.0	165.8
<i>Bkg. Dept. Secs.:</i>					
Government	94.8	97.4	104.4	105.2	112.2
Discounts, etc.	3.8	6.5	7.1	6.5	3.6
Other	22.9	19.5	21.0	21.5	20.5
Total	121.5	123.4	132.5	133.2	136.3

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in issue department, £11,733; capital, £14,553,000; rest, £3,708,224.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Roumania appeared in *The Economist* of December 25, 1937; Portugal, of February 5; Danzig and Lithuania, of February 26; Egypt and South Africa, of March 5; International Settlements, Reichsbank, Canada, Denmark, Latvia, New Zealand, Norway, Switzerland, Java and Finland, of March 12.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Mar. 18, 1937	Feb. 17, 1938	Mar. 1938	Mar. 17, 1938
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	8,844	9,164	9,179	9,189
Total reserves	9,123	9,614	9,659	9,676
Total cash reserves ...	266	441	472	478
Total bills discounted	4	10	8	8
Bills in open mkt.	7	10	9	9
Total bills on hand ...	23	18	17	17
Industrial advances	2,430	2,564	2,564	2,564
Total U.S. Govt. secs.	2,460	2,592	2,590	2,590
Total bills and secs.	12,496	13,003	12,862	13,115
LIABILITIES				
F.R. notes in actual circulation	4,173	4,120	4,134	4,125
Aggregate of excess mkt. bank res. over reqs.	1,450	1,360	1,470	1,460
Deposits—Member bank reserve account	6,830	7,216	7,311	7,328
Govt. deposits	86	187	181	264
Total deposits	7,160	7,857	7,881	7,917
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,496	13,003	12,862	13,115
Ratio of total res. to deposit and F.R. note liabs. combined	80.5%	80.3%	80.4%	80.4%

NEW YORK FEDERAL RESERVE BANK—Million \$'s

RESOURCES				
Monetary gold stock...	11,515	12,781	12,768	12,778
Treasury and Nat. Bk. currency	2,538	2,662	2,670	2,672
LIABILITIES				
Money in circulation...	6,385	6,302	6,334	6,328
Treasury cash and deposits with F.R. bks.	2,784	3,813	3,743	3,814
NEW YORK FEDERAL RESERVE BANK.—Million \$'s				
	Mar. 17, 1937	Feb. 17, 1938	Mar. 17, 1938	Mar. 17, 1938
Total gold reserves ...	355.9	386.0	389.8	389.7
Total bills discounted	2.3	3.0	2.4	2.2
Bills bt. in open mkt.	1.1	0.2	0.2	0.2
Total U.S. Govt. sec.	652.3	740.0	739.6	739.5
Total bills and sec.	661.4	747.0	746.5	746.3
Deposits — Member bank—reserve acct.	3020.9	3249.0	3291.2	3350.9

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

bilities combined ...		86.3%	85.4%	85.5%	85.4%
FEDERAL RESERVE		REPORTING			
MEMBER BANKS.		—Million \$'s			
	Mar.	Feb.	Feb.	Mar.	
	1937	1938	23,	1938	
ASSETS	4,	1938	23,	1938	
Loans, total	9,121	8,981	8,896	8,933	
Investments	13,597	12,253	12,271	12,298	
Reserve with					
Reserve banks	5,171	5,674	5,673	5,627	
Due from domestic bks.					
LIABILITIES	2,055	2,310	2,049	2,039	
Deposits: demand (ad-	15,501	14,464	14,576	14,381	
justed)					
Time	5,167	5,225	5,249	5,262	
U.S. Government ...	340	639	639	670	

BANK CLEARINGS

LONDON
(£ thousands)

	Month of February		Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	Mar. 17, 1937	Mar. 16, 1938	Mar. 17, 1938
Number of wkg. days:	24	24	%	6	6	64
Town.....	3,167,737	2,276,656	-17.0	702,041	684,151	8,397,690
Metropolitan.....	169,953	168,824	-0.7	39,065	36,570	477,955
Country.....	296,571	295,063	-0.5	66,906	65,915	831,202
Total.....	3,634,261	3,091,543	-14.9	808,072	786,636	9,706,847

† Based on average working day.

PROVINCIAL
(£ thousands)

	Month of February		Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	Mar. 13, 1937	Mar. 12, 1938	Mar. 13, 1938
No. of working days:	24	24	%	6	6	62
BIRMINGHAM.....	12,212	9,753	-20.1	2,605	2,038	27,378
BRADEFORD.....	4,560	3,531	-22.2	1,000	763	8,937
BRISTOL.....	5,517	5,508	-0.1	1,317	1,146	13,838
BULL.....	4,089	3,725	-8.9	1,007	998	13,486
LEEDS.....	4,396	4,407	+0.2	997	824	12,047
LEICESTER.....	3,288	2,837	-13.7	728	731	8,500
LIVERPOOL.....	30,420	22,447	-26.2	7,881	4,812	57,865
MANCHESTER.....	47,425	40,912	-13.5	11,006	9,020	107,284
NEWCASTLE.....	6,159	7,011	+14.3	1,397	1,348	15,427
NOTTINGHAM.....	2,255	2,236	-0.8	532	476	5,964
SHEFFIELD.....	4,910	5,110	+4.0	930	802	12,568
Total: 11 Towns.....	125,231	107,929	-13.8	29,420	22,958	324,120
DUBLIN.....	...	...	...	6,154	5,921	65,492†

† Based on average working day. † 11 full weeks.

MONEY RATES
LONDON

	Mar. 10, 1938	Mar. 11, 1938	Mar. 12, 1938	Mar. 14, 1938	Mar. 15, 1938	Mar. 16, 1938	Mar. 17, 1938
Bank rate (changed from 2½% June 30, 1932).....	2	2	2	2	2	2	2
Market rates of discount 60 days' bills, drafts.....	17½	17½	17½	17½	17½	17½	17½
3 months' do.....	17½	17½	17½	17½	17½	17½	17½
4 months' do.....	17½	17½	17½	17½	17½	17½	17½
6 months' do.....	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills 2 months'.....	12½	12½	12½	12½	12½	12½	12½
3 months'.....	12½	12½	12½	12½	12½	12½	12½
Loans—Day-to-day.....	12½	12½	12½	12½	12½	12½	12½
Short.....	12½	12½	12½	12½	12½	12½	12½
Deposit advances: Hk.....	12	12	12	12	12	12	12
Discount houses at call.....	12	12	12	12	12	12	12
At notice.....	12	12	12	12	12	12	12

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%
Feb. 17.....	17½	17½	17½	2-2½	2-2½	2-2½
Mar. 3.....	17½	17½	17½	2-2½	2-2½	2-2½
Mar. 10.....	17½	17½	17½	2-2½	2-2½	2-2½
Mar. 17.....	17½	17½	17½	2-2½	2-2½	2-2½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Mar. 17, 1937	Feb. 16, 1938	Feb. 23, 1938	Mar. 2, 1938	Mar. 9, 1938	Mar. 16, 1938
Call money.....	1½	1½	1½	1½	1½	1½
Time money (90 days) mixed coll.....	114	114	114	114	114	114
Bank acceptances—eligible 90 days.....	14	14	14	14	14	14
Non-eligible 90 days.....	14	14	14	14	14	14
Commercial accept., 90 days.....	14	14	14	14	14	14

CENTRAL AND SOUTH AMERICA

The following exchange quotations were given on the dates indicated for the centres shown below. Rates for other centres appeared on page 537 of the issue of March 5th.

Columbia.	Sight selling rate on New York was 183.05 pesos per 100 U.S. dollars on February 25th. This rate applies to holders of exchange permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 13.80 sucres per U.S. dollar on February 24th.
Nicaragua.	Sight selling rate on New York (including tax and commission) was 5.36 cordobas per U.S. dollar on February 26th. This rate applies to approved sales of exchange by exporters to importers. The "free" rate on the same date was 5.80.
El Salvador.	Sight selling rate on New York was 2.49½ colones per U.S. dollar on February 23rd.

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Mar. 11, 1938	Mar. 12, 1938	Mar. 14, 1938	Mar. 15, 1938	Mar. 16, 1938	Mar. 17, 1938
New York, \$.....	4-85½	5-00½	4-98½	4-98½	4-97½	4-96½	4-96
Montreal, \$.....	4-86½	5-00½	4-98½	4-98½	4-97½	4-96½	4-96
Paris, Fr.....	124-21	157½	155½	157½	162½	160	159
Brussels, Bel.....	35-00a	29-63	29-62½	29-62½	29-56	29-51	29-50
Milan, L.....	92-46	95½	94½	94½	94½	94½	94½
Zurich, Fr.....	25-22½	21-59	21-60	21-62	21-62	21-62	21-62
Athens, Dr.....	375	540-55	540-55	540-55	540-55	540-55	540-55
Amst'dm, Fl.....	12-107	8-96	8-96½	8-96½	8-96½	8-97½	8-97½
Berlin, Mk.....	20-43	12-40	12-39	12-39	12-38	12-37	12-36
Registered Marks	(c)	47-52	48-53	47½-52½	47½-52½	48-53	48½-53½
Br. India Rup.	†18d.	18½-5½	18½-5½	18½-5½	18½-5½	18½-5½	18½-5½
Hong Kong, \$.....	†	14½-5½	14½-5½	14½-5½	14½-5½	14½-5½	14½-5½
Shanghai, \$.....	†	13½-5½	13½-5½	13½-5½	13½-5½	13½-5½	13½-5½
Rio de Mil.....	†5-899d.	21½-5½	21½-5½	21½-5½	21½-5½	21½-5½	21½-5½
B. Aires, \$.....	†11-45	16-12½	16-12½	16-12½	16-12½	16-12½	16-12½
Valparaiso, \$.....	†40	125½	125½	125½	125½	125½	125½
M'vide, \$.....	†51d.	20½-14	20-21	20-21	20-21	20-21	20-21
Lima, Sol.....	†17-38	20-21	20-21	20-21	20-21	20-21	20-21
Mexico, Pes.....	9-76	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Manila, Pes.....	†24-66d.	23½-24	23½-24	23½-24	23½-24	23½-24	23½-24
Moscow, Rbls.....	...	26-56½	26-45½	26-45½	26-36½	26-38½	26-32½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 2-23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is 15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (l) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Mar. 11, 1938	Mar. 16, 1938	Mar. 17, 1938
Helsingfors, M.....	193-23	225½-61½	225½-61½	225½-61½
Madrid, Pt.....	25-22½	80-140(1)	80-140(1)	80-140(1)
Lisbon, Esc.....	110	110-110½	110-110½	110-110½
Vienna, Sch.....	34-58½	25½-71½	25½-71½	25½-71½
Budapest, Pen.....	27-82	25-25½	24½-5½	24½-5½
Prague, Kr.....	1164½	142½-24	141½-24	141½-24
Danzig, Gul.....	25-00	26½-58	26½-58	26-26½
Warsaw, Zlot.....	48-38	26½-58	26½-58	26-26½
Riga, Lat.....	25-22½	24½-54	24½-54	24½-54
Bucharest, Lei.....	813-8	665-90	665-90	665-90
Constantinople, Pst.....	110	620*	620*	620*
Belgrade, Din.....	276-32	211-21	211-21	211-21
Kovno, Lit.....	48-66	29-30	29-30	29-30
Sofia, Lev.....	673-66	390-420	390-420	390-420
Tallinn, E. Kr.....	18-159	174-184	174-184	174-184
Oslo, Kr.....	18-159	19-85-95	19-85-95	19-85-95
Stockholm, Kr.....	18-159	19-35-45	19-35-45	19-35-45
Copenhagen, Kr.....	18-159	22-35-45	22-35-45	22-35-45
Alexandria, Pst.....	97½	97½-58	97½-58	97½-58
Kobe, Yen.....	†24-58d.	13½-14	13½-14	13½-14
Singapore, \$.....	†28d.	27½-28½	27½-28½	27½-28½
Batavia, F.....	8-93-6	8-96-00	8-96-00	8-96-00
Bangkok, Baht.....	†21-82d.	22½-14	22½-14	22½-14

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-10½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England:—(j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Mar. 11, 1938	Mar. 12, 1938	Mar. 14, 1938	Mar. 15, 1938	Mar. 16, 1938	Mar. 17, 1938
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
2 "	5½-14	13½-11½	13½-11½	11½-32	11½-32	5½-14
3 "	9½-14	9½-14	9½-14	5½-12	5½-12	9½-14
Paris, franc	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	13-2	11½-11½	2-2½	11½-11½	11½-11½	13-2
2 "	31-3½	21-2½	31-3½	21-2½	21-2½	31-3½
3 "	42-4½	34-4½	42-4½	34-4½	34-4½	42-4½
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	7½-13	11½-13	11½-13	11½-13	11½-13	7½-13
2 "	13½-14	21-13½	21-13½	21-13½	21-13½	13½-14
3 "	21-2	31-2½	31-2½	31-2½	31-2½	21-2
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	31-14½	4-6	7½-9½	8-10	6-8	5-7
2 "	8-11	10-12	15-17	14-16	10-12	11-13
3 "	14-17	14-17	24-27	22-25	17-20	16-19
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	2-1	2-1	2½-1½	2½-1½	2-1	2-1
2 "	3½-2½	3-5	4½-3½	4½-3½	3-5	3-5
3 "	5½-4½	6-5	6-5	5½-4½	4-3	4½-3½

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Mar. 10, 1938	Mar. 11, 1938	Mar. 12, 1938	Mar. 14, 1938	Mar. 15, 1938	Mar. 16, 1938
London:—	Old Par	5-000½	5-000½	4-995½	4-983½	4-972½	4-952½
60 days.....	New Par	5-014	5-001½	4-991½	4-983½	4-972½	4-952½
Cables.....	8-2397	5-01½	5-001½	4-991½	4-983½	4-972½	4-952½
Demand.....	6-63	3-15½	3-17½	3-19½	3-04½	3-06½	3-08½
Paris, Fr.....	23-54	16-91½	16-90½	16-85	16-83½	16-84½	16-82½
Brussels, Bel.....	32-67	23-20½	23-19½	23-06	23-03	23-04	22-96
Switz'd Fr.....	8-91	5-26½	5-26½	5-26½	5-26½	5-26½	5-26½
Italy, Lira.....	40-33	40-38	40-36½	40-25	40-22	40-17	40-14
Berlin, Mk.....	23-82	18-91	18-92	18-92	Un'q'd	Un'q'd	Un'q'd
Vienna, Sch.....	32-67	5-75	5-75	5-75	5-75	5-75	5-75
Madrid, Pt.....	68-06	55-90½	55-86	55-70	55-59	55-50	55-13
Amst'dm Gldr.....	145-37	22-37½	22-35	22-30	22-27½	22-25	22-15
Cop' h'gn, Kr.....	25-20	25-17½	25-10	25-07½	25-05	24-95	24-95
Oslo, Kr.....	25-82½	25-80	25-75	25-70	25-67½	25-57½	25-57½
St' h'm, Kr.....	1-29½	0-92	0-92	0-91½	0-915	0-915	0-914
Athens, Dr.....	169-31	99-970	99-955	99-925	99-910	99-870	99-710
Y' h'm, Yen.....	84-40	28-95	28-95	28-90	28-83	28-79	28-71
Shanghai, \$.....	...	29-60	29-55	29-50	29-43	29-31	29-20
B. Aires, Peso.....	...	31-10	31-06	30-99	30-91	30-91	30-78
Rio, Ms. f.....	11-96	5-90	5-90	5-90	5-90	5-90	5-90

Usance: T.T.

* Dollars per £1.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended March 17, 1938

Imports		
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Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Mar. 13 (£'000)				Aggregate Gross Receipts, 10 weeks (£'000)			
	Passenger	Merchandise	Coal & Coke	Total	Passenger	Merchandise	Coal & Coke	Total
L. M. & S.—								
1937	393	435	391	1,219	3,770	4,794	2,992	11,556
1938	394	504	295	1,193	3,858	4,844	3,087	11,824
L. & N. E. (a)—								
1937	282	347	276	885	2,537	3,289	2,640	8,466
1938	264	353	271	888	2,587	3,399	2,825	8,811
Great Western—								
1937	167	198	121	486	1,596	1,895	1,191	4,682
1938	170	205	123	498	1,624	1,977	1,265	4,866
Southern—								
1937	244	61	37	342	2,503	579	358	3,440
1938	255	63	38	356	2,576	584	378	3,538
Total—								
1937	1,063	1,101	735	2,900	10,402	10,548	7,089	28,039
1938	1,083	1,125	727	2,935	10,675	10,809	7,555	29,039

(a) Week ended March 12.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 358	+ 358	+ 184	+ 100
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 35.80	+ 35.80	+ 18.40	+ 10.00
Latest week compared with 1937	+ 4	+ 3	+ 12	+ 14
Latest week compared with average 1937-38	- 163	- 113	- 68	- 14

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 11 (£'000)			Aggregate Gross Receipts, 10 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.5	0.6	2.1	16.1	4.9	21.0
1938	1.6	0.5	2.1	16.7	4.4	21.1
Great Northern—						
1937	7.7	9.8	17.5	75.2	89.2	164.4
1938	7.3	9.0	16.3	79.5	84.1	163.6
Great Southern—						
1937	25.2	41.8	67.0	264.2	424.5	688.7
1938	26.4	40.8	67.2	276.8	405.1	681.9

THE WEEK'S COMPANY RESULTS

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
					Prefce. Amount	Ordinary Amount Rate			
Banks									
Eastern Bank	Dec. 31	£ 74,018	£ 127,193	£ 201,211	£ ...	£ 70,000 7	£ 50,000	£ 1,191	131,866
Mercantile of India	Dec. 31	172,829	183,498	356,327	...	126,000 12	57,000	173,327	181,732
National Bank of Egypt	Dec. 31	229,870	459,575	689,445	...	450,000 15	...	239,445	472,886
National Bank of India	Dec. 31	243,955	465,862	709,817	...	360,000 18	100,000	249,817	456,286
Breweries									
Bernard (T. and J.)	Jan. 31	9,298	22,484	31,782	8,750	7,500 10	6,000	9,532	21,324
Courage and Co.	Dec. 31	110,098	397,106	507,204	20,000	250,000 20	125,946	111,258	388,881
Canals and Docks									
Milford Docks	Dec. 31	81	9,691	9,772	...	8,278 1½	1,000	494	5,406
Oxford Canal	Dec. 31	2,735	8,054	10,789	...	8,573 6	...	2,216	9,561
Electric Lighting, etc.									
County of London Electric	Dec. 31	425,289	2,013,028	2,438,317	293,994	612,371 10½	1,048,555	483,397	1,844,422
London Assoc. Electricity	Dec. 31	818	445,989	446,807	120,420	326,093 7	...	294	518,380
Mersey Power	Dec. 31	4,510	154,481	158,991	33,000	39,718 8	78,069	8,204	128,735
Mid-Cheshire Electricity	Dec. 31	5,327	41,376	46,703	4,899	16,093 8	20,233	5,478	35,701
North-Eastern Electric	Dec. 31	166,373	1,162,983	1,329,356	105,000	413,676 7	592,959	217,721	993,784
South London Electric	Dec. 31	17,932	121,465	139,397	1,800	37,346 7	73,212	27,039	107,705
Financial, Land, etc.									
Ellis & Co. Amal. Propts.	Dec. 31	588	4,724	5,312	...	...	3,926	1,386	4,237
Eng. Assn. of Amer. Bond	Dec. 31	3,904	10,062	13,966	...	5,295 10	3,300	5,371	11,256
Exploration Co.	Dec. 31	4,968	1,142	6,110	...	...	...	6,110	2,164

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending March 12, 1938, before pooling	£ 568,200	+ 15,600
Total, 37 weeks to date	20,760,300	+ 94,500
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,053
London Transport Pool receipts, year to June 30, 1937	41,377,929	+ 771,590

OVERSEAS WEEKLY TRAFFIC RECEIPTS

		INDIAN		CANADIAN		SOUTH & CENTRAL AMERICAN	
Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts	Name	Weeks Ending	Gross Receipts for Week	Aggregate Gross Receipts
		1938	+ or -			1938	+ or -
Bengal & N. Western	20 Feb. 20	Rs. 10,50,639	- 2,01,460	Canadian National	9 Mar. 7	\$ 3,244,623	- 572,368
Bombay, Bar. & C.I.	47 Mar. 10	32,84,000	- 13,094	Canadian Pacific	9 Mar. 7	2,374,000	- 259,000
Madras & S. Mah.	47 Feb. 29	19,32,000	+ 4,06,903			29,855,976	- 2,306,223
S. Indian	20 Mar. 12	15,12,095	+ 86,891			22,072,000	- 480,004

* 10 days. * 8 days.

CANADIAN

Canadian National	9 Mar. 7	\$ 3,244,623	- 572,368	29,855,976	- 2,306,223
Canadian Pacific	9 Mar. 7	2,374,000	- 259,000	22,072,000	- 480,004

SOUTH & CENTRAL AMERICAN

Anglo-Arg. Trams.	10 Mar. 11	\$662,671	+ 5,390	6,391,894	+ 152,175
Antofagasta	10 Mar. 13	1,17,960	- 2,600	173,420	- 930
Argentine N.E.	36 Mar. 12	1,121,400	+ 5,700	5,488,000	+ 84,900
B.A. and Pacific	36 Mar. 12	1,800,000	- 230,000	51,305,000	- 3,290,300
B.A. Central	35 Feb. 26	1,111,663	- 13,647	3,182,696	- 103,017
B.A. Gt. Southern	36 Mar. 12	1,208,000	- 112,000	88,724,000	+ 961,000
B.A. Western	36 Mar. 12	1,199,007	- 6,948	5,503,968	+ 90,799
Central Argentine	36 Mar. 12	1,768,000	- 127,000	27,104,000	- 2,372,000
Central Uruguay	36 Mar. 12	1,476,433	- 7,878	1,681,390	- 92,136
Leopoldina	10 Mar. 12	1,172,950	- 110,450	73,909,750	- 193,908
Mexican Railway	9 Mar. 7	1,172,950	- 110,450	73,909,750	- 193,908
Nitrate	36 Mar. 12	1,172,950	- 110,450	73,909,750	- 193,908
United of Havana	36 Mar. 12	1,172,950	- 110,450	73,909,750	- 193,908

* Converted at average official rate 16:12 pesos to £. † Receipts in Argentine pesos. ‡ Portnight. § Converted at official rate. ¶ Receipts in Uruguayan currency. * Converted at "controlled free rate."

SUEZ CANAL RECEIPTS

Transit Receipts	7 Feb. 20	£ 274,400	- 72,000	1,404,100	- 289,300
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* 10 days.

THE WEEK'S COMPANY RESULTS—continued

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	
					Prefce. Amount	Ordinary		Carried to Reserve, Depreciation, etc.		Net Profit	Dividend
						Amount	Rate				
Financial, Land, etc. (cont.)		£	£	£	£	£	%	£	£	£	%
Lewis's Investment Trust	Feb. 28	25,165	290,237	315,402	87,500	154,219	17½	33,536	40,147	275,859	17½
Pennmount Estates	Dec. 31	693	9,698	10,391	3,543	3,315	7	2,785	7,748	7,876	7
Rowton Houses	Dec. 31	8,668	22,003	30,671	5,759	10,166	5½	7,500	7,246	21,692	5½
Telephone, etc., Trust	Dec. 31	65,782	104,475	170,257	38,500	58,160	8	10,391	63,206	106,064	8
Gas											
Alliance and Dublin	Dec. 31*	51,829	43,900	95,729	...	70,697	8	...	25,032	70,334	8
East Surrey Gas	Dec. 31	5,578	17,588	23,166	15,645	3,192	6	...	4,329	19,100	6
Iron, Coal and Steel											
North British Locomotive	Dec. 31	Dr 113,780	1,946	Dr 111,834	...	...	12	...	Dr 111,834	5,712	Nil
Nunery Colliery	Dec. 31	17,726	79,461	97,187	3,875	25,200	12	47,500	20,612	74,919	10
Settle, Speakman & Co.	Dec. 31	14,174	54,225	68,399	...	30,000	10	22,026	16,373	52,035	8½
Welsh Navig. Steam Coal	Dec. 31	10,655	46,788	57,443	11,869	5,500	2½	20,000	20,074	14,412	Nil
Motor, Cycle & Aviation											
Vauxhall Motors	Dec. 31	818,457	1,039,591	1,858,048	13,612	725,000	(b)	323,185	796,251	1,089,735	75
Rubber											
Gula-Kalumpang	Dec. 31	32,469	87,193	119,662	...	53,200	8	34,510	31,952	49,154	6½
Java Amalgamated	Dec. 31	7,131	22,705	29,836	...	18,500	10	5,000	6,336	13,226	5
Rambutan	Dec. 31	1,790	23,420	25,210	...	20,000	10	3,000	2,210	15,920	6
Rubber Estates of Johore	Dec. 31	12,463	10,701	23,164	...	5,653	4	4,800	12,711	8,875	5
Sampang (Java)	Dec. 31	1,552	6,759	8,311	...	5,840	8	...	2,471	3,227	4
Siak	Dec. 31	...	3,663	3,663	...	2,599	4½	500	564	2,074	Nil
Sungei Kruit	Dec. 31	4,057	10,442	14,499	...	6,500	10	3,565	4,434	9,252	10
Shipping											
Anchor Line	Sept. 30	3,988	39,313	43,301	20,797	...	...	...	22,504	61,538	5
Lampart & Holt Line	Dec. 31	13,384	172,152	185,536	...	44,640	5	100,000	40,896	43,614	Nil
Shops and Stores											
Bradleys (Chepstow Place)	Jan. 15	119,339	68,769	188,108	16,500	40,000	10	10,000	121,608	88,299	15
Goringe (Frederick)	Jan. 31	25,385	33,821	59,206	12,000	18,000	9	725	28,481	33,145	9
Home & Colonial Stores	Jan. 1	185,390	285,793	471,183	143,751	37,500	15(c)	101,000	188,932	192,898	15(c)
Jax Stores	Dec. 31	2,928	7,685	10,613	...	5,625	7½	4,000	988	11,334	2½
Lipton Limited	Jan. 1	...	95,313	95,313	...	25,903	(d)	69,410	...	84,904	(d)
Mappin and Webb	Dec. 31	43,492	77,894	121,386	33,750	19,200	8	25,000	43,436	73,007	8
Maypole Dairy	Jan. 1	261,506	371,402	632,908	107,500	151,083	7	85,106	289,219	292,872	5
Meadow Dairy	Jan. 1	26,306	139,340	165,646	82,537	18,787	5	25,300	39,022	121,031	5
Owen Owen	Jan. 31	5,834	38,994	44,828	15,000	3,005	10	19,148	7,675	39,035	10
Stylo Boot (Northern)	Jan. 31	4,473	16,237	20,710	...	9,000	8	...	11,710	...	(a)
Telegraphs & Telephones											
Eriesson Telephones	Dec. 31	35,761	148,704	184,465	13,998	93,759	19½	40,000	36,708	140,602	k25½
Textiles											
Grainger and Smith	Dec. 31	7,184	5,793	12,977	6,452	...	...	2,700	3,825	21,500	4
Trusts											
Gen. & Com. Investment	Feb. 28	25,704	24,387	50,091	11,398	13,677	6	...	25,016	24,218	6
Municipal Trust	Feb. 28	11,770	19,307	31,077	17,407	...	...	...	13,670	15,363	Nil
Tyneside Investment	Jan. 31	5,761	9,618	15,379	5,666	2,267	3	2,000	5,446	9,293	3
Other Companies											
African and Eastern Trade	Feb. 28	18,383	180,611	198,994	151,478	29,148	11	...	18,368	167,531	7½
Apollinaris and Presta	Dec. 31	Dr. 38,559	22,179	Dr. 16,380	...	...	...	...	Dr 16,380	17,806	Nil
Betts and Co.	Dec. 31	6,397	30,011	36,408	...	20,000	10½	8,000	8,408	27,189	10½
British Thomson-Houston	Dec. 31	188,851	573,168	762,019	78,750	105,000	7	371,861	206,408	480,721	7
British United Shoe Mch'y.	Dec. 31	163,449	594,981	758,430	23,458	524,393	19½	13,016	197,563	568,183	17½
Canning (W.) and Co.	Dec. 31	28,292	87,156	115,448	...	56,250	25	18,000	41,198	83,570	25
Dundee Floorcloth, etc.	Jan. 31	2,844	3,999	6,843	1,440	2,773	4	...	2,630	1,988	4
Durhill (Alfred)	Dec. 31	70,301	55,133	125,434	10,000	45,000	10½	...	70,434	45,248	17½
Evans, Sons, Lescher, etc.	Dec. 31	9,172	33,197	42,369	16,322	...	...	15,000	11,047	35,520	Nil
Flettons Limited	Dec. 31	12,575	39,104	51,679	...	16,875	15	21,000	13,804	45,702	15
Gallaher Limited	Dec. 31	171,219	615,859	787,078	48,750	266,805	27½	290,387	181,136	529,111	25
G.R.A., etc. (Manchester)	Dec. 31	8,661	55,683	54,344	11,204	18,115	25	14,000	11,025	(a)	(a)
Greengate, etc., Rubber	Dec. 24	22,599	65,549	88,148	28,125	32,813	10½	...	27,210	73,934	12½
Harding, Tilton & Hartley	Dec. 31	2,714	61,284	63,998	1,877	21,180	37½	38,090	2,851	50,360	27½
Imperial Tobacco (Canada)	Dec. 31	1,490,943	1,333,313	2,824,256	99,000	1,213,745	12½	656,918	854,593	1,229,416	11½
International Paint	Dec. 31	19,544	158,295	177,839	12,000	106,900	20	41,000	17,939	125,624	16
Kellner Partington Paper	Dec. 31	1,583	194,699	196,282	30,000	63,721	7½	100,500	2,061	113,397	6½
Knight (John)	Dec. 31	141,722	239,088	380,810	125,000	120,000	40	...	135,810	227,160	40
Lloyd (Richard) & Co.	Dec. 31	1,475	22,737	24,212	...	12,066	(f)	5,000	7,146	(a)	(a)
Lon. & Thames, etc. Wharves	Dec. 31	232,352	203,768	436,120	...	173,334	10½	...	262,786	202,931	14½
Mandleberg (J.)	Dec. 19	...	37,746	37,746	3,675	7,200	8	10,885	15,986	30,830	Nil
National United Laundries	Dec. 31	42,837	62,144	104,981	5,227	30,000	10	27,201	42,553	64,075	10
Niger Co.	Dec. 31	360,887	982,640	1,343,527	...	...	...	1,125,000	218,527	1,377,476	10
Peck, Frean and Co.	Dec. 31	28,443	61,038	89,481	41,375	12,500	21½	8,500	27,106	87,110	11½
Phillips (Godfrey)	Dec. 31	64,484	224,034	288,518	52,500	119,541	11½	36,766	79,711	227,523	4½
Pinchin Johnson and Co.	Dec. 31	98,229	293,594	391,823	33,931	244,641	17½	15,000	98,251	309,863	20m
Radiation, Ltd.	Dec. 31	127,483	327,682	455,165	48,939	254,538	15	20,000	131,688	328,974	15
Rivet, Bolt & Nut	Dec. 31	4,165	63,582	67,747	...	67,747	10	20,024	9,051	45,035	7½
Ruberooid Co.	Dec. 31	17,351	57,710	75,061	16,364	18,000	6	25,000	15,697	56,971	5
Switchgear & Cowans	Dec. 31	5,057	35,477	40,534	...	18,000	20	15,000	7,534	24,116	20
Tremlett Limited	Dec. 31	4,947	5,706	10,653	...	4,500	5	...	6,153	9,169	6
Tunnel Asbestos Cement	Nov. 30	4,050	18,787	22,837	6,239	12,375	10 & 5	...	4,223	6,181	Nil
United Africa Co.	Sept. 30	132,866	2,127,412	2,260,278	...	1,210,000	11	786,313	263,965	1,726,717	10
United Newspapers	Dec. 31	...	18,682	18,682	10,336	...	...	...	8,346	75,945	Nil
Wiseman (M.) and Co.	Dec. 31	1,149	27,698	28,847	...	19,961	14	5,746	3,140	(a)	(a)
Total Profits, 1938, in £000's :	No. of Cos.										
To March 12	444	18,605	61,573	80,178	10,591	36,606	...	12,254	20,728	54,190	...
To March 19	523	24,530	78,186	102,717	12,691	44,770	...	18,873	26,383	69,749	...

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended February 28		Two Months ended February 28	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	8,350,492	6,619,497	13,938,893	13,577,123
B. Feeding-stuffs for Animals	938,804	970,179	1,796,732	1,959,919
C. Animals, Living, for Food	457,049	457,289	910,768	1,071,772
D. Meat	6,007,838	6,348,133	13,019,366	14,297,060
E. Dairy Produce	4,264,221	6,855,257	9,691,741	12,701,312
F. Fresh Fruit and Vegetables	2,799,312	2,925,496	5,615,156	5,866,090
G. Beverages and Cocoa Preparations	3,717,469	3,258,364	7,919,322	7,455,361
H. Other Food	3,400,069	3,886,746	7,461,412	8,238,587
I. Tobacco	669,696	1,364,848	2,074,087	4,168,635
Total, Class I	30,723,950	33,185,809	62,647,777	69,336,059
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,489	1,626	4,268	2,795
B. Other Non-Metalliferous Mining and Quarry Products and the like	324,733	368,768	644,247	785,629
C. Iron Ore and Scrap	572,229	1,620,465	1,096,362	3,486,863
D. Non-Ferrous Metalliferous Ores and Scrap	1,179,092	1,665,543	2,201,495	3,098,039
E. Wood and Timber	2,396,311	2,128,757	5,243,136	5,448,037
F. Raw Cotton and Cotton Waste	3,830,444	3,303,482	8,795,196	6,880,013
G. Wool, Raw and Waste, and Woollen Rags	5,355,897	3,601,249	10,799,596	8,099,861
H. Silk, Raw, Knots and Noils	152,128	232,515	297,331	508,434
I. Other Textile Materials	1,370,325	1,359,557	3,341,311	2,817,329
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,814,611	2,706,671	5,921,611	5,422,534
K. Hides and Skins, Undressed	1,838,212	1,852,182	4,831,393	4,041,653
L. Paper-making Materials	847,876	1,601,547	1,898,819	3,304,503
M. Rubber	600,647	1,340,059	975,896	2,611,948
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	841,216	753,990	1,790,443	1,718,899
Total, Class II	22,126,200	22,536,411	47,841,104	48,217,717
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	20,732	853	38,637	1,327
B. Pottery, Glass, Abrasives, etc.	552,532	550,625	1,124,080	1,163,904
C. Iron and Steel and Manufactures thereof	794,074	2,124,653	1,589,354	4,946,302
D. Non-Ferrous Metals and Manufactures thereof	3,458,294	3,059,775	6,632,436	6,553,186
E. Cutlery, Hardware, Implements and Instruments	585,436	556,517	1,119,965	1,131,928
F. Electrical Goods and Apparatus	313,655	248,039	608,739	510,048
G. Machinery	1,754,330	1,891,539	3,513,821	3,882,168
H. Manufactures of Wood and Timber	545,711	553,141	1,118,048	1,186,627
I. Cotton Yarns and Manufactures	249,020	263,052	474,800	543,477
J. Woollen and Worsted Yarns and Manufactures	342,079	335,710	694,568	646,400
K. Silk Yarns and Manufactures	202,074	212,270	411,083	411,934
L. Manufactures of other Textile Materials	680,613	567,153	1,323,487	1,218,159
M. Apparel	755,751	704,412	1,274,710	1,418,471
N. Footwear	184,715	276,981	321,658	452,074
O. Chemicals, Drugs, Dyes and Colours	961,221	922,155	2,070,905	1,985,208
P. Oils, Fats and Resins, Manufactured	3,018,651	3,442,599	5,579,524	7,835,695
Q. Leather and Manufactures thereof	761,040	461,311	1,499,856	1,017,417
R. Paper, Cardboard, etc.	1,094,793	1,233,149	2,212,514	2,743,176
S. Vehicles (including Locomotives, Ships and Aircraft)	523,298	467,965	1,063,506	1,089,316
T. Rubber Manufactures	58,900	62,002	114,262	121,438
U. Miscellaneous Articles wholly or mainly Manufactured	1,677,151	1,501,571	3,384,616	3,204,480
Total, Class III	18,563,070	19,497,502	36,170,732	42,062,755
IV.—Animals, not for Food	88,385	257,726	203,126	445,957
V.—Parcel Post	210,413	261,196	468,019	594,940
Total	71,712,038	75,738,644	147,330,758	160,657,328

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED

KINGDOM (Value F.O.B.)

	Month ended February 28		Two Months ended February 28	
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	148,586	121,007	294,685	270,982
B. Feeding-stuffs for Animals	58,496	50,839	112,705	103,573
C. Animals, Living, for Food	260	73	878	251
D. Meat	81,851	81,520	172,281	175,355
E. Dairy Produce	80,107	68,289	176,199	137,897
F. Fresh Fruit and Vegetables	59,049	12,784	124,908	50,960
G. Beverages and Cocoa Preparations	1,337,245	1,166,782	2,627,902	2,512,560
H. Other Food	970,761	877,556	1,835,288	1,747,387
I. Tobacco	383,341	400,687	764,457	811,485
Total, Class I	3,119,696	2,779,528	6,109,303	5,810,450
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,257,433	2,710,192	4,810,581	5,729,358
B. Other Non-Metalliferous Mining and Quarry Products and the like	85,420	77,188	190,420	150,227
C. Iron Ore and Scrap	85,778	23,056	183,007	33,902
D. Non-Ferrous Metalliferous Ores and Scrap	245,506	177,229	451,600	404,318
E. Wood and Timber	9,706	5,736	15,620	10,582
F. Raw Cotton and Cotton Waste	88,539	45,839	178,972	76,902
G. Wool, Raw and Waste, and Woollen Rags	1,069,461	432,354	2,121,923	953,549
H. Silk, Raw, Knots and Noils	470	211	1,013	486
I. Other Textile Materials	49,245	37,617	89,665	83,009
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	361,401	261,364	665,921	510,660
K. Hides and Skins, Undressed	208,131	129,713	409,213	271,763
L. Paper-making Materials	145,399	97,055	272,206	206,317
M. Rubber	29,448	16,290	53,318	42,747
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	264,749	226,770	547,941	447,633
Total, Class II	4,900,686	4,240,614	9,991,400	8,921,453
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	277,304	337,781	593,062	741,895
B. Pottery, Glass, Abrasives, etc.	714,490	686,171	1,401,879	1,492,993
C. Iron and Steel and Manufactures thereof	3,279,554	3,474,622	6,721,104	7,602,343
D. Non-Ferrous Metals and Manufactures thereof	1,005,363	893,947	2,089,134	2,029,150
E. Cutlery, Hardware, Implements and Instruments	691,373	743,499	1,343,111	1,492,657
F. Electrical Goods and Apparatus	803,922	1,101,202	1,652,970	2,362,085
G. Machinery	3,463,386	4,564,331	6,984,337	9,347,519
H. Manufactures of Wood and Timber	93,916	90,254	187,443	173,272
I. Cotton Yarns and Manufactures	5,324,980	4,341,459	10,682,894	9,250,401
J. Woollen and Worsted Yarns and Manufactures	3,101,435	2,649,093	6,266,246	5,480,872
K. Silk Yarns and Manufactures	108,486	120,908	210,448	237,673
L. Manufactures of other Textile Materials	1,522,328	1,249,131	3,126,207	2,659,491
M. Apparel	931,404	817,815	1,701,076	1,617,979
N. Footwear	170,470	166,054	321,362	337,428
O. Chemicals, Drugs, Dyes and Colours	2,015,509	1,669,539	3,846,873	3,605,795
P. Oils, Fats and Resins, Manufactured	338,759	444,919	897,346	977,890
Q. Leather and Manufactures thereof	406,513	292,981	823,686	595,119
R. Paper, Cardboard, etc.	549,456	552,541	1,114,498	1,217,218
S. Vehicles (including Locomotives, Ships and Aircraft)	2,834,842	3,163,433	5,519,778	6,441,330
T. Rubber Manufactures	124,848	109,142	259,345	228,430
U. Miscellaneous Articles wholly or mainly Manufactured	1,978,783	2,236,772	3,861,748	4,409,982
Total, Class III	29,737,121	29,705,594	59,604,567	62,301,522
IV.—Animals, not for Food	30,364	21,405	91,366	91,706
V.—Parcel Post	784,170	781,581	1,859,001	1,588,434
Total	38,572,037	37,528,722	77,655,637	78,713,565

British Aluminium Company.—Profits for 1937, including amount brought forward, after £50,000 (same) to depreciation and £100,000 (against £50,000) to reserve fund are £459,340, against £361,158. Final ordinary dividend 8½ per cent., making 12½ per cent. for year, against 10 per cent. Carry forward, £101,424, against £71,158.

United States Steel Corporation.—Net income for 1937, \$94,944,000, equal to \$8.01 per common share, compared with \$2.91 for 1936. 7 per cent. preferred dividends absorbed \$58,546,000, against \$58,439,000. Resumption of common dividends at \$1 per share—the first since 1931—required \$8,703,000, leaving a surplus for year of \$27,695,000.

Gallaher, Ltd.—Profit for 1937, £615,859, against £529,111. To tax and N.D.C. reserve, £185,000, against £130,000. To reserve for contingencies, £50,000, as before. To reserve £55,387, against £75,000. Ordinary dividend and bonus 27½, against 25 per cent. Carry forward raised from £171,219 to £181,136. Bank overdraft reduced from £40,709 to £16,786.

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MONTHLY TRADE SUPPLEMENT

Britain's Commitments

THE Prime Minister, in his speech on Thursday afternoon, dealt with five points of British policy—four of them foreign and the fifth domestic. The points of foreign policy were His Majesty's Government's general attitude towards the League, their particular attitude towards the German threat to Czechoslovakia, the war in Spain, and the Russian proposal for a conference of the four peace-seeking Powers to concert collective measures of defence. The point of domestic policy—which is, of course, intimately related to the international situation—was the question of ways and means of speeding up the production of armaments.

In the foreign field, Mr Chamberlain's reassertion of British loyalty to the League was satisfactory as far as it went—without allaying our unpleasant suspicion that the Prime Minister has no heart in the League or belief in its methods. If he believed in the virtues of Geneva only half as much as he appears to believe in the gentlemanliness and honesty of Signor Mussolini, the League would soon be in a very different position from its present plight. As for the Russian proposal, the Prime Minister rather summarily ruled it out of court on the curious ground that it would not include all the nations of Europe.

The two burning questions, however, were Spain and Czechoslovakia. On Czechoslovakia the Prime Minister said some things which were more specific than had been prognosticated. On Spain, on the other hand, he confirmed the worst suspicions of those who view with alarm the victory for the Fascist troops in the Peninsula. The possi-

bility of a difference in his attitude towards these two indissolubly associated problems was rather ominous. On Spain, where British action is urgently called for here and now, Mr Chamberlain was intransigently passive. His spurt of activity was reserved for Czechoslovakia, where the action that might be called for is rather an affair of to-morrow. We trust that, when to-morrow dawns, his Czechoslovakian touch of resolution will not melt into his Spanish supineness of the present hour.

The Prime Minister's approach to a declaration of British policy regarding Czechoslovakia was prefaced by the important general reminder that we might have to use our arms—outside the province of our specific obligations to France, Belgium, Portugal, Egypt and Iraq—for bringing help to any victim of aggression in any case where armed assistance was proper (though optional) under the Covenant. And he quoted Mr Eden's illustrative citation of assistance to Czechoslovakia as a possible case in point. In this, as in all other cases arising under the Covenant, His

pendence and integrity of Czechoslovakia herself, and should we invite other nations to associate themselves with us in a declaration to that effect? Having considered these two propositions, the Prime Minister rejected them both on the ground that the decision of peace or war for the United Kingdom would thereby be automatically removed from the discretion of the British Government. This negative line had been foreseen.

The Prime Minister went on, however, to give a warning to Germany of such importance that it must be quoted *verbatim*.

"While plainly stating this decision I would add this. Where peace and war are concerned, legal obligations are not alone involved, and, if war broke out, it would be unlikely to be confined to those who have assumed such obligations. It would be quite impossible to say where it might end and what Governments might become involved. The inexorable pressure of facts might well prove more powerful than formal pronouncements, and in that event it would be well within the bounds of probability that other countries, besides those which were parties to the original dispute, would almost immediately be involved. This is especially true in the case of two countries like Great Britain and France, with long associations of friendship, with interests closely interwoven, devoted to the same ideals of democratic liberty, and determined to uphold them."

In a later passage the Prime Minister also made a constructive suggestion for helping to lessen the danger of a German-Czechoslovak conflict. He virtually offered the good offices of His Majesty's Government to mediate between Prague and Berlin for a settlement, to the satisfaction of both countries, of the position of the German minority in Czechoslovakia.

So far, not so bad; but the same cannot be said of Mr Chamberlain's pronouncement on the urgent Spanish question. The Prime Minister dealt with this within the framework of the Anglo-Italian negotiations, and he explicitly declared that Italy was faithfully fulfilling the understanding in regard to Spain on which the conversations had been started.

"I impressed upon the Italian Government through their Ambassador the necessity, if the conversations were to succeed, not only that they should lend whatever help they could along with others, in the bringing into operation of the withdrawal plan, but that in the meantime the situation in Spain should not be materially altered by Italy sending fresh reinforcements. It was never demanded or expected of the Italian Government that they should effect a unilateral withdrawal, and I think it right to say that, during these last weeks while the conversations have been proceeding, His Majesty's Government are satisfied of the fulfilment by the Italian Government of the conditions which had been indicated to them."

"The Italian Government have now again asserted their willingness loyally to assist in the execution of the British plan, and, what is perhaps most important, they have repeated a declaration which they made some time ago and which was made public here at the time, to the effect that Italy has no territorial, political or economic aims in Spain or in the Balearic Islands. His Majesty's Government place full reliance upon the intention of the Italian Government to make good their assurances."

On this Spanish-Italian question, the Prime Minister's attitude passes understanding. We can only say that he must be animated by a fanatical will to believe that Signor Mussolini will do a number of things which are quite contrary to his policy of building up a new Roman Empire in the Mediterranean. "His Majesty's Government place full reliance upon the intention of the Italian Government to make good their assurances!" Yet Mr Chamberlain is fully aware—and the "British plan" is based on the assumption—that the Non-Intervention Agreement has been flagrantly infringed all the time by Italy among others. Did he really, then, dismiss Mr Eden in order to assure Signor Mussolini that, as far as this country was concerned, Italy could go on cheating as hard as ever in Spain while

the Anglo-Italian conversations were in progress? Only she must promise to keep her dishonesty within existing limits!

How are we to account for this obstinately blind faith, which may easily lead to the surrender of positions vital to the defence of the Empire? One consideration, we fear, in the Prime Minister's mind must be that of personal prestige. In dismissing Mr Eden rather than lay down Spanish terms for the Anglo-Italian conversations in advance, Mr Chamberlain made himself Signor Mussolini's prisoner. He committed himself to the formidable choice between declaring the result of the negotiations a success, whatever the result might be, or else acknowledging that he had been mistaken. A second explanation is the ideological one. The Prime Minister's sympathies, like those of a majority of his fellow Conservatives, are no doubt strongly "anti-Red." And this ideological prejudice is blinding the Conservative Party to vital and obvious British interests which were never out of the minds of these gentlemen's fathers and grandfathers. They are determined not to believe that patriotism can demand a policy in Spain that class feeling makes distasteful.

No doubt these two considerations count for much in Mr Chamberlain's mind, but we believe that the pair of them are outweighed by a naive piece of *Realpolitik*. The Prime Minister, it would seem, has still missed the significance of Herr Hitler's pounce upon the Brenner. Mr Chamberlain had no sooner become Signor Mussolini's prisoner than Herr Hitler made haste to take Signor Mussolini captive. With Germany on the Brenner, the Duce dare not be anything henceforward except his German counterpart's junior partner, and must look to this German master for his reward—which, under these conditions, can only be gained at British and French expense. Signor Mussolini frankly confessed his servitude in a speech to his countrymen immediately after Hitler had brought off his Austrian *coup*. It is only Mr Chamberlain who does not see it. We can only interpret his speech as another bid to hire an Italian *condottiere* for a possible war against Germany. And if Abyssinia is not payment enough, Spain must be thrown in.

If Mr Chamberlain does pat the Duce on the back, and if he implicitly warns France not to trespass on the Italian preserve in Spain, then nothing can prevent Mussolini from making Franco win. And, after that, nothing can compel him to carry out his "gentleman's agreement" with Mr Chamberlain to drop the Spanish bone the moment he has it in his jaws.

On this Spanish business, Mr Chamberlain will have a rude awakening. He will find that France has been encircled and bound hand and foot by Herr Hitler's Italian partner. And then what is to hinder the expansion of Germany? Mr Chamberlain's simple-minded game of reviving the Stresa front was killed by Herr Hitler on the Brenner. The Prime Minister himself is the only statesman in Europe who does not know it; and the consequences of his blindness may be portentous. While he thinks he is running an Anglo-Italian ring round Germany, Germany—with Mr Chamberlain's positive assistance—may have run a German-Italian ring round France!

The whole game is hazardous in the extreme, and the House of Commons on Thursday was clearly very sceptical of placing such reliance on Signor Mussolini's promises. On the other hand, it was deeply impressed by Mr Churchill's description of the forces in Central Europe that might be mobilised to resist the flowing tide of Nazi domination. The resuscitation of collective security through the League, for which Mr Churchill is so eloquently pleading, has not only the merit of saving our potential allies before they are stricken off one by one, but is the only policy which can win united support in our own country. Though the Prime Minister won the day, it does not require a great gift of prophecy to foresee that it is Mr Churchill's policy that will win the campaign.

The Defence of the Commonwealth

BOTH the Prime Minister and Mr Hore-Belisha, in their recent speeches on the Defence White Paper and the Army Estimates respectively, laid down an order of priority among the purposes that British arms are designed to serve. Mr Chamberlain's classification was this: first, the security of the United Kingdom; secondly, the defence of the trade routes that bring us food and raw materials; thirdly, the defence of British territories overseas; and fourthly, co-operation in the defence of any allies we might have in the event of war. Within his specialised military sphere, Mr Hore-Belisha's list was similar. The first purpose of the army, he said, was home defence, the second the discharge of British commitments overseas, including the defence of ports in the trade routes, and the last the maintenance of a strategic reserve available to reinforce either of the first two objectives or to co-operate in the defence of possible allies.

These priorities, and the comments made upon them by the responsible Ministers, underline the fact that in the defence of the British Commonwealth as a whole two major responsibilities have to be shouldered: the threat to its most vulnerable and vital spot, and a wide dispersion of contingent liability in respect of territories, strongholds, trade routes and possible allies spread over the world and open to attack from a number of different quarters. Post-war events have heightened the central vulnerability and widened the dispersion of contingent risks. The rise of air power has increased the threat both to Great Britain and to the ocean routes on which she relies, not only for imported food and materials, but also for the deploying of forces in distant theatres of possible war. The imperialism of Fascist Italy has added fresh danger to the Suez Canal route and to British and allied territories in the Mediterranean and Red Sea basins. The ending of the Anglo-Japanese alliance and the expansionist policies of Japan have been followed by the construction of the Singapore base and the adoption, as an ideal at least, of the two-hemisphere naval standard. Meanwhile the growing importance of the industrial factor in war and preparations for war has intensified the problem of scattered strategic liabilities, while suggesting new aids towards solving it.

As Mr Hore-Belisha has recognised in his plans for Army reform, the only answer to the combination of more widely dispersed liabilities with greater danger to the lines of communication with them is to be found in a wider and more flexible dispersion of defensive resources and reserves. It is here that defence co-operation between the self-governing members of the British Commonwealth becomes of very great importance—subject, as it always is, to the problem of united Commonwealth foreign policy. Each of the Dominions is primarily responsible for its own local security. If Australia, for instance, can take care of her local defence against foreign attack, that is a substantial relief to British defensive liability and to the need to transfer ships, men, guns and aeroplanes over long and hazardous distances, in the event of a war in both hemispheres. If Australia can further contribute, as she now does, even a small quota towards the complex of defensive power centred on Singapore, that is an extra relief, and therefore a real addition to her own national security and to the security of British Commonwealth interests and ideals.

The share the Dominions can take in the defence of key strategic points or routes beyond their own borders has been enhanced by the rise of the air arm. A squadron of aeroplanes sent to Singapore or Suez is likely to be much more effective than a cruiser sent to the same spot, and it can get there much more quickly. The prospect becomes all the

more encouraging if the Dominion concerned can construct, maintain and repair its own aeroplanes, besides manning them. One of the most interesting and important of the developments in Commonwealth defence since the War has been the establishment of aircraft assembly plants, and latterly also aero-engine factories, in Australia, South Africa and Canada. Specialised aeroplane equipment must for a long time to come be supplied by Great Britain or the United States, but once existing pressure on British manufacturers is relaxed the Dominions should be able to lay in reserve supplies.

The local manufacture of munitions is equally important. Australia is manufacturing Bren machine-guns under licence. South Africa has established a small-arms and ammunition factory capable of turning out equipment for the Union, and eventually perhaps for its neighbours, on a war scale. The latest Indian Budget contained appropriations for the extension of munitions production with the object of rendering India independent of outside sources of high explosives. These are some examples of the progress that has already been or is likely to be made in this direction. The increasing mechanisation of armies renders further progress all the more desirable. It is, perhaps, not too optimistic to imagine a time when India would be self-sufficient not only in small arms and high explosives but in all munitions and mechanised military equipment; when South Africa could, if she so decided, supply the military needs of armed forces operating in any part of East, West or Southern Africa, and perhaps make some contribution in *matériel* to the defence of the Red Sea, Egypt and the Canal; and when Australia and New Zealand together would have a similar surplus of munitions capacity for the benefit of forces based on Singapore.

In this picture of the possible future Canada occupies a peculiar place. Her isolationism is deep-seated; her defensive ties with Great Britain and other Dominions are slight; her armed forces are feeble compared with her size and wealth, though not perhaps compared with any actual threat to her local security. This precludes any firm reliance on her for much active assistance in a Commonwealth war. At the same time, she is the most industrialised of the Dominions, she can draw on all the technical and material resources of the United States, and whatever else she may do she is unlikely in the event of war to impose those restrictions on the export of warlike supplies which we must expect from the United States if the Neutrality Act remains in effect. Hence, in such circumstances, she might well prove an absolutely invaluable channel for the supply of aeroplanes and munitions, including many made under American patents or with American materials. The possibility is all the more fortifying in that Canada's western ports are less than three weeks' sail from New Zealand, Australia and the Singapore front. It would be comforting to feel that the British and Dominion Governments were exploring and strengthening all these possibilities now.

Those who neglect or deride them have usually failed to observe the immense industrial advance of the Dominions since 1914, when they and we were faced with a war emergency. The manufacturing output of Canada, Australia and New Zealand has trebled in net value; that of South Africa has been multiplied four times. Advance in the metallurgical industries has been particularly rapid and strong. These developments have not been entirely to the immediate advantage of British export industry, but they may prove of real value in the future defence of the Commonwealth.

Austria's Value to Germany

WHAT, besides balm for her national pride, has Germany gained by the annexation of Austria? Herr Hitler made it clear in "Mein Kampf" that the Anschluss was desired for reasons other than the material and the military. But it is none the less obvious that the Reich has gained in both directions by the incorporation of Austria. From the strategic point of view, she is brought into the middle of the Danube plain and to the borders of Italy. Germany dominates Central Europe much more completely from Vienna than she ever could from Passau. The encirclement of Czechoslovakia is only the most obvious of these gains in strategy, in the geographical sense of the word.

But what of the economic side of high strategy? Last week *The Economist* published a study of the strength and weakness of the German economy from a military point of view, in the course of which five cardinal weaknesses were discovered: (1) Germany's reserves of gold and foreign exchange are so exiguous that she could not, in a future war, count on running up the big import surplus of the last war; (2) she is no more able to feed herself than in 1914; (3) she is deficient, in varying degrees, in raw materials, especially iron ore and timber, which is an essential raw material for cellulose and all forms of textile substitutes; (4) she cannot meet her wartime requirements of oil; and (5) she is still deficient in trained soldiers. The present article may be regarded as an appendix to last week's study. It attempts to ascertain how far these weaknesses are removed or intensified by the incorporation of Austria in the Reich.

The greatest help that Austria can give the Reich is in gold and foreign exchange. Poor and small though she is, Austria has contrived to build up published reserves of nearly three times the German. According to the Reichsbank return, the German holdings of gold and foreign exchange are Rm. 76.2 millions. There are also undoubtedly secret reserves, but their magnitude is unknown. The last return of the Austrian National Bank showed gold and foreign exchange of 422 million schillings. It would not be legitimate to convert this amount into marks at the newly-fixed rate of 3 schillings = 2 marks, as this rate overvalues the schilling. But on the basis of the pre-Anschluss rates of exchange, the Austrian reserve is worth Rm. 197 millions. To this must be added the sums owed to Austria in the various clearing accounts, which amount to about 200 million schillings, or, at the same rate of conversion, Rm. 93 millions. Of this about 60 million schillings (Rm. 28 millions) was due from Germany. The Reich thus has its own clearing indebtedness reduced by this amount and acquires claims on other countries of 140 million schillings, or Rm. 65 millions. The total gain to the Reichsbank is therefore something of the order of Rm. 290 millions, or nearly four times the disclosed reserves of the Reich—in addition to such further sums as can be obtained from the sequestration of the foreign assets of Austrian nationals. Austria's foreign exchange increased during 1937 by 62 million schillings, but it would perhaps not be wise to count on any further increase in the future, in view of the probable effect on Austrian export industries of their subjection

to exchange control, raw material shortage, currency overvaluation and the rest of the well-known features of Nazi economics. The foreign tourist traffic is also certain to suffer. Moreover, the nest-egg of Rm. 290 millions, though large in comparison with the Reichsbank's reserves, is small in absolute terms. It amounts, even on the most flattering basis of conversion, to less than £25 millions, and would not go far to support the current rate of German imports, which has lately been averaging nearly Rm. 500 millions a month.

Austria will not be of great assistance to Germany as a source of food. Even more than the Reich, Austria is an industrial country, which has to import a substantial proportion of its food supplies. So far as cereals are concerned, barley is the only one in which Austria is self-sufficient, and she has had to import proportions of her requirements of wheat, rye, oats and maize varying from 20 per cent. up to as much as 60 per cent. The average importation of cereals into Austria in the last three years has been almost



one-half the importation into Germany, although the ratio of population is only about 1:10. In this respect, therefore, the incorporation of Austria increases the dependence of Germany on foreign supplies. There is, however, one important exception to this general conclusion. Austria is an exporter of milk and dairy products, and these, particularly butter and cheese, are very badly needed by Germany. The average Austrian export of these commodities in the last two years has been

211,000 quintals, while the German import has been 1,250,000 quintals. Approximately one-sixth of the import requirements of the Reich can therefore be met from Austria, and this will provide some relief to the shortage of edible fats, which has long been the weakest point in Germany's programme of self-sufficiency in food.

Austria is in a position to provide a number of raw materials that are needed in Germany, especially iron ore and timber, which have already been mentioned as two of those in which the Reich is most deficient. Between one-half and one-third of the superficial area of Austria is forest land, and the annual growth of timber is estimated at 9.3 million cubic metres. Almost 1.7 million tons of timber were exported in 1937, of which 460,000 tons went to Germany. The importance attached to timber is shown by the fact that export to countries other than the Reich was forbidden on the first day after the Anschluss. Austrian timber, however, is unlikely to solve Germany's problem, as the total import into the Reich in 1937 was over 5 million tons, and it would need a very great increase of felling, which is already carried on rather improvidently, to supply the whole of the German requirement.

The bulk of the output of iron ore in Austria is in the hands of the Alpine-Montan Company, which has long been German-controlled. The monthly production of this company had been increased in the last months of 1937 to 200,000 tons, and it is thought that it might eventually reach 300,000 or 350,000 tons a month. Most of this ore has been going to Germany for some time past, but it will now be available without any inconvenient foreign exchange problems. This will be a welcome addition to the domestic

ore supplies of the Reich, which are now only about 7 million tons per annum. But the Austrian ore will by no means solve the German iron ore problem, since the total consumption of the Reich in 1937 was in the neighbourhood of 28 million tons, and might well be more in time of war, while the Austrian production, even on the most optimistic estimates, cannot be more than 4 million tons per annum. The Austrian steel output is very small, being only about 600,000 tons per annum, in comparison with Germany's 1937 production of 19 million tons. But German-Austria inherited from her Dual Monarchy days certain heavy industrial centres and armament factories which will be of some assistance to Germany.

Austria can give Germany no assistance in the solution of her oil shortage. The production of oil in Austria is microscopic, and as for oil-from-coal, Austria has neither the coal nor the conversion plant. Her lack of coal (which she now obtains from Czechoslovakia, Poland and Germany) is partly compensated for by the abundance of water power. The export of hydro-electric power to Germany is already valued at about 20 million schillings per annum, and as only about one-fifth of the available water power has yet been harnessed there is plentiful scope here for German energy in seeking alternative sources of supply. The subject of raw materials should not be concluded without mentioning magnesite, for which Austria is one of the world's chief sources of supply. There is also some lead and small quantities of copper and gold.

Finally, Austria provides an increase of Germany's reserves of man power. In the last analysis this should be proportionate to population, in which case the ultimate reserve for the German Army has been increased by 10 per cent. In the more immediate future, however, trained men are chiefly required. Compulsory military service was

restored in Austria only three years ago, but in this period 150,000 men have passed through the ranks, and the annual contingent of recruits is between 35,000 and 40,000 men. These figures are not large, but when added to the tenfold larger figures of Germany they will help to give the German Army an increased margin over any of its potential rivals, excepting only Russia.

These are the chief contributions that Austria can make to Germany's war potential. What, in summary, do they add up to? It would be too much to expect that the annexation of a single small country would completely solve any one of the problems that Germany will have to overcome before she is completely self-sufficient for war. But in fact the actual contribution is small. The nest-egg of gold and foreign exchange looks imposing only in comparison with the emptiness of the Reichsbank locker. In the matter of food, Austria is probably on balance a source of weakness. Possibly the most valuable material contribution is the timber which Herr Hitler can cut from the hillsides of his native land. Moreover, another consideration must be borne in mind in assessing the value of Austria to Germany in the event of war—namely, that an independent Austria would either be allied to the Reich (in pursuance of Dr von Schuschnigg's "German" foreign policy) or else largely or wholly occupied by German troops. Whatever economic resources Austria possesses would therefore, in any event, be available to Germany in time of war. The economic value of the Anschluss rests only on the contribution that Austria can make to the feverish preparation for war. On balance, it may be concluded that the strategical value of Austria to the Reich lies less in what she herself brings than in her position on the map of Europe and the door that she opens to the domination of the Danube valley, with its wheat, its livestock and its oil.

Are We a Soberer Nation?

LECKY, writing of England in the eighteenth century, declared that the fatal passion for drink was irrevocably planted in the nation. Hogarth has pictured some of the orgies which were common a century and a half ago. In Georgian days, London's ginshops were all too frequently crowded with drunk and disabled men and women. Are we a soberer people than our forefathers?

The habit of drinking in this country has certainly the doubtful merit of longevity. From Saxon times bread and ale were staple articles of English diet. They were joint products of native farming, and their price and quality were carefully regulated by law. As late as 1688 over 12 million barrels of beer were brewed in a single year for a population of barely five millions—compared with 23 million barrels, of lower gravity, for 45 million people in 1936. Subsequently, commercial conflict with France had a marked effect on English drinking habits. The distilling of English spirits was encouraged, and a treaty with Portugal substituted port for the light wines of France. Dram drinking became a feature of English life, and gout invaded English upper-class society. For the heavy drinking common to all classes, at a still later period, charitable foreign observers blamed our island climate, but more acute critics laid no small responsibility at the door of the Industrial Revolution and the unhealthy state of our crowded and insanitary towns. Standards of life were low and ways of escape few.

One attempt to stem the tide of spirit drinking, in the interests of brewing and of British agriculture, was the institution of free trade in beer by the Duke of Wellington in 1830, when beer consumption per head had fallen by one-half in a hundred years. In 1829 there were 50,660

licensed publicans; seven years later there were 55,192 publicans and, in addition, over 44,000 beershops under the 1830 Act. For the progress of the nation towards greater sobriety in the last hundred years credit may be awarded to the Temperance movement, to changes in the liquor laws and, above all, to social forces. The standards of life have risen; step by step, general education has been introduced, and public health has become the care of central and local authorities. At the same time, popular entertainment has broadened the horizon of all classes and England has become a pleasanter place to live in. Finally, the downward trend in drinking has been hastened by heavier taxation. The following table shows how the consumption, per head, of beer, wines and spirits has fallen since 1870:—

PER CAPITA CONSUMPTION OF BEER, SPIRITS AND WINE IN THE UNITED KINGDOM

Year ended	(In gallons)		
	Beer	Spirits	Wine
December 31st			
1870	30.24	0.99	0.49
1880	27.00	1.07	0.46
1890	29.88	1.02	0.40
1900	31.56	1.12	0.38
1910	26.31	0.65	0.28
1920	20.61	0.47	0.32
1930*	15.98	0.25	0.31
1932*	11.19	0.21	0.27
1934*	13.00	0.21	0.31
1936*	13.80	0.22	0.33

* Great Britain only.

Drunkenness, the measure of immoderate drinking, has fallen even more markedly. Convictions between 1906 and 1915 averaged 177,853 a year in England and Wales; but

fell to 69,878 annually between 1916 and 1925 and 52,818 between 1926 and 1935. In 1932, a year of deep depression, convictions numbered 30,146. In 1936, after some years of industrial recovery, they had risen to 44,525.

During the present century the growth of expenditure on other amusements like the wireless, the cinema and cheap transport, combined with a stricter licensing policy, has reduced the evil of excessive drinking. The number of licences granted by justices for consumption on or off the premises has fallen from 102,189 (or nearly 22 per 10,000 of the population) in 1900 to 74,681 (or just over 18 per 10,000) in 1936. The number of "off licences" has fallen from 25,405 to 22,094 in the same period. These reductions have been offset in part, but only in part, by a rise in the number of registered clubs in England and Wales, where drinking of alcoholic liquors is permitted, from 6,589 in 1905 to 16,297 in 1936. Simultaneously, the reduction in the number of brewers in England and Scotland from nearly 31,000 in 1900 to just over 9,000 in 1937 has been partly a measure of increased concentration of production in the industry itself and partly a reflection of decreased total demand.

Admittedly, fiscal changes have played no inconsiderable role in the diminution of liquor consumption. The rate of Customs and Excise duty on spirits was 8s. 1d. per proof gallon in 1860 and 11s. in 1900; it is now 72s. 6d. On beer the duty was 6s. 3d. in 1880 per standard barrel of 1,055° and 7s. 9d. in 1900; in 1920 it was raised to 100s.; in 1931 to 131s. less a rebate of £1 per bulk barrel, and now the duty is 24s. per bulk barrel of 1,027° or less, and 2s. per gallon over 1,027°. The net receipts of Customs and Excise for beer, spirits, wines and liquor licences in the United Kingdom were £41,669,000 in 1900. In 1921 they were £201,289,000 and in 1937 £109,072,000. Taxation and sobriety have marched hand in hand.

Topics of the Week

The Sequel in Austria.—The scenes of triumph and jubilation in Berlin when Hitler made his re-entry there on Wednesday of last week matched the scenes at his entry into Vienna. In the Reichstag on Friday the 18th the maker and master of a Greater Germany made a vehement and scathing attack on the Austrian policy of the Allied and Associated Powers at and after the Peace Conference of Paris. In a peace-settlement in which self-determination was taken by the victors as their guiding principle, the German nation alone was denied the benefit of it. Austria represented from the outset a state that was completely incapable of living. In their veto upon the Anschluss the victors cynically advertised to the world the hypocrisy of all their works. Their aim was, not to do justice on principle, but just to keep the Germans down; and this policy was as futile as it was despicable. "Right must be right, even where Germans are concerned!" Germany has now once more become a world-power, and therefore it had become impossible for her to tolerate any longer the state to which Austria had been reduced by the peace-treaties. Besides this indictment of the victors—which is unanswerable as far as it goes—the speech included thanks and assurances to Signor Mussolini, a fulmination against the League of Nations, and some invective against Dr von Schuschnigg, which was still more violent, though far less well justified, than the arraignment of the Western Powers.

Hitler's bitterness against von Schuschnigg is natural, though impolitic; for the fallen Austrian Bundeskanzler has left a shaft sticking in Achilles' heel. What is self-determination? Is it truly self-determination when the Austrian master of the Reich comes home to Austria at the head of 200,000 Reichsdeutsch troops? And what of that ghastly

Indeed, though we drink less, we spend more on drinking than our fathers. The annual drink bills of the United Kingdom in the last fifty years have fluctuated with trade, but, on the whole, they have generally risen, as the following table shows:—

U.K. EXPENDITURE ON ALCOHOLIC LIQUORS					
Year	Estimated Expenditure	Per head	Year	Estimated Expenditure	Per head
	£	s. d.		£	s. d.
1885 ...	141,039,141	3 18 3½	1925*	315,000,000	7 4 0
1895 ...	163,133,935	4 3 4½	1930*	277,500,000	6 4 0
1905 ...	164,167,941	3 15 11½	1933*	224,845,000	4 19 4
1915 ...	181,959,000	3 18 11	1936*	246,255,000	5 7 6
1920 ...	469,700,000	10 0 0			

* Great Britain only.

In the twelve months ended March, 1937, according to Mr Colin Clark's calculations, some £248 millions were spent on drink, or over three times as much as on boots and shoes or motor cars and cycles or coal. Brewery profits, as computed for income-tax purposes, were less than £10 millions in 1913-14. In 1919-20 they were over £32 millions; and although they fell to £16 millions in 1932-33, by 1936-37 they had risen to £28.5 millions again.

We may conclude that we are, in fact, a soberer nation than we were a century, or even less than half a century, ago, but that we spend more, in money, per head of the population than our forefathers on our limited potations. The decline in drinking has been due only in part to taxation and high prices. A great change in social habits has altered the status of drinking; the great majority of people to-day are sober because they wish to be sober. The nation still drinks more in summer than in winter, and more in times of industrial and commercial activity than in economic depression. And brewing and distilling are notably prosperous industries. But we have many newer, more convenient and pleasanter means of recreation than drinking, and the secular trend towards decreased liquor consumption is unlikely to be reversed.

swoop of the kites upon the carcass—the SS. and the Gestapo; the Streichers and the Himmlers? The like has not been seen in Europe since the days when the Spanish Inquisition could be seen making its ominous entry into some reluctant and shuddering province that had previously been exempt from its ministrations. And, in our table of political weights and measures, how many votes in a plebiscite are cancelled by a single suicide? After all, each Austrian, Gentile or Jew, who has done away with himself during the last few days, has staked his life on the conviction that a regime which Hitler calls self-determination would, for one Austrian voter at any rate, be something worse than death itself. What is self-determination?

Czechs and Sudeten Germans.—"It is now five minutes to twelve," a Sudeten German Senator remarked in the Czechoslovakian Senate at Prague last week; and this observation—which is, unfortunately, as true as it is menacing—illustrates the difficulty of arriving, at this tail end of the eleventh hour, at an accommodation between the Czechs and their German fellow citizens, backed as those are now, by the mighty force of an already "Greater" Germany. The still silent, but already intense, pressure to which Czechoslovakia is being subjected is showing itself in the field of domestic politics. While the Henlein party is becoming more exigent, the three "Activist" German parties, which have hitherto been supporting the Czech Government at Prague, seem to be wavering in their allegiance. The German Agrarians have already deserted to the Opposition, and the German Christian Social Party is about to follow. On the other hand, Dr Hodza's Government has now received the support of one Czech party of

the Right, though the Slovak Clericals still remain in opposition. By far the most important and welcome news from Prague is that of the Cabinet's decision to give effect at an early date to the provisions of their agreement of February 18, 1937, with the German "Activists." The agreement was that the German citizens of the Republic were to be given posts in the public service, and a share of public benefits (e.g. in education, public works, unemployment relief, etc.), in proportion to their relative strength in the population (of which they amount to approximately 22 per cent.) This "gentlemen's agreement" is now to be translated into law, and the same measure is to be meted to the other non-Czech and non-Slovak minorities (i.e. the Magyars and the Poles).

Since this principle of proportionality is to be applied in local government as well as in the central administration of the country, it will go a long way towards satisfying the German minority's desire not to find itself at the mercy of Czech policemen and petty officials in the municipalities. On the other hand it will not satisfy their desire for territorial autonomy, and *a fortiori* not their desire for union with the Reich. And the Czechs, on their side, do not seem yet to contemplate carrying their concessions to a point at which they would infringe the territorial integrity of Czechoslovakia within her present frontiers. Can the gulf be bridged? Territorial autonomy for the German minority inside Czechoslovakia is hardly a practical proposition; for these Germans are distributed into four blocks which are none of them contiguous with the others, though each is contiguous with the Reich. Geographically, reunion with Germany is more feasible; but this alternative would leave the Czech districts strategically indefensible, apart from raising the issue of the non-Nazis in the Sudeten German ranks. What, we may wonder, is Hitler's aim? Does he want to shear off the Sudetenland and then throw the torso of Czechoslovakia on to the scrap heap? Or is his aim to keep his Sudeten Germans within the Czechoslovakian frontiers in order to use them as a lever for bringing the whole of Czechoslovakia under his control? The omens tell us that we shall soon know.

Poland and Lithuania.—The Poles have never been distinguished for their political wisdom, and their reaction to Hitler's Austrian *coup* shows that they—like the rest of us—are to-day running only too true to the type of a traditional national weakness. So far from attempting to mitigate the effect of Hitler's blow to law and order by rallying in defence of these principles, the Poles have promptly imitated the Reich by making a Polish Austria out of Lithuania. On the ground of a shooting incident on the Polish-Lithuanian border—which the Lithuanians have kept closed ever since the Polish seizure of Vilna in 1920—the Polish Government sent the Lithuanian Government an ultimatum on Thursday of last week. The terms demanded were a restoration of normal diplomatic and frontier relations between the two countries by the 31st of this month; the time-limit given was forty-eight hours; there was a large concentration of Polish troops at Vilna—whither Marshal Smigly-Rydz himself repaired—while excited crowds paraded the streets of Warsaw shouting for a march on Kovno and the annexation of Lithuania to Poland. On Saturday the Lithuanian Government accepted the ultimatum unconditionally before the forty-eight hours had run out, and since then the Polish Government (to do them justice) have been studiously conciliatory in their tone. As for the Warsaw mob, it seems to have sated its pugnacity for the moment by mobbing the Jews—on the ground that there was too high a Semitic percentage in the queues who were seeking on Saturday to withdraw their money from the savings banks.

What is Poland after? So far has the world's standard of expectation fallen that at first there was a widespread feeling of relief that the latest victim of military intimidation had yielded to the threat of overwhelming force, instead of standing up for its rights in the hope of obtain-

ing some measure of international justice. The position, however, is now again looking ominous. The Lithuanian Government have resigned, and the temper of the people is rising. In other words, the situation in Lithuania is becoming rather like that in Austria after Dr von Schuschnigg's capitulation at Berchtesgaden. Have the authorities at Kovno been compelled, under duress, to promise more than they can perform? And are there further instalments of Polish demands to follow? Already there is talk in Warsaw of autonomy for the Polish minority in Lithuania and of a "unification" of the Lithuanian with the Polish Army. Is Lithuania to be Poland's perquisite, while Germany gets Memel (and perhaps also Danzig) as her share of the spoils? And is the suppression of Lithuania also partly intended to provide a proof of Russia's inability or unwillingness to take military action in support of her friends? Poland's ambition is to build up a barrier of insulation between Russia and Germany from the Black Sea to the Arctic Ocean. She already has a mutual assistance treaty to this effect with Roumania; her Lithuanian *coup* is an effort to extend this system northwards. We fear that what Poland is really building is the eastern glacis of Herr Hitler's *Mitteleuropa*.

Mr Hull and Mr Kennedy.—Two extremely authoritative and important speeches on American foreign policy have been made during the last few days: one by the Secretary of State, Mr Cordell Hull, to the National Press Club in Washington, on the 17th, and the other by the American Ambassador to the Court of Saint James's, Mr J. P. Kennedy, at a dinner of the Pilgrims in London on the 18th. Both speeches illustrate the way in which, in democratic countries to-day, the policy of Governments is confined within the bounds of a public opinion which may be based on traditions that have little to do with urgent realities of the contemporary world. Mr Hull, for instance, has stated the facts of the present international situation, and has exposed the perils that menace all free and law-abiding countries, with a clarity and forcefulness that leave nothing to be desired. Reading between the lines of the Secretary of State's speech, we can also tell that he himself is longing (as is indeed well known) to rise to the occasion. But we also see him pointing piteously to the fetters that bind, hand and foot, any American statesman in Mr Hull's office. Again and again in this speech he warns his countrymen of "the rising tide" of "international anarchy based on brute force, which is threatening to inundate the world and ultimately sweep away the very bases of civilisation and progress." He warns them, too, of the inevitable consequences of American apathy and inaction. In the Far East, for instance, the fundamental interest of the United States is not just this or that commercial or even philanthropic enterprise, but the maintenance of law and order itself. "If we and others were to surrender these principles in regard to the Pacific area, we should have to reconcile ourselves to their certain surrender in regard to the other half of the world."



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Incontrovertibly he points out the inexorable consequences of such a retreat. It would mean "relapse into barbarism," a return of "medieval chaos," in the world at large; and for the United States it would mean decadence without security. "Isolation is not a means to security; it is a fruitful source of insecurity." And yet, in that nightmare paralysis which seems to have gripped all the surviving democracies, this true prophet has publicly to bind his own hands at his own countrymen's behest! A middle course must be steered between the two alike undesirable courses of isolation and internationalism. And American collaboration with other peace-seeking nations is only legitimate in so far as it entails "not a trace of alliance or involvement of any sort." This might be Mr Eden, before his fall, addressing the Tory back-benchers. And the Ambassador has, naturally enough, been still more cautious than his chief. "The average American to-day has two principal worries: he fears that he may lose his job, and he fears that his country may get into a war. . . . The majority of Americans oppose any entangling alliances . . . this viewpoint endures to this day." The American statesmen who are now responsible for American policy are making heroic efforts to draw their countrymen after them along the path of salvation; and they are making progress; but how slow it all is compared with Hitler's lightning thrusts!

Austrian Refugees.—The presence of the Nazis in Vienna has added large numbers of Austrian refugees to the tragic groups who already afflict the conscience of Europe. Questions have naturally been asked about the policy to be pursued by the British Government, in view of the large numbers of Austrians seeking refuge in Great Britain. Sir Samuel Hoare returned an answer in the House of Commons on Wednesday which was more humanitarian than might perhaps have been expected in these troubled times. While emphasising the "general desire to maintain the traditional policy of this country of offering asylum to persons who for political, racial or religious reasons have had to leave their own country" he also mentioned "obvious objections to any policy of indiscriminate admission." Accordingly, the door is not to be opened wide, but admission to Great Britain is not to be refused to "suitable applicants, including persons whose work in the world of science or the arts, or business and industry, may be advantageous to this country," and the applications of Austrians already in the country for extension of their stay or for naturalisation are to receive sympathetic consideration. It would be difficult for any Home Secretary to promise more than Sir Samuel Hoare has thus done, and the effect of his statement on the House of Commons was to persuade it to refuse leave to Colonel Wedgwood to bring in a Bill to grant British nationality to Austrian immigrants for a period of six months. Just exactly what the Government's policy will prove to be depends, however, less upon the general statements of the Home Secretary in

the House of Commons than upon the individual decisions reached by the immigration officers. There are obvious dangers, of both a political and an economic nature, from the indiscriminate admission of all persons who can claim to be refugees from Austria. But it is very greatly to be hoped that the British authorities will stretch to the utmost their generosity and consideration towards unfortunate individuals whose only crime is that they have stood, against the threat of Nazi brutality, for all the traditions of free speech and toleration which we like to consider a peculiarly British heritage.

Defence Debated.—Despite the divergence of views about the desirable direction of Britain's diplomatic policy, there is now no dispute in Parliament over the need to reinforce the national defences with all speed. Members are not equally agreed, however, about the technical ways and means of achieving this ineluctable end. In Tuesday's debate on the Air Estimates, Labour speakers combined with Mr Churchill to criticise the Government's abandonment of first-line strength as the criterion of power in the air, which, it was alleged, was likely to vitiate our endeavours to establish parity with Germany. Like Wednesday's discussion of the Navy Estimates, the Air discussions revealed some anxiety about armament firms' possibly excessive profits; but it was widely felt that sufficient safeguards against profiteering and the exploitation of labour could be erected through the consultations which the Minister for Defence had arranged with the trade unions concerned. In the last resort, the success of the proposed acceleration of the defence programme must depend upon the loyal co-operation of all engaged in industry. The same consideration for munition workers' welfare is needed as Mr Hore-Belisha has consistently and energetically shown for the status, remuneration and conditions of the recruits to his New Model Army. On Wednesday, speaking on the Army Estimates, the Secretary for War gave further details of concessions to regular soldiers and territorials. He laid further stress upon the importance of ground defence, which he refused to transfer to the Air Force; and rebutted Lieutenant-Commander Fletcher's allegation that interested parties had been allowed to prejudice unfairly the War Office's choice of light machine-gun patterns. Commander Fletcher's rôle in these defence debates, like that of the fat boy in *Pickwick*, has been to make the House's flesh creep with stories of scandals—first of power-boats and now guns. Vigilance is always necessary and assiduity praiseworthy, though there is little evidence that the British tradition of integrity in administration and expenditure has been seriously shaken in recent months.

Labour and Arms.—Ever since Mr Chamberlain proclaimed the need for intensified national effort to counter the re-appearance of armed aggression in European politics, the importance of trade union co-operation in the Government's revised schemes of defence has been evident. Trade union leaders have publicly stated their readiness to participate fully in measures to speed up industrial production, provided safeguards can be devised for established scales of remuneration, working conditions and union regulations. The unions might, indeed, have been consulted much earlier. On Wednesday, the Prime Minister placed the nation's needs before the Trades Union Congress, and appealed for the fullest co-operation between employers and workpeople to implement the Government's revised plans forthwith. Industry must be made to work at full capacity and full time, and there will be need for much give and take. None of the parties concerned in the new drive to build up Britain's security—the Government, the unions or the employers—should have any desire to exploit the present emergency to the detriment of others. Wages, overtime, increased shifts, and the transfer of labour from one occupation to another will involve the most generous and harmonious treatment possible, and on these issues, more even than on purely political ones, will success or failure depend. Moreover, rigid principles of fiscal policy, like set standards of trade union procedure, may need to be revised in the

national interest. A smooth, steady and ample flow of the materials required for defence is imperative. And, if increased imports from a country like the United States can be utilised to satisfy this requirement, then, as *The Financial News* has rightly suggested in a leading article, considerations of our international balance of payments should not inhibit us from buying them.

The Films Bill.—Any expectation in the film trade that the differences between the two Houses on certain amendments to the Films Bill would develop into a constitutional issue was finally dispelled by the curt two-line news item that the Bill passed its Third Reading in the Lords on Wednesday. The real issue was never whether the Commons or the Lords were right, but whether in this matter the view of the Government—which in this case means the Board of Trade—should finally prevail. The officials applied their impartial judgment to the expert views on the various proposals embodied in the Bill, which has been under almost continuous Parliamentary examination during the past four months, and advised what in their opinion was practicable and likely to be successful. They proposed a cost test for British films in place of the utterly impracticable quality test for which well-meaning enthusiasts asked—and Parliament has accepted it. They proposed an Advisory Council instead of a Commission, and this also has been adopted. Schedules of quota rates for both long and short films, progressively increasing during the currency of the Act, have been put forward and found general acceptance both in Parliament and in the trade. Ingenious new schemes have been devised with the object of encouraging, first, the production of high-grade pictures in British studios at costs exceeding £45,000 or £75,000 (not £60,000 as was inadvertently stated last week) and, secondly, their automatic distribution in America. These are all hedged round with effective safeguards to ensure flexibility in administration and to prevent unforeseen hardship. But it might be wished that the prospects for commercial production of films by British producing companies were brighter. There appears to be nothing in the Bill which will attract finance into the industry. But hesitation on this score does not extend to agreement with the Lords' amendments. The Government proposal to reduce exhibitors' quota for the current year was a blunder for which no defence has been made in any quarter; it is too late; however, to correct in the last week of March what has been condoned by unbroken silence among the interests most concerned. The further increase of both renters' and exhibitors' quotas which the Lords have proposed is liable to do great harm to exhibitors, without any resulting advantage to renters or the public. And the wish to "do something" for shorts in the manner proposed does credit to the Peers' hearts rather than their heads. When the Commons are invited by the Government next Monday to disagree with the Lords' amendments, we expect the Commons will give overwhelming support to the restoration of the Bill to its original state; and the Lords will doubtless acquiesce. There will then pass on to the Statute Book a measure which, whatever its imperfections, is at least an enormous advance on the existing Act.

Outlook for Trade and Employment.—The persistence of disturbing downward trends in export trade and employment, masked in the public attention by diplomatic excitement and the determination to speed up re-armament, is now officially recognised. In Wednesday's debate on the Consolidated Fund Bill, Mr Brown made no attempt to deny the recent slackening in industrial activity, but pointed out that the decline was largely concentrated in the textile trades. The detailed review of the state of British industry which appears in our *Trade Supplement* this week, suggests, however, that a considerable falling off in orders is common to many branches of industrial activity. For the most part, the Government's spokesmen were intent on proving how much better off we still are than in 1932, which no one would attempt to controvert. The Parliamentary Secretary to the Board of Trade admitted

that 1938 would perhaps not be so prosperous as 1937 had been, but laid stress upon the difference between a slowing down in the rate of progress and a serious decline. These official protestations gave no effective answer to the pleas of Mr Greenwood and Mr Foot for the production of plans to counter the recession. The Government, indeed, appears to be relying upon the acceleration of the defence programme to fill the growing gaps in private enterprise. The new arms plans will undoubtedly arrest the decline expected when the first stage of the original re-armament plan is completed. They will maintain activity in the industries directly associated with munitions; but textiles and even, perhaps, shipbuilding may still languish—unless the speeding up of war preparation engenders a scramble for materials of all kinds in fear of rising prices. Of this, there are yet no signs.

Trade Agreements with Italy.—While the world waits upon the outcome of the Anglo-Italian discussions of diplomatic and strategic questions, a trade agreement between the two countries has been arranged. In itself, this new agreement, the second since economic sanctions against Italy were abandoned, has no political significance. Its provisions for revised quotas for British exports to Italy are likely to be of special benefit to the wool, cotton, linen, hemp and jute industries. In general, there will be an increase of some 27½ per cent. over the old quotas. The quota for British coal has not been raised, but South Wales should benefit from the general stimulus given to Anglo-Italian trade and from the simultaneous arrangement of a new clearing agreement. This amended arrangement provides for the increase of payment in respect of current exports to Italy from 70 per cent. to 87 per cent. of the sterling proceeds of British imports from Italy, in the proportion of 46 per cent. for the f.o.b. price of coal and 41 per cent. for other British goods. The sterling receipts of the Clearing Office in 1937 were £7 millions in respect of Italian goods imported into the United Kingdom; similar receipts in 1938 would, under the new agreement, make possible the payment of £3¼ millions in respect of British coal exports to Italy, compared with exports to the value of £2,270,000 in 1937 and £3,783,000 in 1934. The remaining 13 per cent. of the Clearing Office's sterling receipts will be divided equally between financial transfers and the transfer of outstanding old trade debts. The agreements come opportunely when export prospects have been somewhat dimmed, and Anglo-Italian trade is still below 1934 levels, as the following table of values shows:—

	1934	1935	1936	1937
		(£ thousands)		
British Exports to Italy.....	9,313	6,799	533	4,940
British Imports from Italy....	8,421	7,901	2,231	7,821

The balance of trade has moved sharply in Italy's favour in the last three years, especially in textiles; and recent

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progress in textiles and clothing, apart from woollen products, does not suggest that, even with the new quotas, the pre-sanctions level of exports will be recovered.

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The Domestic Crisis in France.—Another week has passed; M. Blum has never wearied in his efforts to prevail upon the parties of the Right to lift their ban upon the formation of an all-party government; yet the French ship of State still remains half-manned and therefore wholly at the mercy of the quickening current down which we are all of us drifting. The fate of M. Blum's patriotic endeavours may be decided by the outcome of the struggle on the Right between M. Flandin and M. Reynaud, the French counterparts of Mr Chamberlain and Mr Churchill. M. Reynaud is a statesman who has a gift for opening his countrymen's eyes to truths that he sees clearly himself. During these crucial days he has been working hard; he claims that he is weaning away more and more deputies of the Right from M. Flandin's policy of making French unity impossible; and M. Flandin, for his part, has been showing some faint signs of weakening. But will the union of French political forces be achieved in time? Every day lost in France is an opportunity missed for defending not only France herself, but all the democratic countries and the cause of freedom in the world. Meanwhile, M. Blum has been dealt a severe blow by the Finance Committee of the Senate under the chairmanship of M. Caillaux. They have rejected one of the Prime Minister's two Bills for financing an accelerated French re-armament, namely the Bill for placing at the disposal of the National Defence Fund the profits arising out of the appreciation of the French Exchange Equalisation Fund. Have M. Caillaux's committee acted solely on their view of the technical demerits of the rejected measure? Or is this, at least in part, another stroke aimed at bringing the efforts of M.M. Blum and Reynaud to naught and foisting upon France a government that would be representative neither of the present majority in the Chamber nor of the real will of the electorate?

* * *

Spanish Atrocities.—After a pause of several days, the insurgent attacks on the Aragon front have this week been resumed. They have, however, made very little further progress at the tip of the salient, where it most closely approaches the Mediterranean, since the capture of the important town of Caspe last week. A new attack further north has liberated the town of Huesca, which for many months has been all but surrounded by Government troops, and a third attack in the middle of the front has crossed the river Ebro in an attempt to widen the left flank of the Caspe salient. Thus the Rebels are still advancing towards Catalonia, though they are meeting with stiffer resistance than in the first few days of their offensive. The attention of the outside world, however, is still concentrated on the dreadful air raids on Barcelona last week. These continued for three days almost without relief, and the city received an aerial bombardment such as has never before been known on earth. Of the total casualty list of 815 killed and 2,200 wounded, almost all are civilians. These murderous raids have excited execration in every country where it is still permitted to indulge in humanitarian feelings. The British Prime Minister has used

the words "horror and disgust," and the American Secretary of State has given expression to his "sense of horror" at conduct "that no theory of war could possibly excuse." The British and French Governments have protested to General Franco, and have been joined in this action by the Pope. No official reply has yet been forthcoming from Burgos, but the unofficial reaction of rebel Spain has been a mixture of claims that Barcelona was being used for military purposes, and hints that General Franco himself was not responsible for the air raids. There is, indeed, some evidence for the view that the raids were carried out by his German and Italian allies in order to test on the *corpus vile* of Barcelona their theories of the aerial terrorisation of civilians. If that is so, their experiments must be concluded to have been unsuccessful, since, as one eye-witness reports, they have "utterly failed to produce submission," and have merely stiffened the resolution of the population of Catalonia. Unfortunately, there is a strong probability that these "experiments" will be repeated. The Spanish Government has published detailed and circumstantial lists of the aircraft and war material which have been sent to General Franco from Italy and Germany within the last few weeks. The British Government profess to be without any information of these flagrant violations of the non-intervention agreement. But not even they can entirely ignore the fact that a renewed and most energetic attempt is being made by the allied dictators to conquer Spain for their own purposes. How this deliberate blindness in Whitehall can be reconciled with the continuance of talks with Signor Mussolini, or with the safeguarding of most vital British and French lines of communication, still less with that maintenance of international law and decency which is by frequent proclamation the main object of British policy—all these are mysteries of which we do not profess to be able to suggest a solution.

* * *

Expropriation in Mexico.—The Mexican Government announced on March 20th that the foreign oil companies working in Mexico would be immediately expropriated, compensation of an unspecified amount being promised over a period of ten years. In a formal and legal sense this drastic measure is the culmination of a labour dispute which goes back to the strike of May last year. But the broadcast speech with which President Cardenas justified his action shows that the quarrel between the Government and the companies is of a far wider character. It is the deliberate intention of the Mexican Government to drive foreign capital out of the country, and the companies have been accused of crimes reaching as far as the financing of rebellions and general interference in the internal politics of Mexico. The President has thus, on his own showing, prevented any discussion of the question as if it were a mere labour dispute. Last year's strike was referred to arbitration by the National Labour Board, whose award, promulgated last December, was immediately rejected by the companies as being quite impossible of execution. This award called for a reduction of hours of work from 56 to 40 a week, without any reduction of wages; the payment of pensions of up to 80 per cent. of the retiring wage; the provision of houses free; holidays on full pay extending to four or six weeks; 16 additional rest days, excluding Saturdays and Sundays; and a number of minor demands of the same tenor. There has been some dispute about the cost to the companies of meeting this award, but no dispute whatever about the fact that the cost would be very heavy indeed. The companies, having exhausted every legal device for postponing the execution of the award, were finally ordered by the Government to execute it, and refused. Expropriation followed, and the dispute has now reached a stage at which the British and American Governments are necessarily involved.

* * *

President Cardenas is in a difficult personal position. He depends entirely upon the support of the *sindicatos*, or trade unions, and their aggressive leader Lombardo Toledano, to uphold him against the rival generals who are ever ready to overthrow any Mexican President. There

is thus no possibility of his applying any but the Labour formulae to the very serious economic position of the country. Agrarian reform, with its sub-division of the large estates, has already seriously diminished the value of Mexico's agricultural exports, and virtual insolvency of the Government was only averted some months ago because the United States was persuaded to resume its purchases of Mexican silver. As a result of the expropriation of the oilfields, however, the position is likely to get worse rather than better. The Budget is likely to lose the yield of the taxes levied on the companies, while the balance of payments of the country will be affected by the stoppage of oil exports. Moreover, Washington is less likely now than it was in December to continue the silver-buying policy with the object of preventing a collapse in Mexico. Already the Bank of Mexico has suspended dealings in gold dollars and foreign exchange, with the result that the peso has very sharply depreciated. There is some possibility, though it seems to be small, of the Mexican Government finding alternative syndicates of American or British capitalists who would be prepared to work the oilfields, but little reliance is apparently based on this hope, and there is already talk of importing technicians from other countries to teach the Mexicans how to exploit their newly-acquired properties for themselves. There cannot be any doubt that Mexico will regret the action that has been taken this week. The natural sympathy felt throughout the world with the desire of the oil-workers of Mexico to better their conditions has been entirely overlaid by condemnation for the quite indefensible methods by which they and their Government have sought to advance their claims.

* * *

Japan in a Hurry.—The chief need of the Japanese in their war against the Chinese nation is haste—haste before their own national economy is damaged by the strain of waging war over so gigantic a field, and haste before the international situation clarifies to such an extent as to enable the Western Powers to devote more of their attention to the Far East. But haste, apparently, is the one thing that Japanese arms have proved incapable of achieving. There is plenty of news of tactical successes by the Japanese army. Whenever Japanese and Chinese soldiers come face to face the Chinese are sooner or later forced back. But in spite of all these successes the Japanese have nowhere yet reached the Lunghai Railway, which for many months has been the objective of their advance. Moreover, items of news telling, for example, of the bombardment by Japanese planes of towns far behind their front line, show how sketchy is their control of the territories they claim to have occupied. This lends a distinct air of unreality to the plans which have been announced in rapid succession for the exploitation of those provinces of China which are alleged to be under Japanese control. The puppet Government in Peiping has now been accorded another of the attributes of sovereignty in the form of a Federal Reserve Bank. And a new "Salvation Government" of Central China has been set up at Nanking. This is apparently an example of the second degree of puppetry, since it is said to be subject to the Peiping Government as well as to the Japanese Army. There are some signs that growing realisation of the enormous difficulties of their task is leading to a certain modification in the attitude adopted by the Japanese to the foreign interests at Shanghai. Lengthy negotiations with the administration of the Maritime Customs are believed to have resulted in a temporary accommodation. And although rumours of Japan's intention of taking over control of the whole International Settlement are as frequent as ever, they have not yet materialised. It would be a mistake, in spite of these indications, to repose any lasting trust in the moderation of the Japanese military. At home in Japan they are still getting their own way. The Mobilisation Bill has been passed by the Lower House of the Diet, and will soon be law, and the huge expenses of the Army have been automatically approved. Every new success, however, whether at home or in China, merely adds to the burdens of the Japanese Army, and increases the likelihood of that burden one day proving too heavy to carry. Nothing would be more

in the interests of the Japanese people than a collapse of their present military autocracy, and it would be difficult to think of many things which would give greater relief to the outside world.

* * *

Czech-American Trade Treaty.—The conclusion of a trade agreement between Czechoslovakia and the United States on March 7 has been lost from view in the pressure of greater events. But it is nevertheless an achievement of considerable significance to both the parties involved, and indeed to many third countries. Trade between Czechoslovakia and the United States has been growing in recent years. Imports into Czechoslovakia have risen from Kc. 398 millions in 1935 to Kc. 961 millions in 1937, while Czech exports have risen in the same period from Kc. 615 millions to Kc. 1,112 millions, and this trade with the United States has already become, except for that with Germany (the whole of which has to pass through the clearing), the most important item in Czechoslovakian commerce. The trade agreement provides reductions in the American tariffs on a large number of goods, particularly those manufactured in the German districts of Czechoslovakia, and it is expected in Prague that it will lead to a considerable further expansion of trade between the two countries. From the American point of view the conclusion of the new agreement is chiefly significant for the light it throws on the development of American commercial policy. There had been more opposition to this agreement among American industrialists than in any of the previous negotiations, the shoe industry in particular fearing the effect on their business if the products of the Bata firm were admitted at lower duties. But the event shows that Mr Cordell Hull is not to be deflected from his purpose by opposition, and the auguries for a really effective Anglo-American agreement are correspondingly improved. Another feature of the new agreement which is of particular significance is that, for the first time, the United States Government recognises exceptions to the most-favoured-nation clause. It is provided that preferences given by Czechoslovakia to Austria, Hungary, Yugoslavia and Roumania are not to be regarded as violations of the clause. Thus the concession which the advocates of Danubian federation have so long vainly sought from London and Washington has at last been granted by one of the great trading nations of the West—though too late, by all appearance, to serve the purpose expected of it.

* * *

Coal Bill Amendments.—The Government's proposed amendments to the Coal Bill are now known. Part I of the Bill dealt with the purchase of royalties and, among other criticisms, was alleged to be unfair to undertakings owning the freehold of the coal they work. It is accordingly proposed that working proprietors will be granted leases, not necessarily "on the terms customary in the district," but, at the discretion of the Commission, on less onerous conditions if their business will otherwise be "unfavourably" affected. Another amendment affects the procedure under Part II of the Bill whereby reductions in the number of coal-mining undertakings are to be compulsorily effected if necessary in the interests of efficiency. The Board of Trade, on receipt of a recommendation from the Coal Commission that the power to submit a compulsory amalgamation scheme should be exercised, will now proceed by provisional order, which "shall be of no effect unless it is confirmed by Parliament." Once more, statutory approval of the principle of compulsory amalgamation is to be stultified by an administrative procedure which, in this case, not only provides some twenty-seven stages through which an amalgamation must pass, but now includes a final reference back to Parliament to invite the abortion of schemes by delay and obstruction. The amendments to Part III, which deals with the coal-selling schemes, show niggardly and unimportant concessions to coal-consumers compared with the virtual selling of the pass to the mine-owners. And the recent decision to appoint a Departmental Committee to investigate coal prices (discussed on page 707) will do nothing to rectify the balance, since the Committee will be concerned only with distribution costs and not with the selling schemes.

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United States

Storm in the Tennessee Valley

WASHINGTON, March 9.—The most contentious and provocative act of the New Deal has been the Tennessee Valley Administration. In the opinion of New Dealers, it is also the most constructive. And for the public and the outside world, it has been the most symbolic. This is Government planning; it puts the Government into competition with private business; it is a new principle.

Hence it would seem inevitable that the T.V.A. should be a storm centre. The first high winds to blow over it were legal. And these the T.V.A. has withstood. It is now established beyond question that the Government has the right to develop the water power of a navigable river and to sell it. The Supreme Court, even without reliance on the vote of Justice Black, has made this clear.

Now a new storm is blowing up over the T.V.A. It is noteworthy because it is not an attack by enemies, but the result of a long feud between one member of the T.V.A. Board and the other two members. The quarrel is of long standing, and has produced a good deal of heat lightning for more than a year. Dr Arthur Morgan, the chairman, has not been getting on with his colleagues, Dr H. A. Morgan and David Lilienthal.

It is characteristic of President Roosevelt that he did not intervene until the crisis had been publicly aired. Even when he was being injured in one of his finest political assets, he did not openly take sides. He did not exact rigid discipline from his appointees.

"The skipper never 'fires' anybody," is an axiom among New Dealers. They know the President dislikes factional administrative fights. He discourages the practice of bringing differences to him to arbitrate. His theory seems to be that it is up to his subordinates to learn how to work together, and if they find they cannot, to remove themselves from the picture.

But Dr Arthur Morgan, the T.V.A. chairman, declined to step out. After carrying on a lively contest behind the scenes, he published his accusations. The T.V.A. is due for public investigation, and Dr Morgan wants it to be done in the thorough-going way of a Congressional Committee. His colleagues want the investigation to be by the Federal Trade Commission, and so does Senator Norris, the father of the T.V.A. and chief veteran in the great "power" fight in the Senate.

The F.T.C. is responsible to the President, say the critics of the T.V.A., and an investigation conducted by it could easily be controlled. A Congressional Committee, say the defenders of Lilienthal and Dr Morgan, would become mud-slinging against the T.V.A. itself.

Clash of Personalities

Dr Arthur Morgan is a combination of educator and engineer. He was in charge of the Ohio River flood control projects, which he administered in masterful style. He also was president of Antioch (Ohio) College, perhaps the most interesting vocational school in this country. He is a man of incurable idealism and the loftiest personal integrity.

He has had charge of the dam construction at the T.V.A., and has performed his task with notable ability. He also has a quaint enthusiasm for details, which has produced innovations in the T.V.A.'s choice and supervision of personnel which are almost other-worldly. Anyone who has met Dr Arthur Morgan will appreciate that he has not always been the most practical of Board members.

David Lilienthal, on the other hand, is the engineer-crusader, committed to making the T.V.A. the great opening battle in winning the power war for the people. And he has been consistently supported by H. A. Morgan. A long letter by Dr Arthur Morgan, telling the inside story of the Board, recounts how Lilienthal and H. A. Morgan worked out their programmes together, came to board meetings and passed what they had planned. If Dr Arthur Morgan had anything to say in opposition, he was sometimes even kept from entering it on the record. This part of the story looks like one of those incredible situations occasionally found in families, when a husband or wife goes on a silence strike against the other.

The Issues at Stake

The first sign that this quarrel may have concealed deep differences over major principles came some time ago. Dr Arthur Morgan was espousing a settlement with the Southern power interests which would have embodied some of the principles of the British grid. Lilienthal was against this settlement, and his crusader's voice rang through Washington. Left-wingers said that the President was getting ready to compromise with the "interests."

The whole tale is yet to be told, but the probability is that this settlement was lost, not because of the quarrel within the T.V.A. but because the power companies decided against compromise and made instead a last great legal stand. They went into court, tied up the T.V.A. with injunctions, infuriated the President, and lost what might have been a constructive solution. For them it turned out to be bad strategy, for their legal battle was in vain and they lost their case.

More recently the quarrel has become more unpleasant. Senator Berry, a labour leader, New Dealer and Roosevelt stand-by, owned marble quarries which were inundated in building one of the T.V.A. lakes. He claimed \$5,000,000 damages. Dr Arthur Morgan writes that the claim "in my opinion was a barefaced steal." He resisted dealing with it except on the basis of a competent outside valuation, and alleges that his two colleagues were ready to compromise with the Senator.

Finally, the claim was taken up by an outside board and adjudged worthless. This will be one of the chapters of the story to be investigated. Senator Berry is head of the Pressmen's Union, is also a successful business man, and was one of the founders of Labour's Non-Partisan League which did so much to help the President to win the last election. He entered the Senate by appointment last year.

According to Dr Arthur Morgan, an investigation of the power policies of the T.V.A., over which he was allowed to have no say, "will disclose disorder, waste, confusion and lack of planning to a startling degree." And he considers himself as fighting a basic struggle for honesty and efficiency in government. Since Mr Lilienthal and Dr H. A. Morgan have reputations for integrity as high as Dr Arthur Morgan's, it can be understood why the Administration did not hanker to have the investigation turned into a public circus before a Congressional Committee.

[NOTE.—Since our Washington correspondent wrote these lines the President of the United States has decided to dispense with Dr Arthur Morgan's services.—Ed., Econ.]

France

Fresh Inflation?

PARIS, March 24.—M. Blum has asked Parliament to vote new financial measures. These included a further advance of 5,000 million francs by the Bank of France to the Treasury; the transfer by the Equalisation Fund to the new "Caisse Autonome de la Défense Nationale" of 2,000 million francs, representing the Fund's profits on its operations (a proposal already rejected by the Senate Finance Committee); and the authorisation of the "Caisse Autonome" to issue, not only long- or middle-term bonds, but also short-term ones, rediscountable at the Bank of France. M. Blum asked for these powers to cover the needs of the Treasury until such time as a National Government could be formed.

The Chamber voted these steps by 343 votes to 243. Many members emphasised that this was, in effect, renewed inflation, which would lead to a fresh rise in prices and the cost of living, and, therefore, more social and monetary troubles. It has now to be seen whether the Senate will be convinced of the need for these measures by the urgent requirements of national defence, enhanced by the recent aggravation of the international situation.

The re-valuation of the gold stock of the Bank of France, on the basis of the present exchange, would produce 24,000 million francs, which, added to the resources of the funds established to equalise the exchange and to support rentes, would make in all nearly 40,000 millions. If the new laws are finally voted, the Bank's advances to the State will reach a total of 42,000 millions, including the 5 millions now proposed as well as the 37 millions already advanced.

The new inflation need not be dangerous if the newly created francs were to remain in the markets, where they would be absorbed by the National Fund's issuing short-term bonds. This will not happen if confidence is absent, and if the new francs are changed into pounds or dollars. But will confidence be maintained in the short-term market? M. Blum, like his predecessor, M. Chautemps, has himself said that bond issues would not be successful until a National Government was formed.

Production must be increased. Public expenditure in 1937 was 100,000 million francs, and permanent charges alone represent 40 per cent. of the national revenue. Salvation can only come through an increase in production, which, like the organisation of national defence, will require united national effort. Such an increase in production would, in itself, suffice to retain in the market the new francs created to cover the expenses of the Treasury, and investors would then be induced to subscribe to the new short-term bonds of the National Defence Fund. The great needs are confidence and co-operation.

Party Strife

The struggle between the parties continues, despite innumerable appeals for unity in face of the financial and foreign dangers which menace the country. The suggested formation of a National Government, stretching from the Radicals to the Right, unlike the present administration, which stretches from the Radicals to the Left, has been given a fillip by the recent events abroad, coupled with the country's strong wish for peace. The leaders of the Right are making a determined effort to convince public opinion that a Conservative democracy is peaceful.

A National Government, however, would have the inconvenience of relegating the Communists and the Socialists to the Opposition; and possibilities of social disorder would arise—a contingency which might even temper the enthusiasm of the Stock Exchange itself for such an alignment. The project for a National Government is indeed more likely than ever, but so far participation of the Communists has been rejected by M. Flandin; and the personality of M. Blum, in spite of his moving appeals for unity, remains a subject of discord among Right politicians.

Foreign policy remains the principal question at stake. And on this problem the profound impression produced in France by the determination of Mr Chamberlain has been intensified by the re-entry into political life of M. Laval after more than two years' silence. The resistance of Great Britain to the plans of the French Left in Spain have already modified the orientation of the French Government. Success for the British Prime Minister in his negotiations with Rome would have a similar effect. The feeling is strong in France that, in the last resort, the entente cordiale for the defence of the two empires remains the most important element in French policy; and may prove more potent in the moulding of policy than party prejudices.

Germany

A Waiting Period

BERLIN, March 23.—Last week Berlin was a whispering gallery of rumours about new Reich initiatives in Continental questions. Czechoslovakia, the Polish Corridor (in the shape of an inconceivable Polish-German exchange), the Baltic States, the Ukraine, and other very improbable, or physically impossible, theatres of activity were mentioned. Military journals publish highly disparaging accounts of Russia's military, naval, and air forces; and not merely in connection with the elimination of Red generals; for the claim is rather that the whole of Russian re-armament is technically and in the matter of training unsound.

The Czechoslovak controversy was made more acute by party displacements among the Sudeten-Germans themselves. Nevertheless, business circles did not credit the talk of immediate aggressive moves. Reich designs, it was reasoned, could hardly take shape until after Mr Chamberlain's declaration of policy to Parliament. The Reich Government and the Nazi party are for the moment interested only in the election.

Apart from these considerations, one might conclude on general grounds that pretensions will not be hurriedly pushed forward or remedies for alleged grievances hurriedly sought. For five years nationalistic enthusiasm has been kept boiling by successive coups, and it must be kept boiling. But the stock of coups, like the stock of *devisen*, is limited, and similar careful rationing would seem to be necessary. Further, the economic absorption of Austria, begun though it has been with headlong speed, will long require hard work; and it will raise international trade and payment questions, during the settlement of which it would be unwise to precipitate new troubles. On such and other grounds the Bourse last week and early this week was somewhat firmer.

Measures for Austria

The political measures taken in the new Austrian *Land* resemble those taken in Germany after the National-Socialists attained power, and are no less drastic. The economic measures make for complete assimilation. Apparently the real ruler of Austria is to be Herr Keppler, for many years Herr Hitler's economic adviser, and of late head of the Reich Board for Soil Research. He will henceforth be Reich Commissioner for Austria, and has also been made a Secretary of State in the Foreign Ministry.

Numerous Reich trade and industrial regulations have been imposed on Austria, including the supervision of foreign trade. A Foreign Exchange Board has been created in Vienna. Germans have been provisionally forbidden to establish new undertakings in Austria, to transfer old undertakings there, or to open branches there; and they may not acquire interests in Austrian concerns. This is on the lines of a measure taken after the incorporation of the Saar.

The Customs frontier for the moment remains, but import duties may be removed from certain goods. The Austrian National Bank is to be liquidated, and replaced by the "Reichsbank Chief Office, Vienna," under the direction of one Austrian and one German. The National Bank's gold and exchange reserve, some Sch. 420 millions, or, at the German official rate, approximately Rm. 200 millions (which is just three times the Reichsbank's displayed reserve) will be taken over.

Schillings and Marks

The new exchange rate of Sch. 3 = Rm. 2 has been fixed, it seems, on rule-of-thumb principles, but with a desire to propitiate the Austrians. The new rate cannot be regarded as representing a scientific correction of the old official exchange on the basis of comparative prices or costs of living. In 1929-37 the Austrian index of the cost of living fell from

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100 to 94.6, and the German from 100 to 81.2. But in 1929 both currencies were on a gold basis. The relation between the respective levels of the cost of living in 1929 is uncertain. Since 1929 the schilling's gold value has declined about 21 per cent., while the Reichsmark ceased to have any gold value at all, though, for certain limited transactions, there is still a forced full value exchange. Of late the schilling has been quoted at 49.5 pfennigs. The gold schilling was 59.07 gold pfennigs; and, against this, the new exchange value of 66.7 pfennigs is not a great advance. The effect of the new arrangement will be to raise Austrian prices, reckoned in marks, by one-third.

The Anschluss and German Resources

While the *Anschluss* will materially increase the sum of Germany's resources, it is not clear that it will help to overcome the Reich's particular difficulties—its deficit of foodstuffs, raw materials and foreign exchange. Austria's forests are much the most important raw-material gain. But self-sufficiency in wood will raise commercial questions with the North European countries which have so far supplied wood and wood products; and German exports may be prejudiced. Austrian iron ore resources might certainly be developed, but, here again, international commercial problems would be raised; and, further, the Reich has committed itself to huge investments for exploiting low-grade ore in its old territory.

The heavy Austrian imports of oil and cereals will burden the balance of foreign payments. The prospect of exploiting Austrian mineral oil is not good. Many of the Austrian oil-fields which were opened after 1932 went dry. In general, the similarity between the Austrian and Reich economic structures is a disadvantage rather than an advantage.

Speaking on transfer and Austrian foreign debts, Minister of Economy Funk admitted that these questions must be negotiated with creditor countries. It may be hoped that these countries will use the considerable leverage they have to prevent any curtailment of the Austrian debt service, which could easily be maintained. It is to be feared, however, that the *Anschluss* will strengthen the Reich's move against bondholders foreshadowed by Dr Funk at the opening of the Leipzig Fair. It is significant that dollar bonds, and with them those German foreign loans which are mark liabilities, have weakened on the Bourse. The German section of the Young Loan, which a few weeks back passed 108, was yesterday down to 103.25, and the dollar, Young and Dawes Loans have also declined.

High Import Level

The February returns of foreign trade show an import surplus of Rm. 17 millions, against Rm. 33 millions in January. The import surplus in the first two months was therefore Rm. 50 millions, compared with an export surplus of Rm. 138 millions in the same months of 1937. Imports compared with January declined by Rm. 30 millions, while in 1937 they increased. Exports declined by Rm. 10 millions, the same as in 1937. The import surplus is due to the fact that a high level of imports has, in general, been maintained. Imports in February were valued at Rm. 106 millions more than in February, 1937. Exports, on the other hand, tend to stagnate and, in February, were valued at only Rm. 30 millions more than a year ago.

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Millions of Marks			
Imports	Jan.	Feb.	Jan.-Feb.
I. Foodstuffs	179.5	170.7	350.2
(a) Livestock	9.0	11.0	20.0
(b) Animal foodstuffs	49.6	41.8	91.4
(c) Vegetable foodstuffs	91.1	88.7	179.8
II. Industrial goods	300.3	278.3	578.6
(a) Raw materials	178.3	166.2	344.5
(b) Semi-manufactured	88.4	78.4	166.8
(c) Manufactured	33.6	33.7	67.3
Total	483.7	453.2	936.9
Exports	Jan.	Feb.	Jan.-Feb.
I. Foodstuffs	6.7	5.4	12.1
(a) Livestock	0.3	0.1	0.4
(b) Animal foodstuffs	0.6	0.6	1.2
(c) Vegetable foodstuffs	3.0	2.6	5.6
II. Industrial goods	439.1	430.7	869.8
(a) Raw materials	43.7	43.1	86.8
(b) Semi-manufactured	40.0	37.0	77.0
(c) Manufactured	355.4	350.6	706.0
Total	445.9	436.2	882.1

The Reichsbank's reserves have not been affected by the new trade deficits; indeed (though this is not shown in the Reichsbank's returns), February witnessed a considerable net gold import.

Palestine

The Balance of Payments

JERUSALEM, February 23.—At the instance of the Economic Research Institute of the Jewish Agency for Palestine, Mr L. Gruenbaum has just completed a survey of Palestine's National Income and Balance of Payments. His estimates of the balance of payments are as follows:—

BALANCE OF PAYMENTS, 1936 (In thousands of Palestine £1's)	
<i>Inflow</i>	
1. Exports of merchandise	3,625
2. Tourist traffic in Palestine	650
3. Investment proceeds from abroad	830
4. Government proceeds from abroad	415
5. Bullion and specie exports	251
<i>Recurrent:</i>	
6. Surplus of capital imports by immigration	5,000
7. Loans and raised shares sold abroad	500
8. Remittances to relatives	1,333
9. Jewish National Funds	900
10. Christian and Moslem funds	500
<i>Non-recurrent:</i>	
11. Repatriation of Government funds	1,033
12. Repatriation of currency funds	700
13. Miscellaneous (repatriation of private foreign investments, etc.)	842
	16,576
<i>Outflow</i>	
Imports of merchandise	13,979
Tourist traffic abroad	800
Payments on Palestine investments abroad	575
Payments for banking and insurance services	170
Government payments abroad	895
Bullion and specie imports	157
	16,576

It may be added that item 13, which is the "unexplained balance," includes the cost of the British Army in so far as it is paid by the British Treasury, as well as exports of gold and merchandise to neighbouring countries not included in the Customs statistics.

The items 1-5 result in an outflow balance of £P10.8 millions. This "deficit" is covered by capital imports amounting to £P8 millions and repatriated capital to the value of £P2.8 millions. In a country where immigration and colonisation are still the dominant economic trends, a surplus of capital imports must be a regular feature of its balance of payments, as was shown, for instance, by Canada's development in the decade before the Great War.

The deficit on Palestine's balance of trade in 1936 was covered up to at least three-quarters by "Normal" imports of capital, and only one-quarter by capital repatriation, "freezing" of foreign claims, etc.

The improvement in the balance of trade during the last

three years has been to a considerable extent due to the increase in exports, as the following figures show:—

	Imports	Exports	Surplus of Exports
(In millions of Palestine £1's)			
1935	17,853	4,215	13,638
1936	13,979	3,625	10,354
1937	15,913	5,820	10,093

The gap between imports and exports is still very large. But it is clear from careful analysis that only 25 per cent. of the deficit cannot be met by normal means. The situation is, therefore, not so alarming as has been sometimes stated.

Japan

Japan's Advantages in War

TOKYO, February 25.—Despite occasional peace rumours the basic reckoning, both in Japan and in China, is on a protracted conflict. The Prime Minister recently told the Diet that the time for a settlement was far distant. Marshal Chiang Kai-shek, on the other hand, recalls the history of the American War of Independence, and asserts that China, too, can fight many years against the Japanese invaders. It may be worth while to cast up a brief balance sheet of the main elements of national strength and weakness on the two sides, as these have been made clearer by the actual results of the fighting up to date.

Japan's most obvious and most important asset is overwhelming technical military superiority, which is due to better training of officers and men, a stronger tradition of national unity, vastly more effective equipment, notably in artillery and mechanised weapons, and a far more advanced stage of economic development. The consequence of this superiority is that all traces of war, except for casualties and returning wounded, are banished from Japan's soil.

Japan's economic body has been unscathed; and this is a point worth remembering by those who are inclined to believe that Japan, because of its more modern and sensitive economic organism, is likely to experience some kind of collapse before China. Japan faces serious economic difficulties; but its physical plant is undamaged, just as Germany's was during the world war.

Another distinct Japanese asset is virtual self-sufficiency in food, given the rice, fish and vegetable diet on which the enormous majority of the people subsist. Experience shows that the greatest threat to popular *morale* in a protracted war is hunger. There seems little likelihood that Japan will be confronted with this danger in any near future.

The Conflict's Strain

On the liability side, however, one must recognise that Japan is already experiencing appreciable economic strain. A combination of causes, including an expanding armament programme, speculative advance purchases of cotton and other raw materials and the demands of the war itself, gave Japan an unusually heavy adverse balance of visible trade in 1937. The excess of imports over exports was 648 million yen; and gold to the value of 830 million yen was shipped to America and Great Britain.

These gold shipments have left Japan only a very small stock of free gold, apart from the sum of 801 million yen (about £45 millions), which is considered a reserve for the currency. It has been found necessary to adopt a hand-to-mouth policy of restricting monthly imports to a value roughly equal to the value of exports, plus the comparatively small quantity of newly-mined gold, which is bought by the Government. This restriction is all the more irksome because exports for the first month of the year were down by about 18 per cent., compared with January, 1937.

Internally, Japan will this year be obliged to digest bond issues up to at least five or six thousand million yen. Borrowings will be well over double the total amount of income received from taxation. A creeping inflation is already in progress, with the cost of living rising from month to month.

Another liability is the loose discipline, by Western standards, which prevails in the Japanese army. It has thus far proved impossible to inflict public punishment on officers and men involved in such offences against foreign Powers as the shooting of the British Ambassador to China, the sinking of the American gunboat "Panay," the shelling of the British gunboat "Ladybird," to mention only a few outstanding "incidents." In some new militarist excess lies Japan's greatest danger—the drawing into the war of some more formidable enemy than China.

China's Unity and Bulk

China's greatest asset is the unusual measure of national unity which has prevailed in face of the war. No important war lord went over to the Japanese side. Even the unfortunate Governor of Shantung, who was shot for alleged neglect of duty and malfeasance in office, did not accept the Japanese offers to retain his post under their patronage. The sanguinary class civil war with the Communists has ceased. The normally recalcitrant South-West has been co-operating with the Central Government.

China's mere bulk is a substantial obstacle to conquest. It is not just another Manchuria, or another Abyssinia; and, assuming that *morale* and munitions hold out, an exhausting guerrilla war, lasting for years, may continue even after the Japanese have occupied more large cities and strategic railway points than they hold at present.

The primitive state of Chinese economy, a handicap in many ways, is an advantage, in so far as the Chinese village leads a self-contained existence, and the effect of a naval blockade and the disruption of many lines of communication is not so overwhelming as it would be in a more industrialised country. China is able to keep its armed forces, such as they are, in the field at much less expense than Japan is obliged to incur.

Stalemate

On the other hand, China's inability to hold its own in open-field operations against Japan is a serious political liability. All the strain on *morale* which comes from constant air raids, devastation of territory, loss of towns and positions, falls on the Chinese. Chinese traditions of venality and nepotism are far from being uprooted; there have been cases of scandalous corruption and inefficiency in the placing of war orders and in the organisation of the care of the wounded. The unity that has been created by Japanese pressure is real enough; yet it may crack under a protracted series of defeats. China's reserves of foreign currency, like Japan's, are seriously straitened.

Such would seem to be the main elements in China's and Japan's national balance sheets of strength and weakness. There is no absolute assurance of complete ultimate victory for either side. China cannot evict Japan from the expansive territories which have been occupied; and at best can only hope to harass the Japanese by guerrilla warfare so much that no profitable exploitation can be undertaken. Japan cannot take over the whole of China, except at a price in men and yen which would be staggering. There is a clear possibility of the continuance of the present stalemate, with Japan dominating and more or less effectively controlling selected areas of China for a considerable period of time.

New Zealand

Business Activity in 1937

CHRISTCHURCH, February 25.—Returns now available for whole of 1937 provide convincing evidence of increasing business activity. The estimated value of production, which fell to £NZ83.6 millions in 1931-32, rose to £NZ136.1 millions in 1936-37, compared with £NZ114.2 millions in 1935-36 and £NZ126.6 millions in 1928-29, the previous highest record. Factory production, nearly half of which consists of animal products, also reached a new high record, £NZ105.9 millions, in 1936-37, against £NZ90.0 millions a year earlier.

Aggregate bank debits in 1937, exclusive of Government debits, reached £NZ973 millions, a figure 10 per cent. higher than that recorded for 1929, and 80 per cent. higher than in

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the lowest depression year, 1932. The yield of the sales tax, an excellent trade indicator, increased by 64 per cent. between 1934, its first full year, and 1937.

Overseas trade also reached new high levels. The value of exports in 1937 was £NZ66.7 millions, an increase of £NZ10 millions compared with the preceding year, while imports increased by £NZ12 millions to £NZ56.2 millions. Higher prices for wool accounted for more than half the year's increase.

Rising wool values have also accounted for an apparent change in the direction of trade. During last year, exports to Great Britain fell from 80.2 to 76.3 per cent. of the total value of exports, and to British countries from 86.3 to 82.4 per cent., while exports to foreign countries, which take a good deal of wool, rose from 13.7 to 17.6 per cent. In import trade, the shares of both Great Britain and British countries increased slightly, while that of foreign countries declined.

Overseas Funds and Wool Prices

The export surplus in 1937 was £NZ10.55 millions. This is sufficient to meet normal commitments abroad for interest, etc., but the overseas funds held by the banks fell from £NZ28.1 millions at the end of 1936 to £NZ23.7 millions at the end of 1937, which suggests that some export of capital is still going on. Both the overseas funds of the banks and bank deposits in the country, however, are much larger than was usual before the depression, so that money is abundant and interest remains low.

The increase in trading bank advances during the past year, from £NZ48.3 millions to £NZ54 millions, shows that the demand for money has risen with expanding trade. These figures do not include Government advances from the Reserve Bank, which reached £NZ7.1 millions at the end of last December, the highest figure yet recorded. Of this amount £NZ6.2 millions was against dairy produce bought for export, and £NZ900,000 for other purposes, presumably housing. It now appears probable that the fall in prices for the current season's wool, amounting to about 30 per cent., will effect a reduction in total export receipts, and may cause a check during the coming year to the rising trend in both internal trade and imports.

Revenue and expenditure returns for the first nine months of the financial year have now been published. Revenue amounted to £NZ20.07 millions, against £NZ18.59 millions a year ago. The whole of the increase was due to expansion in the tax yield, principally in Customs and sales tax, since a fall in interest receipts was just covered by an increase in other revenue. Further increases are expected in the proceeds of income tax, most of which comes in during the last quarter of the year.

Expenditure amounted to £NZ21.93 millions, compared with £NZ21.08 millions in the previous year. The Minister of Finance states that the expenditure for the period is £NZ4.1 millions less than the nine months' share of the estimates, but that heavy payments are due in the last quarter for interest, etc. Comparison with last year's figures, however, suggests that the Budget is likely to be balanced comfortably.

Canada

The British Crisis

OTTAWA, February 26.—The political crisis in Britain and other developments in Europe have been followed with keen interest in Canada and, if the comments of the Press are any index of public opinion, there is, at least in the English-speaking provinces, a preponderance of sympathy with Mr. Eden. A contributory factor to this reaction is the disposition of some French-Canadians to sympathise with the Fascist dictatorships. There is, however, widespread apprehension that the achievement of *concordats* between the British Government and the Fascist dictatorships might do irretrievable damage to any prospects of close co-operation between the British Commonwealth and the United States.

Difficult Days in Alberta

The latest Budget of the Alberta Ministry, submitted on February 25th, shows that the province is still in very deep financial waters. The deficit for the fiscal year, 1937-38, which had been forecast at \$1,227,815, is now reckoned at

\$1,500,000 and, for the year 1938-39 the provincial Treasurer, forecasting revenue of \$19,232,232 and expenditure of \$20,799,804, estimated the deficit at \$1,567,571. He announced new taxes on securities, mineral rights and wild lands, and additions to the corporation income tax, succession duties, and unearned increment tax. He intimated that the Government proposed to restore part of the cuts made in the salaries of civil servants and to raise the indemnities of the members of the Legislature, which were reduced from \$2,000 to \$1,800 per annum, to their old level. The latter proposal has created a very unpleasant impression, and is calculated to do the Aberhart Ministry great political damage if persevered with.

Business Uncertainty

A winter, which has not been rigorous, is now drawing to a close and the business community is preparing to adjust its operations to spring conditions. The recession in Canadian business is still nothing like so marked as the setback in the United States, but it is evident. The general economic index of the Bureau of Statistics has fallen. Given below are details of three of the major components of the index:—

Week ending	Car-loadings	Wholesale Prices	Bank Clearings	General Index
Feb. 20, 1937 ...	81.63	83.0	119.8	116.0
Feb. 5, 1938 ...	79.94	83.6	100.9	109.6
Feb. 12, 1938 ...	79.98	83.6	90.5	108.2
Feb. 19, 1938 ...	76.61	83.6	90.6	108.0

The increased tension in the international situation has helped to aggravate the feeling of uncertainty about the immediate outlook for business, and a continued shrinkage in foreign trade, revealed by the figures for January, has been responsible for a decline in the purchasing power of workers in some of the basic primary industries. Merchants are showing a disposition to curtail their spring commitments.

There is also evidence of a curtailment of manufacturing operations. The production of motor vehicles in January was only 17,624 compared with 20,652 in December and 19,583 in January, 1937. The textile mills are also making plans for a decreased output, and imports of raw wool and woollen yarns in January, at 1,108,049 pounds, were not much more than half the figure for January, 1937, which was 1,961,473 pounds.

The primary iron and steel industries have also reduced their scale of operations, but they are still fairly well supplied with orders; and the production figures for steel and iron in January were 107,753 and 74,862 tons, compared with 115,237 and 66,400 tons, respectively, in January, 1937. Disappointing progress is being made towards the elimination of the heavy surplus stocks of newsprint, and the operations of the industry were so reduced in January that its output was only 222,500 tons, compared with 293,038 tons in December and 289,634 tons in January, 1937. Exports of planks and boards, at 108,914,000 board feet, were only about two-thirds of the sales in January, 1937.

On the other hand, the mining industry, in spite of a fall in the prices of various base metals, is still active; exports of copper and nickel in January were 398,563 and 197,154 cwt., respectively—new record figures compared with 271,787 and 149,944 cwt. in January, 1937. Gold production was 359,549 fine ozs., compared with 328,545 ozs. in January, 1937. The volume of new building is being well maintained, and the value of new contracts placed in January was \$9,140,000, an increase of 38 per cent. compared with January, 1937. The packing plants are also fairly busy, and the farm implement firms report that their outlook is better than in any recent spring.

Decline in Employment

But, since the year began, there has been an ominous curtailment in employment. The latest unemployment bulletin shows that, instead of the small gain in employment which has been usually, although not invariably, shown in January, the number of workers on the payrolls of reporting firms fell by 29,052 to 1,052,551. The number of people on public relief has again been mounting and the Federal Government, which last year reduced the scale of its monthly relief contributions to the provinces, is being subjected to severe pressure from provincial and municipal authorities to raise them again. The Federal Minister of Labour, however, has refused to increase the grants, and as a result Mr. Hepburn, Prime Minister of Ontario, has declared that he does not propose to allow his Government to remain "sandwiched" between a Federal Ministry, reluctant to shoulder its just responsibilities, and impoverished municipalities.

Letters to the Editor

The Stock Exchange and the Public Trustee

TO THE EDITOR OF THE ECONOMIST

SIR,—The answer to the letter signed "Beneficiary," published in *The Economist* on March 5th, is probably as follows:—

1. Stock Exchange commissions are possibly twice as heavy as they ought to be, since brokers are in a position to part with one-third or a half of their commission to the Public Trustee, banks, etc.
2. If the Public Trustee does not obtain a share of brokers' commissions, he may be obliged to raise his other fees to compensate him for the loss of such commission. It would, therefore, be in the interests of all parties to let sleeping dogs lie.

"TACT."

New Railway Capital

TO THE EDITOR OF THE ECONOMIST

SIR,—I have read with interest the article on new railway capital in your issue of March 12th, but if I am not much mistaken the train of reasoning that relates the re-establishment of railway profits to the "acuteness" of the capital problem involves at least two misconceptions.

You say that

any reasonable conservative board would prefer to treat as a revenue charge the normal "betterment" involved in keeping equipment up to date—which, in the long run, means competitive—and would so reckon it in the company's published accounts. The railway form of accounting allows larger earnings to be shown

I should think it extremely improbable that commercial practice generally is more conservative, and I suggest that the general run of such practice is the less conservative one of writing off depreciated assets and treating as capital those which replace them.

Let A = £1,000 original cost, and B = £1,100 replacement cost of A in its actual state, and C = £1,200 replacement of A as "bettered." You suggest the railway should charge C to revenue instead of B, and that that indeed is commercial practice, but I suggest that industry generally quite as often charges only A, and is less prudent than railway practice. True, various companies have paid for the capital additions (arising through both price and betterment) out of surplus profits with the frequent sequence of bonus issues with the same effect as direct capital issues except for the loss of premiums on issue.

Later you say:

The real question, however, concerns earning power rather than book values. An ordinary industrial concern would recognise that part of its earlier capital expenditure, though still represented by assets, was no longer profitable, and should be written off. If the equity stocks were reduced to a nominal value justified by current earnings, it would be possible, in favourable market conditions, to raise fresh capital by the issue of ordinary stock. But so long as profits are in a declining trend there must be difficulties in the way of that solution, since even after a capital reorganisation the market will not be anxious to take up new stock.

I suggest exactly the opposite. In the first instance, you rightly say that the real question concerns earnings and not capital; indeed, there is no connection between them in the sense you are discussing. It would make not the slightest difference if the capital could be reduced except to show a better return on paper, and I am afraid I do not hold your opinion that such revision of capital would induce others to venture in the same field where their predecessors had been so treated.

If you had said that, as profits rise, there would be a restoration of confiscated capital, there might have been some theoretical justification, but without that your proposal seems to imply, in an improving industry, a confiscation of

future growth in profits. An equity stock with a sliding value, really with no par value, would be interesting, but why suggest it for a railway company whose capital arrangements must be made by Parliament? And apart from this, it would be interesting to know which industrial concerns with no deficiency in their trading results have adopted the writing-down policy to make their results per cent. of capital look prettier.

You say: "so long as profits are in a declining trend," but although they declined in 1930, 1931 and 1932, each year since has shown an improvement—those for 1937 exceeding 1930 despite the growth of wages and prices over the 1929 level.

Finally, we do not embark upon capital works unless it appears that they will earn more than their cost, and I am aware of no works which have had to be postponed because of shortage of capital funds, as distinct from earning prospects. Might I illustrate by adding that since amalgamation new capital assets costing £128 millions have been brought into use by the L.M.S. Company, mainly for re-equipment, and during the same period capital assets displaced and not replaced have resulted in credits to capital expenditure account of £15 millions, including £3 millions for sales of land. In addition, road investments costing £4 millions have been charged to capital account.

Yours faithfully,

J. C. STAMP.

Chairman's Room,
Euston Station.

[We discuss the points raised by Sir Josiah Stamp's letter on page 697 of this issue.—Ed., *Econ.*]

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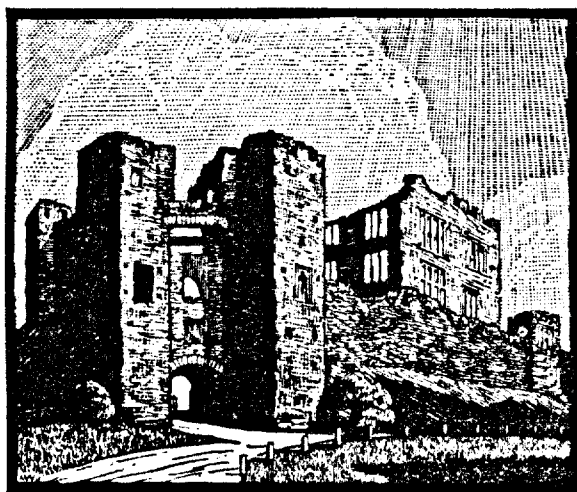
Joe, Austen and Neville

SIR CHARLES PETRIE, who excels in light and bright biography, has produced an eminently readable sketch* of the lives of three men whose names are written large in British politics during the last sixty years. What is the Chamberlain tradition? What essential virtue was possessed by these members of a West Country Nonconformist family who, father and sons, succeeded between them in moving England's fiscal capital from Manchester to Birmingham?

Sir Charles succeeds merely in stating, without resolving, the fundamental paradoxes of the Chamberlain story. Obviously, any analogy between the Chamberlains and, say, the Pitt family is dangerously misleading. The Pitts, Elder and Younger, were born wartime ministers; the Chamberlains were, above all things, men of peace. Chatham and Pitt found in statesmanship their life's work; Joseph and Neville Chamberlain came to Westminster only in middle-age. They did not seek high office; and Austen, the only member of the family trained to national politics from his youth up, waived his claim to party leadership, after Balfour's resignation, in circumstances which testified much to his sense of duty and public spirit but little to his ambition.

Above all, through the career of the Pitts one increasing purpose ran, which did much to redeem a strain of the histrionic in both men. But while the strength of the members of the Chamberlain family has been their unwavering pursuit of a high purpose, clearly perceived, their weakness

* "The Chamberlain Tradition." By Sir Charles Petrie, Bt. Lovat Dickson. 287 pages. 3s. 6d. net.



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has been a certain reliance on intuition rather than judgment in choosing their objective. Alike in formulating his "unauthorised programme," in his break with Gladstone over Home Rule, and in his ardent imperialism and tariff reform advocacy after his visit to North America, Joseph Chamberlain moved by faith rather than by sight. The great decisions in his political life were not the result of mature deliberation but of sudden intuitive flashes. And Neville Chamberlain's countrymen to-day, who are aware of the determination with which he held his original view on, say, the expedience of the first National Defence Contribution or of opening discussions with Italy, have weighty reasons for wondering how far he is his father's son.

Sir Charles Petrie's book will raise, in the minds of many readers, another question to whose answer present events lend obvious importance. Beyond question, municipal administration is a useful school for British statesmen in peace-time. In housing, in public health, and in finance, Britain's present Prime Minister has applied, to the lasting benefit of his country, the lessons he learned in a progressive city.

But a modern municipality, unlike the State, is immune from external aggression. Birmingham, with its housing schemes, its traffic regulation and its Watch Committee, need fear no turbulent loyners of Leeds, nor worry over the Newcastle-Sheffield axis, nor adjust its policy when Nottingham sends an army, with tanks and aeroplanes, to free the goose-men in Leicester. Compared with Hitler and Mussolini, President Kruger was the veriest tyro in the guileful arts; yet in cunning Joseph Chamberlain was no match for him. Does the municipal school breed a lack of caution, and of the disposition to question motives, which is part of the indispensable mental background of those responsible for a country's foreign policy? Events, we may hope, will yet show that the answer is negative.

Shorter Notices

"The Future of British Railways." By W. J. Stevens. P. S. King and Son, Limited. 101 Pages. 5s.

This country is particularly rich in amateurs of railway management, both well- and ill-informed, who seldom hesitate to criticise the companies' policy. Mr Stevens is not one of these; his little book is a highly sympathetic study of the difficulties with which the railways have had to contend since the war, and a plea for Government co-operation in the matter of earning their "standard revenue." He writes lucidly, handling his statistics nimbly; and investors will find the last four chapters, which deal in turn with each of the main groups from an investment point of view, especially useful. Within the limits of a hundred small pages it is hardly reasonable to expect an objective survey of the transport problem, and Mr Stevens has not always been able to avoid over-simplifying the issues. It is not sound to argue that merely because railways are very large concerns, it must therefore be in the national interest that they should earn adequate dividends; or that the definition of standard revenue by the Railways Act of 1921 represented a "solemn bargain" between the companies and the Government whereby the latter guaranteed its achievement. Nor does it fortify the argument to describe any proposal to write down or reconstruct railway capital as "tampering" and its authors as "pirates."

"The Economy of Britain." By H. M. Croome and R. J. Hammond. Christophers. 327 pages. 8s. 6d.

Miss Scott's recent introduction to the study of economic theory won well-deserved praise. Now, as Mrs Croome and with the collaboration of Mr Hammond, she has attempted to perform the same task of introductory exposition for elementary students of economic history. Their outline of historical development since the Middle Ages is orthodox in scope and arrangement and only occasionally controversial in interpretation. The avowed purpose of the book is to relate economic history to economic theory rather than to history, and historians may feel that the authenticity of the narrative suffers accordingly. This will be a really useful textbook for beginners, but it breaks no very new paths.

THE BUSINESS WORLD

Sheffield Visited—II

Sheffield Steel and Cutlery

IN an article in last week's issue of *The Economist* (page 612) Sheffield's economic and social features were briefly described. What does the future hold in store for Sheffield and its trades? Though Sheffield is in many respects the nerve centre of Britain's steel trade, its inhabitants are quick to point out that it is not merely a steel town. They refer to the hundred and one light products which, though mostly based on steel, are connected with Sheffield by the traditional skill of its workers rather than by the proximity of the steel furnaces, and employ about the same number of persons as the heavy trades. Moreover, they stress the importance of the fact that Sheffield is the centre of the Midland coalfield. Indeed, local industrialists are fond of likening their city to a chemist's shop by reason of the diversified nature of its products.

There are good grounds for distinguishing between the heavy steel and light trades. The heavy steel industry is notoriously subject to wide fluctuations in activity owing to its dependence on the capital equipment and armament industries. The light trades, on the other hand, furnish a wide range of consumers' goods, the demand for which varies with changes in general activity and in international trade. It is scarcely surprising, therefore, that recovery has been relatively greater in steel than in the lighter trades, especially as some of the latter, such as cutlery, have come to be dependent on exports for a substantial proportion of their total output. Sheffield still wears an air of solid prosperity, though optimism has recently been tempered by the fall in new orders.

Sheffield's leadership of the British steel industry is due to an historical accident rather than to easy accessibility to raw material supplies. Many centuries ago Sheffield was already famous for its knives made in the smithies driven by water wheels, from iron smelted locally with charcoal or imported from Sweden. Knives and swords required a strong and flexible material and keen edges. Continuous application led to a steady improvement in the quality of the materials, in the efficiency of the tools, and in the skill of the craftsmen. Sheffield cutlery found its way to the furthest corners of the world. During the industrial revolution, the scope of its activities was enlarged by the rapidly growing demand for tools and machinery, while the ability to satisfy these requirements was considerably enhanced by Huntsman's invention, in 1742, of the crucible steel process. Thus, at the beginning of the nineteenth century, Sheffield had already established its position as Britain's steel centre. During the first half of the nineteenth century, progress was comparatively slow, and Britain's total output of steel in 1855 was only about 50,000 tons. But in the second half a series of important inventions was inaugurated with Sir Henry Bessemer's converter, introduced in 1856, leading up to the development of modern high-speed tool steels, alloy steels, and rust, acid, and heat-resisting steels. The recent growth of steel production in Sheffield and in the United Kingdom as a whole is shown below:—

OUTPUT OF CRUDE STEEL (In thousands of tons)		
	Sheffield	United Kingdom
1913	878.7	7,663.9
1929	1,217.0	9,636.2
1931	775.8	5,202.6
1936	1,606.9	11,784.6
1937	1,722.2	12,964.0

Although Sheffield produces only about 13.3 per cent. of the country's total output of steel, measured by tonnage, its proportion is considerably higher in terms of value by reason of the high average quality of a substantial part of Sheffield steel. For example, the average price of high-speed tool steels of good quality is as much as 3s. 6d. per lb., or £392 per ton. For the past thirty years and more one Sheffield firm has regularly supplied tool steel to the United States at the price of \$9 per lb., or £4,032 per ton.

While Sheffield's steel-makers are fully alive to the ups and downs of their industry, they do not fear a decline in the importance of their town as a steel centre. They have an invaluable advantage over other districts in the quite outstanding traditional skill of the Sheffield steel workers and of the research staff. They have easy access to fuel. They are scarcely at a disadvantage compared with other centres as far as supplies of scrap are concerned. The relatively greater cost of pig-iron, which has to be brought from other districts, principally the North-West and North-East Coasts, is offset by Sheffield's relative concentration on high-quality steels, though the manufacture of bulk steel is by no means unprofitable. Local steel-makers are firmly convinced that the demand for special steels will continue to expand, not only for armament but also for commercial purposes. And since the possibilities of further technical improvements in steel production are still far from exhausted, Sheffield's inventiveness and traditional skill are assets of inestimable value. Thus, while there are no technical obstacles in the way of setting up the production of Sheffield steels in other parts of the country, Sheffield lightly dismisses such a development as highly improbable.

New orders, admittedly, have tended to decline during the past few months. But the pressure has been so great during the past year that the industry is actually welcoming a breathing space. No one expects anything like a serious slump in the near future, especially as armament activity is now likely to be increased. There is a tendency towards closer co-operation between individual firms. At heart, however, Sheffield's steel-makers remain strongly convinced of the virtues of individualism as the springboard of enterprise.

Cutlery makers are more cautious about the future than the makers of steel. They fear recession. Yet they do not believe that the tradition of six centuries can be easily broken; nor do they deny that cutlery has shared conspicuously in the lighter trades' revival since the depression, as the following tables show:—

PRODUCTION (£ thousands)			Per cent. increase
	1930	1935	
Tool trades	4,670	7,791	66.83
Cutlery trades	2,213	3,271	47.80

EMPLOYMENT			Per cent. increase
	1930	1935	
Tool trades	20,346	24,994	22.84
Cutlery trades	9,021	10,699	18.60
	29,367	35,693	21.54

These figures, it is confidently asserted, have been considerably improved since 1935. Between 1930 and 1935, again, home trade turnover in cutlery rose by nearly 63 per

cent. in value, against 70 per cent. in carpenters' and joiners' tools, 36 per cent. in saws and 158 per cent. in engineers' tools. The cutlery, like the toolmakers, attribute their successful revival in part to the import duties introduced in 1932; and, faced now by signs of slackening trade, would be ill-suited by any further increase in foreign imports. Unemployment in the tool and cutlery trades rose from 2,662 in November, 1937, to 4,486 in January, 1938; and, while cutlery exports and dispatches have so far maintained a rising trend, orders, especially from overseas, have been declining steadily for six months and in January were down to the level of 1935-36. Cutlery is not, however, a homogeneous trade, and its movements in price and production are, therefore, somewhat haphazard and disparate. There are 900 separate entities in Sheffield cutlery: about 300 firms proper and 600 establishments doing work for larger firms and employing no more, and often many fewer, than ten men apiece. There is a world of difference between an undertaking with a staff of over 700, producing the widest range of high quality cutlery, and the one-man workshops. In general, however, though the high-grade exports are always affected first in both recession and recovery, the whole atomised industry must in the long run move together; and current signs are not propitious.

Nor can the host of diverse undertakings easily evolve a common policy, differing as they do hardly less in the type of their product than in the scale of their operations. In default of organisation, the cutlery industry is definitely unstable, and price-cutting is almost inevitable in a period of declining trade—although, in important instances, the products of certain firms are protected because they still trade on quality rather than on price. The reputation of certain Sheffield cutlery is world-wide and the competition of cheapness and mass production can accordingly be withstood—within limits. But, while Sheffield skill counts for a great deal in this trade, as in every other of the city's industries, the old order is being appreciably undermined. In the old days, the illiterate Indian sought

the sign of Sheffield reputation on his knives. Now, the more literate Indian has new and more nicely commercial standards: he balances price against price, and may in the end buy Japanese.

Again, mass production has made its way into Sheffield itself; pen-knives and razor blades are being mass-produced. And the old-time trading on a tried and trusted name is threatened. High-grade cutlery retain much of their goodwill in the world's markets, but a lot of low-grade cutlery is made in Sheffield, and the city's differential advantages, deep-rooted in age-old tradition, have lessened. Nor is it in cutlery alone that there are these signs. Silverware and electro-plate, staple Sheffield crafts of fine dexterity, are drifting to Birmingham. Cutlery itself has still centuries of life to increase its long span of business in Sheffield; but the trade's outlook for the immediate future is not altogether clear, and there are tendencies at work within the industry which will sooner or later appreciably change its character.

Nevertheless, local industrialists, convinced of the great future for steel—particularly special steels—and fully aware of Sheffield's advantages in their manufacture, face the future with quiet confidence. The fortunes of some of the subsidiary trades—and cutlery is subsidiary now to steel—may change; but the scope for metal goods is such that a decline in one branch may be offset by the growth of others. The very success of Sheffield in the manufacture of steel, however, has put steel-making in a position of pre-eminence in the city. And, so long as so large a proportion of its resources are devoted to steel, Sheffield will be subject to greater fluctuations in activity than the country as a whole. In that lies Sheffield's main problem. The great industrial concerns have done much to insure themselves against depression by accumulating reserves in periods of prosperity on which they can draw in adversity to maintain the efficiency of their plants. And a forward social policy has already accomplished something towards the mitigation of the special problems which have their origin in fluctuations of employment.

Decline of the Bill of Exchange

PERIODIC dissertations on the decline of the London discount market—as a bill market, though not necessarily as a profit-making institution—usually involve some more or less vague estimation of the reduction which has recently taken place in the volume of commercial paper available for discount. Such estimates, unless they are made in high quarters, are normally given as the product of guesswork based perhaps on personal experience of a relatively small part of the business of the discount market. This refuge in rough estimates and generalities is surprising in view of the fact that official data exist which make it possible to estimate with a fair degree of accuracy the average amount of bills of exchange and promissory notes outstanding year by year in this country.

The necessary information is to be found in the annual reports of the Commissioners of Inland Revenue, of which the latest, covering the financial year 1936-37, has recently appeared. In the tables showing the detailed distribution of receipts from stamp duties appear items giving the receipts from stamps on bills of exchange and promissory notes.

These figures in turn are divided between the United Kingdom north and south of the Border—a distinction of no great interest for our calculations—and also—much more important—between foreign-drawn and inland-drawn paper. In the financial year 1936-37, for example, receipts from stamps on inland-drawn bills amounted to £265,386, against £242,534 for the preceding year. Corresponding figures for foreign bills were £286,065 and £276,463 respectively.

Stamp duty on bills, whether foreign- or inland-drawn, is at the rate of 1s. per £100. To calculate from this fact and from the published figures of receipts in any given year the average amount of bills outstanding in that year it is necessary to make an assumption as to the average currency of the bills. This average can, in fact, be assumed to be three months, with a negligible margin of error. Over 90 per cent. of the bills negotiated in this country are three months' bills, and among those that depart from this norm the shorter dated tend to balance those drawn for longer periods. One other uncertain factor has to be allowed for; but its incidence also is so small that it does not materially affect the validity of the calculations. On bills drawn and payable abroad, but negotiated in this country, the stamp duty is half the full rate. The experience of the discount market suggests, however, that the volume of such paper coming forward for discount in London is exceedingly small. Its effect on the absolute figures of our calculations will be correspondingly unimportant; and since the proportion of these bills to the total discountable paper in the market remains fairly constant, the effect of this factor on the comparative aspect of our calculations may be ignored.

The method used in our calculations may be briefly explained. Taking as an example last year's receipts of £286,065 from stamps on foreign-drawn bills, we assume them to be three months' bills, paying duty at the rate of 1s. per cent. or $\frac{1}{4}$ per mille. Thus, $£286,065 \times 2,000 \times \frac{1}{4} = £143,032,500$ is shown as the average amount of foreign-drawn paper outstanding in this country during the twelve months to March 31st last. These calculations have been made for the two classes of bills for each of the past

eleven financial years, and the results have been plotted on the accompanying chart. The latter provides an impressive illustration of the decline in the volume of both foreign- and inland-drawn bills since 1929. In the case of the former the annual average was brought to one-quarter of its former figure within the four years that followed the 1928-29 high level of £540 millions. The subsequent recovery in the volume of these bills has been comparatively negligible. In the case of inland-drawn bills the total outstanding was almost halved between 1929-30, when it stood at £203 millions, and 1932-33, when it had declined to £111 millions. The subsequent recovery in these bills has been greater than that in foreign bills, both absolutely and relatively.

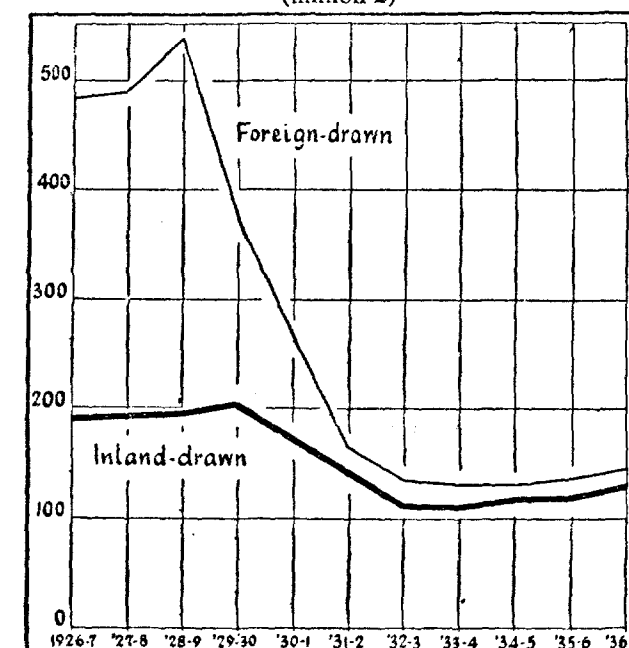
The amount of bills outstanding is a product of two factors: the volume of trade financed by bills and the level of commodity prices. Normally the two pull in the same direction: for business activity is reduced when prices fall, and *vice-versa*. The sharp decline in the amount of foreign bills outstanding during the period 1929 to 1932 is a

striking illustration of the severity of this twofold pull. In interpreting this decline, however, a non-commercial factor must also be taken into consideration, i.e. the slump which has occurred in finance paper. The peak of £540 millions of foreign-drawn bills reached in 1928-29 was to some extent a result of the abuse of the bill of exchange by the indiscriminate extension of acceptance credits to Germany and other Central European countries where they were not always used for strictly commercial or short-term purposes. But for the standstill agreements which followed the 1931 crisis, the decline in foreign-drawn bills shown in the chart would have been even steeper. The slight recovery in foreign-drawn bills since 1933-34 is the net outcome of opposing

forces. On the one hand, the clearing up of the 1931 tangle has been proceeding and the gradual thawing of credit frozen in the crisis of that year has involved a steady reduction in standstill and similar bills. On the other, during the slow recovery in the volume and value of world trade, more foreign bills have come to London for discount. In particular, acceptance credits by London banks to countries in the sterling area have been on the upgrade since 1933. Nevertheless, progress has been laggardly enough to confirm the complaints of the discount houses regarding the chronic dearth of foreign-drawn bills, on which the greatness of the London discount market was formerly built.

The decline in inland bills after 1929 was not as steep as that of foreign bills because the volume of inland paper was not swollen by the intrusion of finance bills. The extent of the fall in the volume of inland bills is therefore a more accurate measure of the decline in commercial activity, allied to the lower level of commodity prices in this country during the period. One of the most disappointing features revealed by the chart is the meagreness of the recovery in the volume of inland bills since 1933. The great efforts which have been made to repopularise the bill of exchange as an efficient and cheap means of financing domestic trade have apparently failed to achieve conspicuous success. The latest figure of domestic bills shows

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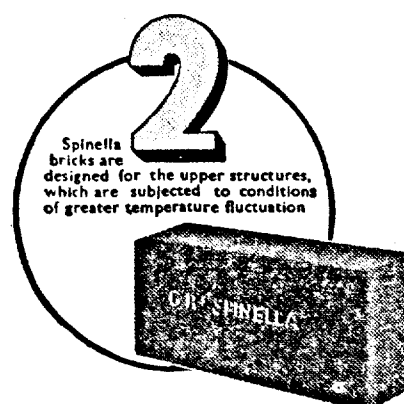
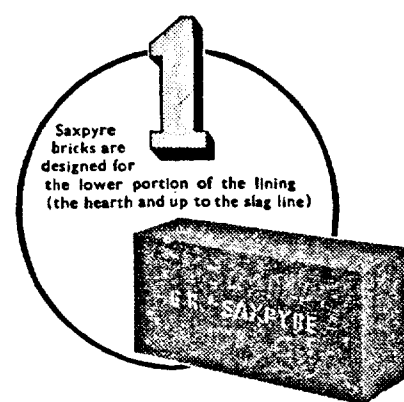
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them to be still £70 millions below the 1929-30 average—though at that time nothing had been heard of the publicity campaign for the bill which has lately been conducted with considerable energy.

The decline in the commercial bill of exchange—which gains even greater significance if seen against the background of the increase both in the personnel and the capitalisation of the discount market since the war—has fortunately been offset to some extent by the growth of the Treasury bill. In many ways, however, that is not a satisfactory substitute. Its discounting calls for no special skill and has in fact become stereotyped to the point at which it now yields next to no profit. Moreover, the Treasury bill may be a transient affair. Its continued existence at anything like the existing volume must depend on Treasury

policy, whose experts may well decide, if the opportunity arises, to carry through large-scale funding operations. We should not forget Lord Bradbury's dictum, applying to the relations between the market and Treasury bills the saying that "the Sabbath was made for man, not man for the Sabbath." The ultimate result of the decline in the commercial bill of exchange must therefore be to wed the discount market more strongly than ever to its business in floaters and gilt-edged securities of more or less short currency. It may be well to remember that the change in the primary business of the market involves problems of structure, technique and adaptation which have hardly been tested during the long period of abnormally cheap money, which is still with us.

Armament Shares

WITHIN a fortnight of the publication of the defence estimates, and but a few days after the Prime Minister's announcement that Britain's re-armament expenditure is to be accelerated, the reports of several companies with a stake in re-armament have been issued. First and foremost, the results of the Vickers' group are now in the stockholder's hands. Cammell Laird, which has important affiliations with the Vickers' group, has also published its report; the results of Thos. Firth and John Brown, and Projectile and Engineering are available, while those of Hadfields, whose distribution has been increased, are due shortly. The time is opportune for a review of armament company prospects.

First, we may consider the general trend of profits since the publication of the fateful White Paper early in 1935. In the table at the foot of this page we give the record of nine companies since that year. Our list of beneficiaries from re-armament is not, of course, exhaustive. It excludes aircraft manufacturers, engineering concerns interested in the mechanisation of the army, and more than one shipbuilding concern which is now carrying out Admiralty contracts. On the other hand, it includes the main bene-

ficiaries from naval shipbuilding, heavy armament, and projectile contracts. The Vickers' group is predominant. The company's own profit record is illustrated in the accompanying chart, but for investment purposes, a closer analysis of the group's structure and earnings is necessary.

The group's activities include every phase of armament work, from the manufacture of armour plate to gun-mountings, and from naval shipbuilding to aviation. To the market's disappointment, however, last year's profits did not keep pace with increased activity; nor has the writing-up of the capital towards its former nominal amount been carried further since a 50 per cent. capital bonus was declared two years ago. English Steel, at the base of the Vickers' pyramid, is one of the leading armour plate manufacturers. Its experience last year emphasises two factors common to the whole group—namely, conservative computation of profits and substantially increased tax provisions. Total profits increased from £1,059,446 in 1936 to £1,317,399 last year, but both figures were struck after providing an unstated amount for contingencies. Whereas no tax provision was required in 1936, no less than £360,000 was charged last year. This explains the

apparent anomaly that net profits were reduced from £722,452 to £649,809 in a year of greater activity.

We may proceed to trace the distribution of English Steel profits between the Vickers group and Cammell Laird. Vickers itself receives £66,867 gross in respect of its debenture holding, while Vickers-Armstrongs receives £241,000 approximately (after tax) on its holdings of preferred and deferred ordinary shares. The profits of Vickers-Armstrongs have increased from £1,465,746 (after charging £250,000 paid on the cancellation of a profits guarantee policy) to £1,965,550. The last figure is reached after providing an unstated amount for contingencies, "including those arising out of the re-armament programme." This salutary reminder that armament companies must take heed of the future would have been even more effective if the actual amount had been revealed. Of the disclosed increase in Vickers-Armstrong earnings, only a relatively small part reaches the parent company; for taxation requires £648,010 against £372,478, and depreciation receives £450,000 against £325,000. Dividends are brought up to date on the "A" preference capital, but the 19 months' payment on the "B" preference shares leaves dividends in arrear since July, 1929.

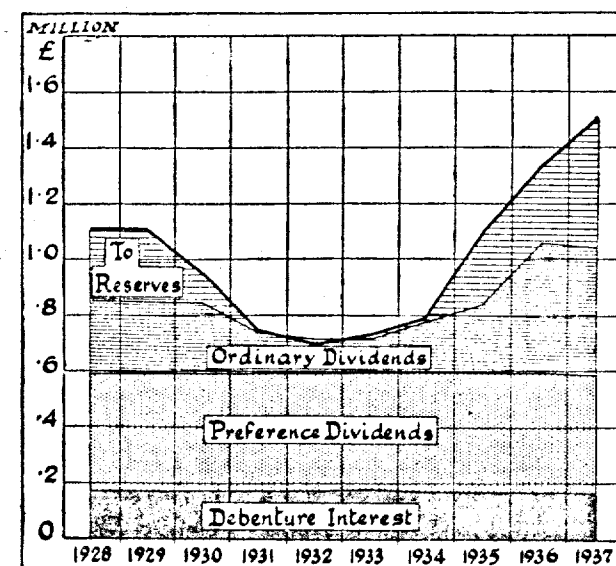
Altogether, Vickers receives, first, £863,171 (after tax) from Vickers-Armstrongs—an increase of £103,487 over the previous year; secondly, nearly £67,000 gross from English Steel direct; and, thirdly, £75,000 from its joint interest in Metropolitan-Cammell ordinary. In sum, Vickers' profits are increased from £1,619,243 to

in profits. Cammell Laird, incidentally, like John Brown and Swan Hunter, is substantially interested in mercantile shipbuilding, an industry in which new business has recently been disappointing.

We may next consider the results of two projectile concerns—Hadfields, and Projectile and Engineering. The former has declared a dividend of 22½ per cent. on its ordinary capital, which was increased by last year's debenture conversion offer. The trading profits of Projectile and Engineering are nearly doubled, and its net ordinary earnings nearly trebled. The ordinary dividend is maintained at 20 per cent., out of earnings of 47.2 per cent. on the increased capital, which is now enhanced by a bonus of 20 per cent. The Treasury estimates for 1938-39 show that projectiles and warlike stores for the three services will require an increased expenditure of £13½ millions, at £41½ millions. This, however, is no direct measure of the increase which will accrue to Hadfields and Projectile and Engineering; for the Army vote includes guns and small arms, in which Vickers and B.S.A. will presumably be interested, while the Air Force appropriation includes expenditure on petrol. It is significant, again, that the Royal Ordnance Factories' estimate for material wages and new works has been increased from £16 millions to £20½ millions gross. There are embryonic possibilities here of a tendency towards nationalisation at some future time.

For shareholders in the shipbuilding and heavy armament concerns, a final analysis of the Naval Estimates—which are quite the most detailed of the three services—suggests the prospects of a continued high level of activity. We have extracted in the following table the estimated expenditure on new construction in the hands of four leading concerns to illustrate our point. No detailed estimate has yet been published of the 1938 naval programme.

VICKERS' PROFITS, 1928-37



ESTIMATED EXPENDITURE ON CONTRACT BUILT SHIPS

		(in £'000s)			Total
		Hulls	Machinery	Gun Mountings	
Vickers-Armstrongs	1937	2,881	1,150	511	4,542
	1938	4,785	1,048	701	6,534
Cammell Laird	1937	1,756	628	376	2,760
	1938	1,721	854	673	3,248
John Brown	1937	1,034	719	205	1,958
	1938	1,938	630	278	2,846
Swan, Hunter*	1937	1,017	720	251	1,988
	1938	1,964	910	456	3,330

* Including Wallsend Slipway and Engineering.

The Vickers-Armstrongs figures are impressive, but those for Cammell Laird, which is due to complete an aircraft carrier this year, show a comparatively small expansion. Presumably, however, the company will obtain some share in the 1938 programme when the orders are placed. The John Brown and Swan Hunter figures show that for the immediate future, at any rate, naval business will afford some protection against the decline in mercantile building.

On the whole, however, a rapid advance in re-armament company dividends seems improbable. These companies have better prospects of maintaining their turnover and dividends than concerns more directly vulnerable to a setback in constructional activity, but they do not provide an automatic hedge against war or inflation. And they are necessarily subject to the risk of some form of public control in political emergency and to the necessity for far-reaching adjustments, if and when the present re-armament demand subsides.

ARMAMENT COMPANY GROUPING AND FINANCE

Company (and Date of Accounts)	Capital	Principal Holdings	Principal Armament Interests	Fin. Year*	Total Profits	Ord. Shares		Depr'n. & Undistr. Profits	Ord. Shares		Gross Yields		
						Earned	Paid		High	Present	Earn.	Div.	
Vickers (Dec. 31) ..	£ 1,196,978 P. 8,363,807 O. 6,157,742	Entire capital of Vickers-Armstrongs. £950,000 deb. stk. and £500,073 ord. cap. of Met.-Cammell Carriage; £1,100,491 deb. stk. of English Steel.	All branches	1935 1936 1937	£ 1,368,279 1,619,243 2,020,653	% 16.0 15.9 21.5	% 8a 10 10	£ 255,395 274,892 471,034	21/7½ 39 7½ 39/3	} 21/9xd	% 9.89	% 4.59	
Vickers-Armstrongs (Dec. 31)	P. 9,509,839 O. 7,864,412	£731,604 def. ord. and £1,809,016 pref. ord. of English Steel.	Naval shipbuilding	1935 1936 1937	1,085,755 1,465,746 1,505,550			183,527 335,584 454,369			} ...		...
English Steel (Dec. 31)	D. 1,100,491 P. 2,228,889 O. 1,131,120	Controls Firth-Vickers Stainless Steels, jointly with Firth-Brown.	Armour plate	1935 1936 1937	845,204 1,059,446 1,317,399	141.9† 53.4† 47.1†	20† 20† 20†	494,744 577,261 506,568			} ...		...
Cammell Laird (Dec. 31)	D. 491,000 O. 1,775,000	£500,673 ord. of Met.-Cammell Carriage, £909,576 def. ord. and £419,873 pref. ord. of English Steel.	Shipbuilding and armour	1935 1936 1937	151,245 215,229 306,100	3.2 10.7 16.9	3½ 5 8½	37,801 119,529 168,092	8.7½ 21.7½ 17.9	} 8/-xd	10.57	5.21	
Swan Hunter, etc. (Dec. 31)	D. 262,467 P. 789,845 O. 1,711,064	Controls Wallsend Slipway	Shipbuilding	1935 1936 1937	234,550 177,011 274,539	9.4 4.9 11.0	5 7 9	86,833 Dr. 4,927 58,704	27.6 40.6 36.10½	} 25/9	8.65	7.00	
John Brown (Mar. 31)	D. 2,000,000 P. 700,149 O. 2,153,894	80% of "A" and all "B" ord. cap. of Thos. Firth & John Brown.	Shipbuilding & armament	1935 1936 1937	229,169 585,635 715,995	Nil 29.9† 20.4†	Nil 16½ 15†	106,919 196,341 158,652	20.9† 40.9† 41.3		} 28/6	9.55	7.02
Thos. Firth & John Brown (Dec. 31)	D. 1,100,000 P. 1,000,000 O. 1,550,000	Controls Firth-Vickers Stainless Steels, jointly with English Steel.	Armour plate	1935 1936 1937	580,344 656,018 807,723	21.0† 22.1† 31.6†	12½† 15† 17½†	195,028 201,734 318,432	81/- 100/- 94.4½		} 65/-xd	12.96	7.17
Hadfields (Dec. 31)	D. 591,324 P. 300,000 O. 1,078,216	...	Shells and projectiles	1935 1936 1937	158,993 270,074 ...	14.7 29.5 ...	7½ 13½† 22½	52,181 111,647 ...	19.10½ 37.4½ 42.4½	} 30/-xd	...	7.50	
Projectile and Engineering (Dec. 31)	D. 61,600 O. 250,000	...	Do.	1935 1936 1937	65,570 94,222 167,576	16.7 20.9 47.2	12½ 20 20½	29,631 31,905 86,979	35.9 46.10½ 40.-		} 32/3xd	...	7.41

† Tax free. * Calendar year for share prices. (a) And 50 per cent. capital bonus. (b) After deducting £250,000 on cancellation of profits guarantee policy. (c) After providing for contingencies. (d) In 5s. units. (e) On larger capital. (f) 6s. shares. (g) In 10s. shares. (h) £1,100,000 "A" ord. and £450,000 "B" ord. (i) After unstated amount to depreciation. (j) And 10 per cent. tax free distribution from profits on sale of Beans Industries. (k) And 20 per cent. capital bonus.

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£2,020,653, or from £1,348,130 to £1,586,834, after deducting tax on the equity share of earnings. Of the increase of £238,704 net, as much as £178,487 is attributable to higher net receipts from the company's investment and group interests. The balance of £60,000 is due, presumably, to a larger contribution from Vickers (Aviation) and other interests directly controlled by Vickers. The final result is satisfactory, but from the market's viewpoint, unexciting.

Our figures of depreciation provisions and undistributed profits show, in almost every case, an increasing degree of directorial caution since 1935. The Firth-Brown report, for example, shows an absolute increase of nearly 10 per cent. in tax-free earnings, although the dividend has been raised by only 2½ per cent. This decision is obviously material in assessing the prospective dividend from John Brown. The interim distribution has been maintained at 5 per cent. tax free, and specific reference was made at last year's meeting to the conservation of resources against any decline in naval shipbuilding orders. Cammell-Laird's position is not dissimilar. Trading profits last year amounted to £131,296 and investment income to £174,804 (net), of which the Metropolitan-Cammell dividend provided £75,000 and income from English Steel approximately £102,000. The Metropolitan-Cammell dividend, in fact, accounts for the greater part of last year's increase

Finance and Banking

More French Borrowing.—In order to finance defence expenditure M. Blum has this week introduced two new Bills. The first authorises an extension, from Frs. 15,000 to Frs. 20,000 millions, of the borrowing powers obtained under the convention of June, 1937. A month ago the margin remaining out of the original Frs. 15,000 millions had been reduced to Frs. 5,000 millions and a further Frs. 2,000 millions have since been used, leaving only Frs. 3,000 millions in hand. In view of the Government's need for funds and its inability to raise any fresh loans on the Paris market, it has had no option but to resort to yet another dose of inflationary borrowing from the Bank of France. The Bill lays down that the additional five milliards must be used solely for defence, but this provision is so much a question of book-keeping as to make the intended safeguard illusory. The second Bill would authorise the Government to appropriate for defence expenditure any profits earned by the French Exchange Fund. These are estimated in Paris at between Frs. 3,000 and Frs. 4,000 millions, but the depreciation of the franc since the first inauguration of the Exchange Fund makes it very difficult even to guess what is the actual size of these profits to-day. Also the appropriation of these profits is either a piece of book-keeping or else a fresh dose of inflationary borrowing. Both Bills passed the Chamber last Tuesday, but on Wednesday evening the Senate Finance Commission, while accepting the first Bill, rejected the second. The Government in fact is still suffering from an inability to finance itself either out of taxation or by genuine borrowing, and is forced to resort to hurried devices and to live from hand to mouth at a time when the need for defence expenditure is rapidly growing. This state of affairs does not foreshadow a stable outlook for France, either economically or politically.

Schillings to Reichsmarks.—A decree promulgated last week-end provides for the dissolution of the National Bank of Austria; its absorption by the Reichsbank; the disappearance of the Austrian schilling and its conversion into reichsmarks at the rate of 1.50 schillings to 1 reichsmark. The reichsmark became legal tender in Austria from Friday, March 18th, and its displacement of the schilling is to be completed by May 1 next. The barriers of exchange restrictions which lined the former German-Austrian frontier are being rapidly pulled down. This, however, means that they are merely being transferred to the new frontiers of the Reich with countries neighbouring the Austrian province. Until it is known how these regulations will affect the balances of foreign interests in Austrian banks it is difficult to pass any judgment on the rate chosen for the conversion of schillings into reichsmarks. Taking 26 schillings to the £ as the former rate of exchange between Austria and this country, the rate of conversion gives an equivalent of 17.33 reichsmarks to the £. This is about mid-way between the present official rate of the reichsmark—namely 12.30—and the rate for registered marks, which now stands at around 50 per cent. discount. If the converted proceeds of foreign credit balances in Austrian banks are as free as they were when expressed in schillings, the conversion will have been effected on highly profitable terms. If, however, as seems more probable, these balances will be blocked in some way and will be reconvertible into foreign currencies only at the rate for some species of depreciated mark, the foreign creditors will lose substantially.

The first reaction of British banks to events in Austria has been to cancel credits to Austrian banks or firms wherever this step has been possible, i.e. in all cases where the credits were not being utilised. It is not expected that the outstanding and utilised credits will be swept into some

form of standstill, but that they will rank with the comparatively unimportant credits granted to Germany in the last few years outside the standstill agreement. Consequently, they will, for the most part, be cancelled and liquidated on the termination of the commercial transactions of which they are the counterpart. There has, finally, been some discussion concerning the fate of Austrian gold deposited in London by the National Bank of Austria. A question asked in Parliament suggested that the metal—whose value is estimated at about £5 millions—should be attached as collateral guarantee in respect of the potential liabilities of the British Treasury on Austrian external loans. The Prime Minister's answer made it quite clear that no action on these lines was contemplated. Presumably the gold will be transferred to the Reichsbank's account as soon as the formalities of amalgamation are completed.

Mexican Oil and the Peso.—The threatened expropriation of foreign oil companies' properties in Mexico has already had drastic reactions on the Mexican exchange position. On Saturday of last week the Bank of Mexico decided to suspend all exchange dealings. Since then the quotation of the peso in the London market has been wholly nominal. The suspension of dealings was apparently preparatory to a further devaluation of the peso, of which reports are beginning to filter through from Mexico City. The Mexican authorities are convinced of the desirability of establishing a lower exchange value for their currency as a preliminary to the successful accomplishment of the task of producing and exporting oil, on which they are embarking. The existing link between the peso and the dollar is thus to be severed. Instead of the old figure of 3.60 pesos to the \$, a new ratio—variously reported as 4 pesos and 4.15 pesos—is being established. As soon as the decision has been put into effect, the exchange market will be reopened. To render the new rate effective and to ensure its stability the United States will be called upon to continue their purchases of Mexican silver, since these exports provide the Mexican authorities with the principal source of their free foreign exchange reserves. It is just possible that the United States Treasury may use its powers under the Silver Purchase Act as a bargaining weapon in discussing the question of American oil interests in Mexico. Incidentally, any such action might have considerable repercussions on the world's silver markets. Nothing that Mr Morgenthau has hitherto said regarding the oil dispute suggests, however, that retaliatory action is at present contemplated.

The Bank of Canada.—In his address to the shareholders at the annual meeting held in Ottawa on February 22nd, the Governor of the Bank of Canada explained the part played by the bank in keeping matters on an even keel during 1937, which did not prove to be too easy a year. On the technical side of the bank's activities, it had kept credit conditions easy by bringing about an increase of \$15.0 millions in the chartered banks' cash reserves. This increase had been effected in spite of an expansion of \$23.6 millions in the note circulation, and the chief instrument was an addition of \$25.8 millions to the Bank of Canada's investments. This addition was largely concentrated in the closing months of the year, when the seasonal requirements for currency were greatest and when the chartered banks were reinforcing their cash reserves. Thus this action on the part of the Bank of Canada not only met the prevailing demand for credit, but also supported the security market at a time when the chartered banks were reducing their holdings of Treasury bills and short-term securities. The Governor also alluded to general economic conditions. The partial failure of the wheat crop had affected internal business activity and also in part explained the drop of £107 millions in Canada's active

balance of payments. He admitted that the business outlook for 1938 was largely dependent upon the course of events in the United States. In conclusion, he alluded to the appointment of the Royal Commission on Dominion-Provincial financial relations, of which the secretary is the chief of the Bank of Canada's research department. The Governor welcomed this Commission, whose report, he said, should have a vital bearing upon Canadian affairs.

National Bank of Egypt.—Sir Edward Cook, in his speech to the shareholders at the recent general meeting of the Bank, gave a final quietus to the rumours of devaluation which were inspired last year by the sharp fall in cotton prices. Egypt, he pointed out, had carried through her devaluation measure in 1931, when she maintained the parity of her currency with sterling, in spite of the latter's depreciation in terms of gold. Any fresh and independent devaluation of the Egyptian pound was both unnecessary and also likely to do far more harm than good. At no time had the Egyptian Government contemplated devaluation, nor had the idea received serious attention in Parliament. Sir Edward also pointed out that the effects of last year's fall in cotton prices had been partially neutralised by the achievement of a record cotton crop. The Sudan, too, had had a record crop, and as the cotton had been picked earlier than the Egyptian crop, it came on the market before prices reached their lowest point for the year. In another passage of his speech, Sir Edward alluded to the strength of the Bank's reserves. These reserves had been invested, and one result of this policy had been the Bank's ability to maintain the dividend at 15 per cent.—a rate unchanged since 1931.

Bank of Australasia.—It is common knowledge that in recent months Australian exports have been affected by the world business recession and more particularly by the fall in wool prices. Simultaneously, Australian imports have been running higher than in the preceding year, as the proceeds of the relatively good export issue of 1936 are still being spent. In view of the consequent shrinkage in Australia's active trade balance, it is reassuring to see signs of greater liquidity in the Australian banking position. Thus the latest accounts of the Bank of Australasia, for October 11, 1937, show the following items:—

	October	
	1936	1937
Deposits at interest	23.6	25.2
Current accounts	13.6	15.6
Cash	4.9	10.1
Investments	9.5	8.4
Advances	33.3	33.5

This year's increase in deposits, of both categories, is fully balanced by an increase in the bank's cash, while advances are practically unchanged and investments are slightly lower. Nor has the achievement of greater liquidity affected the bank's profits, for gross earnings have risen from £1,149,000 to £1,282,000. Unfortunately, most of this increase is offset by heavier expenses, mainly in respect of rates and taxes, which are obviously beyond the bank's control. Net earnings are £309,500, which are sufficient to maintain the previous dividend of 8 per cent., and also to leave a sum of £12,500 to be added to undistributed profits.

Hongkong and Shanghai Banking Corporation.—The speech of Mr Miskin, chairman of the Hongkong and Shanghai Banking Corporation, at the bank's general meeting in Hongkong last month, was both informative and highly diplomatic. "Our bank," he said, "is in a delicate position because of its interests in all parts of the Far East, and at critical times like these the old proverb 'Least said soonest mended' proves its aptness." Mr Miskin said enough, however, to reveal the economic cataclysm which has overwhelmed China—a disaster all the more striking against the background of the remarkable improvement in the economic situation of China

during the first half of 1937. But Mr Miskin, like all bankers with long experience of the Far East, has seen too many proofs of the astounding resiliency of China and Japan to be despondent about the long-term outlook. In any case, Hongkong has up to now received the benefit of commercial and financial activity diverted from the areas directly affected by the hostilities—and especially from Shanghai. Mr Miskin, however, was bound to admit that in Manchukuo conditions were becoming increasingly difficult for foreign merchants, and that the "open door" policy was a thing of the past. That observation may, unfortunately, have a wider application.

Eastern Bank.—The net profit earned by the Eastern Bank in 1937 amounted to £127,172, a reduction of some £4,600 on the figure for 1936. This reduction is partly accounted for by National Defence Contribution, which figures for the first time as a charge on profits. The dividend remains unchanged at 7 per cent. Allocations to contingency account are raised from £40,000 to £50,000, but nothing is written off premises account, as compared with an allocation of £10,000 last year. This disposal of available profits leaves the amount carried forward £7,100 higher at £81,191. Balance-sheet changes are slight, but they are indicative of increased commercial activity among the bank's *clientèle*. Advances have risen during the year from £2,756,907 to £3,304,357, while bills receivable have moved correspondingly from £949,895 to £1,164,742. On the other hand, investments are more than £700,000 lower at £5,363,331, and there is a slight reduction in cash. These changes maintain the traditional strength and liquidity of the balance sheet, but are indicative of increased profit-earning power in the assets, taken as a whole.

Chase National Bank.—Among the most sensitive reflectors of economic conditions in any country with a highly developed credit system are the balance sheets of its great commercial banks. On the showing of the Chase National Bank's statement of condition for March 7th last, which has recently been published, economic conditions in the United States for the first ten weeks of the year seem to show a slight trend towards recovery. Compared with the bank's balance sheet at December 31, 1937, there has been a fall of \$13 millions in United States Government obligations and an increase of \$5 millions in loans, discounts and bankers' acceptances. Small though the movement is, its trend is in the right direction. The latest statement, however, continues to reflect the excessive liquidity which is the characteristic feature of the whole United States banking system to-day. Cash stands at \$723.5 millions, against deposit liabilities of \$2,115.3 millions, the ratio thus being over 34 per cent. The balance sheet at the end of 1937 showed substantially the same inflated cash ratio. These excess reserves, apparent through-

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out the member banks of the Federal Reserve system, are a measure of the impotence of cheap and abundant money in itself to stimulate and maintain commercial activity. They clearly suggest, however, that when confidence returns the banks will be able readily to provide all requirements for credit facilities.

Reichsbank's Annual Report.—The Reichsbank's Report for 1937 reveals no very great changes as compared with 1936, but reflects in general the increased activity of home trade. The total turnover (writes our Berlin Correspondent), was Rm. 1,130 milliards, against Rm. 92 milliards in 1936. The gross profit was Rm. 175 millions, against Rm. 170 millions, the increase being due entirely to profits from home and foreign bills and cheques, which aggregated Rm. 150 millions. Total expenditure, including Rm. 23 millions reserve for new building, was Rm. 135 millions and the net profit was unchanged at Rm. 40 millions. The amounts placed to reserve for new building in the past three years total Rm. 63 millions. The dividend is maintained at 12 per cent., of which 4 per cent. will be paid into the Loan Stock fund. The amount of dividend paid is Rm. 18 millions, and an identical sum goes to the Reich. At the end of 1937 the bank's share capital was held by 12,132 Germans, who had 1,239,468 100-mark shares, and 1,577 foreigners, whose total holding was 259,198 shares. The bank comments on the business situation in optimistic terms, but points out that, as national production has now virtually reached full capacity, expansion should no longer be stimulated "from the money side." The Report explains the relatively small increase of Rm. 476 millions, in bills, advances, and securities as being due in part to the Reichsbank's success in placing Reich short-term paper with other institutions.

The gold and foreign-exchange reserves, the Report declares, remained entirely inadequate. The exchange-control system is to be continued. A substantial part of the increase in exports was devoted to a reduction of the clearing and "Aski" trade debts, which in the course of the year fell by Rm. 150 millions to Rm. 313 millions. The gold reserve (which does not include all gold publicly held, such as the reserve of the former note-banks) rose during the year by approximately Rm. 4 millions to Rm. 70,640,000. The holding of foreign bank-notes increased slightly to Rm. 2,570,000. At the end of the year

the total foreign-exchange holding (of which only some Rm. 6 millions appears in the weekly returns) was Rm. 190 millions (including bank-notes), as against Rm. 111 millions at the end of 1936. Of the increase, some Rm. 60 millions was attributable to exchange-risk bills. The Bank's liabilities in foreign currency total Rm. 2,175,400.

Irish Banks' Returns.—The returns for the banks operating in Eire (formerly the Irish Free State) for the December quarter, published by the Currency Commission, are as follows:—

	Thousand (£'s)			
	Dec. Quarter, 1936	Sept. Quarter, 1937	December Quarter, 1937	
			In I.F.S.	Elsewhere
Liabilities:—				
Capital, reserves, etc.	17,371	17,389	10,235	1,173
Notes in circulation	8,789	8,883	5,155	3,811
Current deposit and other accounts	164,734	161,285	117,012	44,102
Other liabilities	5,577	5,225	3,036	2,691
Total	196,473	192,783	135,438	57,777
Assets:—				
Cash and balances with banks	14,968	11,535	5,572	8,378
London agents and other	10,709	10,454	6	9,863
Money at call and short notice	6,313	6,590	5,622	1,130
Bills	67,825	70,230	45,960	24,809
Loans and advances	78,544	75,658	3,515	69,960
Investments:—				
(a) Government	10,188	10,694	3,678	6,906
(b) Other	7,924	7,619	3,260	4,554
Total	196,473	192,783	67,613	125,603
Excess of assets outside I.F.S. over liabilities outside I.F.S.	72,642	69,083	...	67,826

The decrease in deposits which took place during the year is due to several causes. A certain amount of savings have been withdrawn for investment in some of the new protected industries. It is to be feared, however, that other withdrawals have been used to help tide the farmers over bad times. The increase in new advances is not fully reflected in the figures, since many old advances have been repaid. The fall in Government securities indicates that the sterling assets of the banks are being reduced in response to the financing of the internal expansion which is taking place as the result of Government policy. Comment on the significance of the decline in the net sterling assets of the banks may be delayed pending the publication of the report of the Banking Commission, in which this question will probably receive the attention it deserves.

MONEY MARKET NOTES

Foreign Exchanges

The London market has been quieter this week. The spot Paris rate rose to Frs. 164½ on Monday, but has since come back to Frs. 162. Dealings have been limited, with little intervention by the French Control. Speculators are not too keen on opening new bear positions, as they feel that if a National Government were formed in France there might be a rapid appreciation of the spot rate. The belga remains at the gold export point *vis-à-vis* the dollar, and gold continues to go to London and New York. The result is that in London the belga moves in sympathy with the dollar, Thursday's spot rate being bel. 29.48. The New York rate fell to \$4.95½ at the end of last week, with heavy dealings including official sales of dollars. Subsequently profit-taking raised the pound to \$4.97½ on Monday, but there has since been a fresh relapse to \$4.96. The general movement of funds into dollars continues, but this week the turnover has been only moderate. Also the Belgian gold shipments help to check the natural tendency of the dollar to appreciate. No raffits will

quoted for Austrian schillings, but bankers' drafts are obtainable at about Sch. 26, while a rate of Sch. 34 can be obtained by buyers of Austrian notes. The reason for this higher rate is the possibility that at any moment the importation of Austrian notes into Austria will be prohibited.

The Bank Return

There was no change during the week in the note circulation. Comparisons with the past year will be vitiated during the next few weeks by the variation in the date of Easter.

	Mar. 24, 1937	Mar. 9, 1938	Mar. 16, 1938	Mar. 23, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.				
Gold	313.7	326.4	326.4	326.4
Notes in circulation	470.5	479.3	479.5	479.5
Banking Dept.				
Reserve	44.1	48.0	47.8	47.8
Public Deps.	27.9	12.6	11.1	15.6
Bankers' Deps.	82.0	114.3	119.0	109.1
Other Deps.	37.6	36.1	35.7	36.6
Govt. Secs.	94.5	105.2	112.2	105.1
Discounts and Advances	4.8	6.5	3.6	6.6
Other Secs.	22.3	21.5	20.5	20.1
Proportion	29.9%	29.4%	28.8%	29.6%

In the banking department Government securities have fallen back to their level of a fortnight ago, but there has been a small increase in discounts and advances. On the other hand revenue collection, combined with preparation for the April 1st dividend payments, has led to an increase of £4.5 millions in public deposits. As a result of all these movements bankers' deposits have fallen by £9.9 millions.

The Money Market

Money remains very easy and abundant, with bankers' deposits at a high level even after this week's drop of nearly £10 millions. Last week the market obtained a better allotment of Treasury bills, the percentage rising from 36 per cent. on March 11th to 54 per cent. on March 18th. Even so, the market is not able to supply the banks with nearly all the bills the latter are prepared to take. The reason is that this week the market had heavy maturities, which in conjunction with the meagre allotments

obtained during February have reduced the market's supply of bills.

	Mar. 24, 1937	Mar. 17, 1938	Mar. 24, 1938
	%	%	%
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	6½-3½	6½	1½-5½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9½	1½-9½	1½-9½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. from loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

Next week there will be a seasonal distortion of conditions in the money market, for there will be no maturities of Treasury bills from March 25th until the end of the month. This reflects the conditions prevalent during the last week of December, when the market did not apply for Treasury bills so as to augment its cash resources at the end of the year. Meanwhile, there will be heavy applications for Treasury bills to be paid for during the closing days of March, as these are end-of-June maturities. Hence the market will be

paying out far more than it receives, and so will need special assistance to tide it over the end of the month. There is no doubt that this assistance will be forthcoming.

The Bullion Market

Dealings in gold have shrunk in volume during the past few days. There is less demand for hoarding purposes and purchases have been largely made by arbitrageurs. The latter, however, have not been anxious to operate, as the market in dollars has also become narrower and so it is not quite so easy to cover gold purchases made in London for re-sales against dollars. Nevertheless, after the fixing on Thursday morning, the price rose to 140s. 2d. and even to 140s. 2½d. per ounce, the latter representing a premium of one penny.

The tension in Europe has as usual stimulated the Indian demand for silver, but India is not inclined to pay much more than 20d. per ounce for two months' silver. There is also little demand for the cash position, in spite

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1938			£'000	d.	d.
Mar. 18 ...	140 2½	1½ pm	962	20½	20½
" 19 ...	140 5½	1 pm	649	20½	20½
" 21 ...	139 11½	1½ pm	525	20½	20½
" 22 ...	140 2	1½ pm	733	20½	20½
" 23 ...	140 1½	1 pm	195	20½	20½
" 24 ...	140 1½	par	328	20½	20½

* Above or below American shipping price. The New York price of silver remained at 45 cents per ounce - 999 fine during the week.

of the depletion of stocks caused by the heavy New Year American purchases of cash against sales of forward, the effects of which are still noticeable. On the other hand, any rise in the cash price above the present level tends to bring fresh offerings on to the market. The holidays in India are now at an end, and the real question is whether the up-country demand will revive sufficiently to necessitate the replenishment of Bombay stocks. This is one of the more important points in the short-term outlook for the market.

INSURANCE NOTES

	1936	1937
Ordinary trading profit of the year	514,448	542,251
Brought forward	147,918	156,771
	662,366	697,022
Bonuses to policyholders	455,595	456,104
Staff pension fund	50,000	...
Strengthening reserves	...	77,677
Reserve	50,000	...
Carried forward	156,771	113,241
	662,366	697,022

successive year is 3 per cent., but it is stated that this declaration must not necessarily be regarded as a regular rate. The bonus which is declared for the Clergy Mutual is the same as in 1936, namely, a minimum of 4 per cent. of the sum assured. For the Metropolitan there is an increase of 5 per cent. in the rate of abatement, which repeats the declaration of the previous year.

Total assets increased from £29,279,000 to £30,289,000. Mortgages and loans amount to £8,791,000 against £8,023,000, and British Government securities to £4,487,000 compared with £4,284,000. Debentures were smaller by £142,000 at £3,597,000 and preference stocks by £44,000 to £2,817,000, but ordinary shares amounted to £3,299,000 against £3,152,000. The investment reserve fund remains unaltered at £1,400,000, and other special reserves account for a further £638,000. In addition, the aggregate excess of current market values over book values of assets is about £500,000. The total of these three items is equal to 8.4 per cent. of the total assets, compared with 13 per cent. at the close of 1936.

Provident Association of London.—This Association is particularly identified with house purchase in combination with life assurance or sinking fund policies. Of the total assets of £14,064,000 some 53 per cent. consist of mortgages on property. Indeed, the

lengthy report is mainly concerned with statistics relating to the company's loans, which are doubtless informative to those who are in close touch with the affairs of the company, but make difficult reading for the outside commentator. This is regrettable, for a less lengthy report would admirably bring out the undoubted merits of the company. New life assurances in 1937 were practically unchanged at £2,214,000. The life assurance fund increased from £10,044,000 to £10,924,000. The bond investment and endowment certificate funds (closely resembling sinking fund business) have fallen rapidly, and now amount to £532,000 against £823,000 at the end of 1936 and £1,161,000 two years ago. The company's annuity rates are favourable, and a large amount of this class of business, which seems eminently suited to the nature of its assets, is obtained. Last year consideration moneys for immediate annuities totalled £512,000 against £539,000 in the previous year.

The net rate of interest earned on the total funds fell by 2s. 3d. per cent. to £3 15s. 8d. per cent. An annual valuation of liabilities is made; interest is assumed at 2½ per cent., 3 per cent. and 3½ per cent. for life policies, sinking fund policies and annuities respectively, but the bases of mortality are not stated. Apart from mortgages the assets consist mainly of Stock Exchange securities, the current market value of which on December 31st last was "substantially more than their book values." During the year the most noteworthy change was in municipal securities, which increased from £948,000 to £1,131,000. Ordinary stocks amount only to £19,000. The financial position of the company is strong. Apart from the excess of market values over book values and the undisclosed valuation item "carried forward," there are various free reserves aggregating over £1½ millions.

Scottish Amicable Life Assurance.—The 112th report of this excellent society is a record of continued solid achievement. New sums assured last year were greater by £49,000 at £2,122,000 and constituted a record. Claims by death amounted to £360,000 against £327,000, and although the mortality experience seems to have been rather less favourable than in the previous year, it was well within that expected by the A1924-29 table used in valuing the liabilities. The age distribution of deaths is given each year in the report. The figures for the last three years are not without interest.

Age	1935	1936	1937
Over 90	11	7	8
80-90	39	58	46
70-80	66	75	58
60-70	61	43	61
Under 60	83	73	98
Total deaths	260	256	271
Average age at death	66.1	68.7	65.1
Actual claims	77%	87%	93%

These figures afford support for the view that the ideal life assurance policy may well be a whole life assurance in a first class office with premiums ceasing at, say, age 60 or 65 and participating in profits (which almost invariably continue after the cessation of premiums). The total assets of the Scottish Amicable increased last year from £12,738,000 to £13,146,000. Combined British, foreign and Colonial Government securities amounted to £3,780,000 against £3,870,000. Debentures increased from £2,734,000 to £2,846,000 and preference stocks from £2,410,000 to £2,418,000. Ordinary shares were £46,000 lower at £1,102,000. The increase in assets is more than accounted for by a new item of £492,958 for "loans to Standard Property Investment Company, Limited."

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Life Association of Scotland.—This company has now attained its centenary. New sums assured in 1937, at £1,619,000, were only £42,000 smaller than the record figure of the preceding year, in spite of the fact that the rate of bonus declared at the end of 1936 was reduced by 5s. per cent. to the modest rate of 35s. per cent. per annum, calculated on the sum assured only. The net rate of interest is £4 0s. 1d. per cent., against £4 1s. 1d. per cent. Death claims fell from £353,000 to £281,000, and surrenders from £68,000 to £61,000. Total assets increased from £8,191,000 to £8,438,000, and, except for an increase from £502,000 to £842,000 in loans on public rates, there was no special change in the distribution of the investments.

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Marine and General Mutual Life Assurance.—This small mutual society was founded in 1852 and has always had a close association with the shipping industry. New sums assured in 1937 amounted to the record figure of £525,000, the corresponding figure in 1936 being £462,000. Annual premium income increased by £8,000 to £226,200. The net rate of interest earned on the funds was 3d. per cent. higher at £4 5s. 10d. The interest income benefited by the payment of cer-

tain arrears in respect of previous years. Death claims amounted to £138,000, compared with only £80,000 in 1936, when the society enjoyed particularly favourable mortality. Total assets amount to £3,884,000, of which the unusually large proportion of 85 per cent. is invested in Stock Exchange securities. In spite of some depreciation in investments during the year, market values still appear to exceed book values by a substantial amount. In the words of the chairman: "... failing a major catastrophe our position is amply covered."

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Co-operative Insurance Society.—In the ordinary branch of this Society, new sums assured last year showed practically no change at £3,461,000. The rate of interest rose by 3d. per cent. to £3 19s. 10d. per cent. In the industrial branch premium income increased by 11 per cent. to £4,664,000. Commission and expenses were 34.8 per cent. of the premium income, against 35.7 per cent. The net rate of interest in this branch was £4 10s. 10d. per cent., compared with £4 12s. 3d. per cent. The results of the last two valuations are given below:—

	1936 Ordinary Branch £	1937 Ordinary Branch £
Surplus earned during the year	260,707	262,464
Profit on investments	—	14,975
Brought forward	65,457	72,553
326,164	349,992	
Bonuses to policyholders	253,611	279,619
Carried forward	72,553	70,373
326,164	349,992	

	1936 Industrial Branch £	1937 Industrial Branch £
Surplus earned during the year	299,209	276,958
Profit on investments	—	21,744
Brought forward	98,752	111,530
397,961	412,232	
Bonuses to policyholders	286,431	258,266
Carried forward	111,530	153,966
397,961	412,232	

In the ordinary branch the rate of reversionary bonus is again 36s. per cent., calculated on the sum assured. In the industrial branch the satisfactory declarations of 1936 were repeated.

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Further expansion took place in the fire and miscellaneous branches, where the premium income increased from £1,657,000 to £1,787,000 and the transfer to profit and loss was £201,000 against £149,000. Some £96,000 was transferred to general reserve, against £70,000 in 1936; and £46,500 was paid to policy-holders in the general branches. Total assets increased from £24,618,000 to £27,634,000. Mortgages and loans were £891,000 greater at £5,797,000, but British Government stocks were again unchanged at approximately £2 millions. British municipal securities rose from £3,798,000 to £4,601,000 and debentures from £7,320,000 to £8,617,000. Preference stocks were £57,000 smaller at £2,444,000. As usual, ordinary stock holdings are insignificant in amount. In the aggregate, the market values of Stock Exchange securities on Decem-

ber 31, 1937, exceeded book values, after taking into account the investment reserve fund of £442,000. There is a general reserve fund of £412,000.

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Maritime Insurance Company.—This marine company, whose share capital is held by the Scottish Union and National, has a record of consistent success. Last year's claims, which are not divided into the underwriting years to which they apply, amounted to £301,000, equal to 78 per cent. of the premium income of £387,000. Premium income in 1936, 1935 and 1934 was £326,000, £309,000 and £303,000, respectively, while claims amounted to 70 per cent., 71 per cent. and 71 per cent. On this occasion nothing has been transferred to profit and loss against £25,000, £30,000 and £40,000 in the preceding three years. The financial position of the company is strong, and in view of the exceptionally large amount standing to credit in the profit and loss account, the directors have transferred £100,000 to general reserve, which has been brought up to £300,000. The directors further recommend, in addition to the usual dividend of 6 per cent., a cash bonus of 100 per cent., less tax, on the paid-up capital of £500,000. Total assets, before payment of this bonus, amount to £1,925,000. Practically the whole of this total consists of Stock Exchange securities, taken at or under cost, but in no case in excess of the middle market price on December 31st last. In addition to the general reserve there is an underwriting fund of £411,000, equivalent to 106 per cent. of the premium income.

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Merchants' Marine Insurance.—The policies in this company are guaranteed by Employers' Liability, which owns the entire share capital. There is a small fire account, from which satisfactory profits have generally been obtained. In the company's main field of activity—marine insurance—heavy losses were incurred for a number of years before 1932. They were followed by some years of modest profits, but in 1936, and again last year, losses were experienced—though only of moderate amount. The results of the last two years are given:—

	1936 £	1937 £
Marine	7,857	13,909
Fire	4,676	8,192
Investment profits	1,778	—
Other profits	1,026	2,013
— 377	— 3,704	
Interest	4,528	6,263
— 4,965	— 9,967	

Marine premium income, which for some time had been steadily falling, increased from £150,000 to £197,000, but first year's claims accounted for 25 per cent. of this figure, against 20 per cent. in 1936. Claims in 1937, on account of 1936 premiums, amount to £71,000, compared with £57,000 in the preceding year on account of 1935 premium income of £153,000. The profit and loss debit balance shows a further increase from £399,000 to £414,000. The balance sheet total increased from £867,000 to £910,000 and "sundry creditors and short loan" rose from £298,000 to £305,000.

Investment

Bleak House.—It was unfortunate for the London stock markets that their inevitably sharp recovery from last week's semi-panic selling should have coincided with a new break in Wall Street. Between Thursday of last week and Wednesday of this week *The Financial News* index of British equity shares recovered 6½ of the 7½ points it had lost during the preceding week. The Dow Jones industrial index, however, fell 6 points in three days, and at one time on Wednesday it was even slightly below the low point of last November. The American news suggests no reason why the market should stage an early recovery. The President's personality has lost all its spell-binding power, and the Administration appears to lack either inclination or desire to produce a really convincing policy for business revival. Business sentiment is becoming increasingly defeatist. The hoped-for spring revival has failed to mature (for a rise in steel operations to 34 per cent. is hardly worth mentioning). Many disappointed bulls are now reflecting that hopes of a summer revival, or an autumn upswing, or a prosperity year in 1939, seem to rest on nothing more solid than the paternity of the wish to the thought. These fears may be exaggerated, but they leave the market defenceless against "chart-selling." In London, this week's events afford no evidence that the market is really reassured about the course of foreign affairs. The Government's technique of postponing one European crisis to the next has not prevented markets, in the last fifteen months, from suffering a series of successive declines and meeting each new crisis on a lower initial level of values than the last. And every postponement has carried less conviction than before. On this occasion the Prime Minister has admitted, for the first time, the reality of fears of substantial trade recession, and against that admission the half-hearted tonic talks of Parliamentary Secretaries appear to the market to lack conviction. Altogether, neither London nor Wall Street appears to offer a hopeful field in the immediate future even for the agile in-and-out speculator.

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Stock Exchange Committee Election.—Little interest was aroused by Monday's election of the Committee for General Purposes. Only 1,927 members took part in the ballot, the poll being thus approximately 47 per cent. About one-third of the members actually in attendance, in all probability, did not think it worth while to walk upstairs to the Committee ante-room to record their votes. This disinclination, of course, largely reflects the absence of any substantial issues dividing "House" opinion at the present time. Unless there is some really outstanding issue, the result of the election turns upon personalities and shows a strong bias in favour of all sitting members offering themselves for re-election. By custom, no propaganda is allowed, and since the total number having access to the floor of the "House" is over 6,000, only a small proportion of the voters can claim acquaintance with the views of more than, say, half the candidates. The effect of these conditions is heightened by the system of election, under which each elector must record precisely 30 votes, representing the number of seats on the Committee. Possibly a majority of the votes are thus cast quite indiscriminately in order to complete the requisite number to make the ballot paper valid. The invariable consequence is that all the sitting members offering themselves for re-election (in this case 28) are re-elected. The arithmetical demonstration of the haphazard voting is provided by the remarkable evenness of the votes recorded in each case, although there are always, of course, a small bunch of particularly prominent members whose prestige secures for them a score or so more than the average. On this occasion there were four new candidates and two places to be filled, which were secured by two jobbers, Mr C. W. M. Praed, of Messrs Francis and Praed; and Mr H. C. L. Fisher, of Hall and Company.

British Railway Capital.—We commend to the attention of our readers a letter on page 685 from Sir Josiah Stamp, chairman of the London, Midland and Scottish Railway. The letter arises from an article on page 562 of *The Economist* of March 12 last, in which we discussed some of the problems of railway capital expenditure, past, present and prospective. In replying to the comments and criticisms which Sir Josiah so ably advances, we may state clearly, at the outset, that when we contrast the accounting of replacement costs which a "reasonably conservative board" can adopt with that which the railways must follow, we do not pass judgment on the relative conservatism of the railways as against the average board. Our point is that, given the need for a continuing expenditure of a capital nature on "betterment" to maintain the competitive position of the concern, an ordinary business can increase its depreciation or obsolescence charge and so finance the expenditure out of revenue; whereas the railways must charge the "betterment" to capital and finance it out of capital monies—unless they are in a position to keep dividends well below earnings and retain revenue in the form of an allocation to free reserves. Railway dividend policy, manifestly, does not now provide for allocations to free reserves. That being so, capital expenditure, whether for "betterment" or for other objects, must be financed out of receipts other than revenue receipts. As we showed in the third article of the series, the railways have been able to draw funds from a number of special sources without having to make public issues of capital. No doubt they will be able to finance their requirements in this way for some time—we did not suggest that the problem was "acute" now. But the "special" sources cannot last indefinitely, and, when they are exhausted, the problem may well become acute, unless profits have recovered sufficiently meanwhile to make practicable substantial allocations to reserve, or issues of ordinary stock. Any large increase of prior charges is clearly undesirable.

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On a writing down of capital (which we only mentioned in passing, not as a main issue) our argument would run on these lines. Future profits (on the average, and excluding cyclical fluctuation) must either fall, rise or remain much as they are. If they fall there is no immediate object in writing down capital, since the trouble and expense of the operation is only worth incurring so that advantage may be taken of an expected improvement in profits. If profits rise (or stand still) existing stockholders will enjoy correspondingly higher (or unchanged) market values for their stock, whether its nominal value is reduced or not. But if further profit can be obtained by further capital expenditure, the effect of writing-down will be to remove any discount between nominal value and market value which would block an issue of ordinary stock. The subscribers to the new issue will rightly participate in the increased profits which the railways earn on the new capital invested in their concern. Alternatively, if the issue has to be made to prevent a fall from existing profit levels, the old stockholders justifiably



SECURITY FIRST

TOTAL FUNDS EXCEED
£ 48,000,000
CLAIMS PAID, OVER
£ 225,000,000

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

surrender part of their equity to the suppliers of the necessary cash. But the point is that, in either event, the new issue can be made. Without a writing down of nominal values (or a rise in profits to justify present values) it cannot. There need, surely, be no "confiscation of future growth in profits"—unless, for example, the railway boards fear Trade Union pressure directly nominal dividend *rates* rise above a given maximum. As to investors being frightened off by a reduction of capital, experience surely proves that, provided the profits trend is healthy, a concern which has written down capital can raise new money without difficulty.

Electricity Reports

London Associated Electricity.—In 1935 the first step for the amalgamation of electricity distribution in the West End of London was taken—ten years after the generation side had been tackled—through the acquisition by a holding company of the share capital of all the companies. Last year the operating companies were combined into one, which is now the sole subsidiary of the holding company. The remaining steps to complete rationalisation are thus of secondary importance. But past development has left its legacy, as the slow rate of progress shown in the following table suggests:—

	1935	1936	1937
Units sold (millions)	350	386	419
Increase (%)	11.3	10.3	8.5
Revenue from supply	2,454,047	2,612,648	2,736,691
Total revenue	2,764,658	2,898,455	2,994,046
Purchase of electricity	1,046,076	1,104,256	1,177,466
Balance	907,132	983,576	1,007,435
Sinking funds	340,293	362,860	386,092
Deb. interest	67,656	60,761	54,665
Income tax	...	...	12,919
Co-partnership bonus	...	...	40,953
Balance available for dividends	499,183	559,955	512,806
Dividends paid "A"	518,783	519,184	460,055
No. 2 Reserve Fund	4,204	5,713	75,000
Holding Company:—			
Net earnings	462,763	501,055	445,988
Preference dividends	82,647	120,420	120,420
Ordinary dividends (7%)	324,328	325,556	326,093
To stockholders' reserves	55,000	55,000	...

It will be seen that a change has been made in the treatment of "divisible profits." For the first two years of operation these were paid by the operating companies to the holding company. Last year they were retained in the operating company, and amounted to £75,000, against some £60,000 in the previous year. The group's problem appears somewhat difficult, for there is little margin for reduction of prices if profits are to be maintained at a level sufficient to cover the present dividends together with retainable profits under the sliding scale. Yet vigorous expansion would seem to require greater reductions in charges than have yet been made. Will the directors be prepared to face a temporary reduction in earnings in order to break the circle? The relevance of the question is suggested by an expansion of 30 per cent. in units sold during the last three years, compared with more than 55 per cent. by the County of London Company, whose results we discussed last week.

South Metropolitan and South London Electric.—Commenting on the London Associated report, we discuss the relatively poor rate of increase in sales. It is, perhaps, not quite fair to say that the South London and South Metropolitan Companies are faced with exactly the same problem as the West End group; but the difference in their measure of achievement can scarcely be attributed to the difference in their environment. The combined sales of these two associates of the County of London, in fact, have increased in the last three years from under 140 million units to over 230 million units, or by over 65 per cent. At the same time, shareholders have no cause to complain of the fruits of an active policy. The South London Company was able to carry to No. 2 Reserve Fund (representing the "shareholders' proportion of consumers' benefit") £19,386, or more than 3½ per cent. on the ordinary capital, while the South Metropolitan's allocation was £17,500, or 2¼ per cent. These amounts compare favourably with the London Associated's proportion last year of £75,000, or not much more than 1½ per cent. on the ordinary capital.

Bournemouth and Poole Electricity.—This associate of the County of London group is now displaying the well-known "family characteristic" of a high rate of progress. The last three years have seen an increase of more than 50 per cent. in the number of consumers, and of almost 75 per cent. in the number of units sold. The report for 1936 showed that a new scale of charges was put into force in the last quarter of that year, which had been agreed with the local authorities concerned to stand for the next five years. The earnings for 1937, therefore, show a full year's operation at the new scale. The latter has clearly proved attractive enough to stimulate demand, and in two or three years' time, if no further reductions are made, earnings should show a handsome increase. The results are analysed below:—

	1935	1936	1937
No. of units sold (millions)	36.5	47.1	58.7
Increase (%)	8.0	29.1	24.9
Revenue from sale of energy	372,313	425,983	466,916
Trading profit	150,037	166,808	168,484
Interest and dividends receivable	16,977	14,865	14,839
Net revenue	167,014	181,673	183,323
Reserve for depreciation	40,000	42,000	50,000
Sinking fund on dismantled plant	9,429	9,712	9,849
Interest payable	10,850	10,675	10,500
Preference dividends	11,462	11,277	11,092
Ordinary stock:—			
Earned	95,273	108,009	101,882
Paid	86,696	85,297	83,899
Earned (%)	16.5	19.0	18.2
Paid (%)	15	15	15
General reserve	5,000	5,000	5,000
Written off sundry items	3,000	21,235	10,000
Carried forward	17,077	13,554	16,537

The reserve made for depreciation is fully adequate judged by our standard scale; the sinking fund on dismantled plant is a proper addition to make to this allocation, since it is designed to provide for the company's generating station, which is now closed down. The £1 ordinary stock units yield £4 14s. 3d. per cent. at 63s. 9d.

Company Notes

Baldwins' Accounts.—The market was disappointed by the maintenance of the Baldwins' dividend on the increased capital, and the accounts have not provided any new ground for optimism. Gross profits, of course, have increased very satisfactorily from £630,440 to £808,547, but almost the whole of the increase has been swallowed up by increased taxation and extra depreciation necessitated by the high level of operating activity. Income tax and N.D.C. have absorbed £99,606 more than in 1936, and in addition to the ordinary depreciation allowance of £100,000 (compared with £75,000 in previous years) the

board has allocated £40,000 to special depreciation. On the other hand, the board's energetic refinancing programme has effected a net saving of £28,482 in fixed interest and preference charges. Net earnings for the ordinary stock, have therefore increased from £245,530 to £288,462, an increase which is just enough to maintain the 1936 rate of earnings on the increased ordinary capital. The following table analyses the results of the last three years:—

	Years to December 31		
	1935	1936	1937
Gross profit	512,246	630,440	808,547
Depreciation	75,000	75,000	140,000
Income tax and N.D.C.	74,256	125,394	225,000
Fees, pensions, etc.	17,766	21,479	20,530
Debt interest	138,653	133,598	57,544
Preference dividend	50,640	29,439	77,011
Ordinary shares:—			
Earned	155,931	245,530	288,462
Paid	96,588	158,520	188,664
Earned (%)	12.1*	15.5*	15.3*
Paid (%)	7½*	10*	10*
Gen. and contingency reserve	50,000	50,000	102,763
Carried forward	45,348	45,439†	42,474

* In 1935 on a capital of £1,661,732; in 1936, £2,078,947; in 1937, £2,494,737. † After allocating £36,919 for prepayments to converting debenture stockholders and premiums on conversion.

The 1937 profits may, in all probability, represent the peak of Baldwins' expansion during the present trade cycle. The company's own business depends very largely upon the prosperity of the sheet and tinplate sections of the steel trade, and although these branches are not as sensitive to trade fluctuations as the structural steel trade, they have shown a marked deterioration in the last six months. In the longer run the likelihood of keen competition from strip mills cannot be left out of account. At the same time, however, the board's financial achievements during the last five years have been remarkable. A complicated and top-heavy capital structure, involving charges for debenture service of £220,000 in 1933 and £250,000 in 1934, has been replaced by a simple capitalisation of preference and ordinary stock. The financial position, and the stability of the ordinary dividend, are thus greatly improved.

With the report are published the accounts of the main associate, Guest Keen Baldwins, which consolidates the whole of the heavy steel interests of Baldwins and Guest, Keen and Nettlefolds in South Wales. The company has increased its profits substantially from £609,201 to £806,018. In this case also, last year's high level of activity has necessitated increased provision for depreciation: £400,000 has been allowed, compared with £250,000 in 1936. Effective earnings for distribution to the parent concerns have thus risen only from £161,395 to £196,427—sufficient to double the ordinary dividend, an increase which provided £55,000 for Baldwins, compared with £28,000 in 1936. This company has been favoured by the fact that its new plant was erected at a reasonably early stage of the steel boom. It is likely to remain very profitable—the link with the Vickers group may be significant—but it is more doubtful whether it will be in a position to contribute at a greatly increased rate to the earnings of the parent companies.

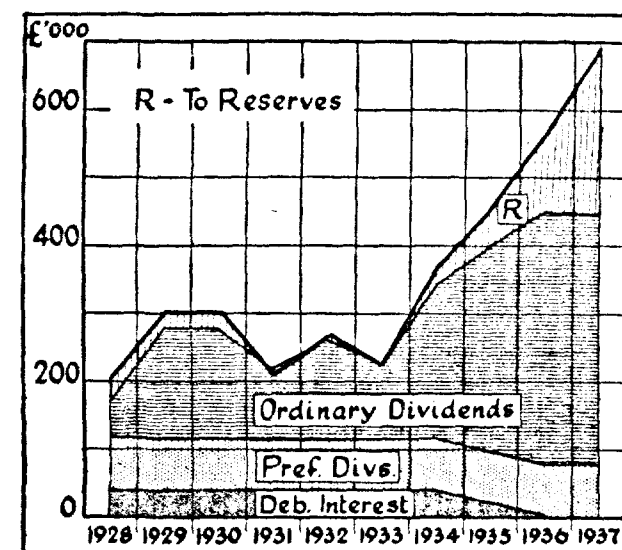
Associated Electric Progress.—Record business and profits were achieved by Associated Electric last year. Trading profits, after various charges, increased from £1,055,624 to £1,290,008 but after a substantial increase in the taxation provision, and a higher charge for depreciation, equity earnings are little more than £50,000 higher at £613,035. The table and chart in the next column illustrate the conservative dividend policy which has been adopted in recent years.

	1935	1936	1937
Total profits, after expenses and maintenance	828,519	1,055,624	1,290,008
Taxation	179,674	267,574	380,759
Depreciation	91,832	149,574	217,756
Debt service	124,790	Nil	Nil
Preference dividend	76,449	77,473	78,458

Ordinary stock:—			
Earned	355,774	561,003	613,035
Paid	303,705	375,290	369,138
Earned (%)	9.4	14.9	16.6
Paid (%)	8	10	10
Reserve	Nil	100,000	200,000†
Carried forward	165,405	176,118*	220,015

* After writing £75,000 off patents and goodwill.
† Of which £100,000 to special reserve and £100,000 to dividend equalisation.

ASSOCIATED ELECTRICAL PROFITS 1928-37



Of the latest reserve provision, special reserve receives £100,000 and dividend equalisation account a similar sum. In the previous year, the appropriation was not earmarked, but a further sum of £75,000 was written off patents and goodwill. A record order book at the end of last year is corroborated by an increase in stocks, held by the whole group, of more than £2 millions to £6,151,298, with a corresponding advance in other current items. The parent company, in fact, has been compelled to obtain a bank loan of £500,000 to finance increased trading. The group is largely, though not exclusively, interested in heavy electrical equipment, and has an important interest in overseas business. Such factors may tend to limit a further expansion in turnover, but the ordinary stock units, at 36s. 4½d., offer a yield of £5 10s., which can probably be counted on during the current year.

Associated Portland Cement.—Preliminary figures issued with the Associated Portland Cement dividend announcement had already suggested an appreciable fall in trading profits last year. Total income, including interest and dividend receipts on investments, after providing for

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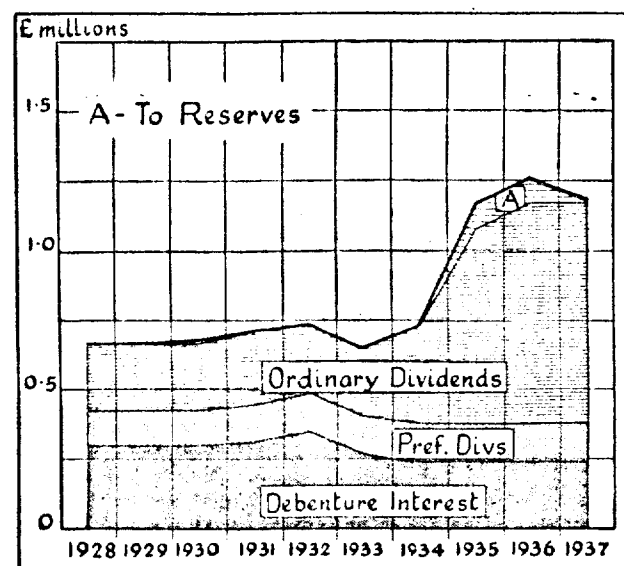
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taxation and sundry reserve provisions, thus shows a fall from £1,687,350 to £1,594,828, of which almost the entire impact is felt by the ordinary stock. Equity earnings are reduced from £879,617 to £796,728, and the 22½ per cent. dividend is covered by the small margin of £9,228, as the following table shows:—

	1935	1936	1937
Trading profits, after tax	£ 1,104,194	£ 1,149,494*	£ 1,054,591*
Investment, income, etc.	476,562	537,856	540,237
Total	1,580,756	1,687,350	1,594,828
Fees and depreciation	420,027	429,733	420,100
Debt service	240,500	240,500	240,500
Preference dividend	137,500	137,500	137,500
Ordinary stock:—			
Earned	782,729	879,617	796,728
Paid	700,000	787,500	787,500
Earned (%)	23.0	26.0	22.9
Paid (%)	20	22½	22½
Contingencies reserves	62,500	87,500	...
Carried forward	192,048	196,665	205,893

* After sundry reserves.

The following chart illustrates the company's progress since 1928:—



While gross dividend payments were scarcely affected during the depression, the subsequent advance in earnings has been on a substantial scale.

It is, perhaps, from the balance sheet that the investor will find greatest interest in the latest report. This again shows that substantial additions have been made to fixed assets totalling £538,841, compared with £294,851 in 1936 and £185,914 in 1935. In recent years, such additions have been more than covered by the company's generous depreciation reserve provision and the debenture stock sinking fund instalments. Last year, however, a net addition of £54,000 was made to fixed assets. Apart from a significant reduction in the cash holding, and a transfer of £300,000 from reserve for taxation and contingencies to general reserve, comparatively small changes are shown in other items. This latter transfer, however, may have some inferential importance, in view of the recent absorption of Alpha Cement. It is not incompatible, for example, with the release of sums intended to safeguard the company against the risk of any weakening of the cement price structure—a process which has been repeated more than once since Associated Portland Cement was formed in 1900. A further £500,000 of ordinary capital is shortly to be issued in connection with this transaction, which was originally

based on the comparative earning power of the two concerns. Last year's cement deliveries were a record; whether further re-armament and road construction work will assist the company to maintain its turnover remains to be seen. At 72s. 6d. the ordinary stock units yield £6 4s. per cent.

Dunlop Rubber Profits.—In recent years total profits of Dunlop rubber have been relatively stable. The preliminary statement of net earnings in 1937 announcing the repetition of a 9 per cent. dividend suggests that comparatively little change occurred last year. Net profits for 1937 (apparently struck after depreciation, fees and interest) amounted to £1,591,017, against £1,502,707 (after crediting a repayment of £11,035 by Dunlop Plantations). Taxation, however, absorbs £495,815, against £394,900, and earnings for the ordinary shares are practically unchanged at 13 per cent. Some £250,000 is again provided for reserves, exclusively credited to contingencies reserve, whereas in the previous year general reserve received £100,000. As recently as last October it was announced that trading results to that date compared favourably with those for the same period in 1936. In view of the widespread nature of the company's interests and of increasing difficulties in overseas markets, the usual detailed comment on the various sections will be awaited with especial interest. Shareholders will also be interested in the effect of the fall in rubber prices. It is known that the plantations' interests do not, in actual fact, give the parent company a net advantage from higher rubber prices. On the other hand, a serious fall in prices may involve losses on inventories for material and finished goods. The preliminary profits statement suggests that the company has surmounted last year's difficulties with reasonable success.

British Insulated and Enfield Cable.—British Insulated Cables has maintained a steady improvement in profits during the past four years. During 1937, trading profits and other income, after adjustment for contingent reserves, advanced further from £765,695 to £821,358, while ordinary stock earnings increased from £510,352 to £566,113. Such characteristic progress permits the maintenance of the 20 per cent. cash distribution on the increased capital, leaving an earnings margin of 11 per cent., which is only slightly lower than the previous year's cover. Larger turnover was recorded in 1937, and a slight increase in stocks held at the close of the year suggests a further improvement during the early months of the current year. The company, incidentally, controls British Copper Refiners, whose output doubtless advanced last year, to judge from the increased production of unrefined copper. On the other hand, copper price movements involved difficult costing problems, and a potential setback in general constructional activity at home and abroad would affect the demand for electrical cables. While British Insulated, like the other cable companies, can claim impressive financial and technical strength, it may not be able to reckon on any appreciable expansion in profits in the immediate future. The effect of high raw materials costs on profits was stressed by the Earl of Verulam at the Enfield Cable Works meeting this week. Although the volume of output constituted a record last year, smaller profit margins reduced the year's profits. A slight falling-off in the volume of new business was discernible in recent weeks, but the chairman anticipated a satisfactory year in 1938, despite the threat of high taxation and disturbed political conditions. British Insulated ordinary yield £4 14s. 3d. per cent. at 85s. and Enfield Cable £6 1s. 3d. per cent. at 82s. 6d.

British Aluminium Progress.—The advance in profits recorded by British Aluminium during 1937 is distinctly satisfactory. Trading profits are £171,512 higher at £765,128, and ordinary earnings, after a doubled taxation provision, some £139,251 higher at £398,182. In the last three years the group has made rapid progress, both in its development programme and in its disclosed profits.

Mining Reports

Crown Mines.—Last year's results of this leading Rand producer display at several points a slight set-back from the high level established in 1936. The quantity of ore milled was somewhat lower and average costs higher. Despite an increase of 0.02 dwts. in average yield, therefore, working profit was reduced by nearly £77,000. Development footage was 2,050 feet lower at 145,910 feet and the quantity of payable ore opened up amounted to 3,956,520 tons, averaging 4.8 dwts. per ton, compared with 4,219,980 tons with an average value of 5.3 dwts. in the previous year. Nevertheless, available ore reserves are higher, and non-available down by over 500,000 tons. The following table summarises the working results of the past four years:—

	Years to December 31,			
	1934	1935	1936	1937
Ore, milled, tons...	3,558,000	4,003,000	4,277,000	4,258,000
Revenue per ton...	39/-	34/10	33/6	33/10
Costs per ton	19/10	18/6	18/6	19/1
Profit per ton	19/2	16/4	15/-	14/9
Working profit £...	3,415,290	3,262,040	3,211,870	3,134,909
Net profit £.....	1,898,610	1,834,940	1,938,780	1,881,790
Earned per cent. ...	201.3	194.5	205.6	199.5
Paid per cent.	170	170	190	190
Amount £	1,603,210	1,603,210	1,791,820	1,791,820
Capital expenditure £	210,200	263,290	142,990	54,080
Carried forward £	667,240	635,680	639,650	675,540
Ore reserves (available), tons.....	17,334,920	19,817,130	20,071,400	20,607,500
Value, dwt.	5.7	5.1	5.1	5.0

Additions to the treatment plant reduced the value of the residues to just under 0.2 dwt.—a commendable achievement. From the report of the consulting engineer, a further decrease in capital expenditure appears likely. The company should have no difficulty in maintaining its recent dividend rate, upon which the yield on the 10s. shares at current price of £15 5s. is approximately 6 per cent.

The days when sufficient income was shown to pay 5 or 7½ per cent. dividends have passed; the latest distribution of 12½ per cent. (of which the final dividend of 8½ per cent. is payable on the increased capital) is covered by earnings of 20.6 per cent. Our table measures the scale of this expansion during the past three years:—

	1935	1936	1937
Trading profit, and investment income	£ 486,449	£ 597,181	£ 773,432
Taxation	20,000	34,000	70,000
Directors' fees	22,999	24,250	25,250
Depreciation	50,000	50,000	50,000
Debt interest	146,597	140,000	140,000
Preference dividend	90,000	90,000	90,000
Ordinary shares:—			
Earned	156,853	258,931	398,182
Paid	150,000	200,000	267,917
Earned (%)	7.9	13.9	20.6
Paid (%)	7½	10	12½
Reserve	Nil	50,000	100,000
Carried forward	62,227	71,158	101,424

In part, the improvement in earning power follows the progress of the Lochaber hydro-electric plant towards full utilisation. Extensions at this centre announced last year will double the output of aluminium then obtained, and provide a return from hitherto unproductive capital expenditure. The balance sheet suggests that little of the proceeds of the cash issue of September last has yet been expended, for cash holdings are practically £2 millions higher. The whole scheme, however, should be completed this year, and it will leave the company in a sound financial position, with revenue and capital reserves of £2,600,000 and a depreciation reserve of £1,350,000 against properties valued at £3,297,702. Investors may regret the fact that, in the absence of consolidated assets and earnings statements, it is difficult to assess the group's actual position—interests in subsidiaries account for £5½ millions out of a balance-sheet total exceeding £13 millions—but they may well feel confidence regarding the future progress of the undertaking. At 47s. 6d. the ordinary shares yield £5 5s. per cent.

Lamport and Holt.—The shipping industry's recovery last year was generous, and the latest report of the Lamport and Holt Line has fulfilled the highest expectations. Total profits, at £187,082, are treble those of 1936, and despite the inauguration of a pensions scheme which absorbs £10,000, there is in addition a net saving of £7,000 in expenses other than depreciation. Dividends have been resumed with a 5 per cent. payment, but the distribution is notably conservative. Depreciation receives £100,000 against £30,000, yet the amount earned for dividend is £61,538 up at £72,152—equivalent to 9.1 per cent.—and the carry forward is £27,512 higher at £40,896. In 1936 2.1 per cent. was earned on the share capital, but no dividend was paid. It appears that the latest improvement was achieved largely in the first half of 1937. The report stresses the considerable rise of freights to and from Argentina in that period, and the absence of all reference to lay-up charges (which absorbed £7,625 in 1936) may be of some significance. The subsequent drop in these freights, to the level at which rates are now on the basis of the minimum freight scheme, clouds the outlook for the current year. On the other hand, the three new motorships delivered since July last affected the 1937 results only slightly, but will presumably be earning revenue during most of 1938. Various changes in the balance sheet reflect both last year's share issue and the improvement in profits. Fixed assets are nearly £200,000 higher at £857,713 owing to large payments on account of new construction. The cash position is much improved, at £228,701, compared with £84,955 at the end of the previous year, and the secured loan of £32,000 to the company has disappeared. The recent decline in freights induces caution in viewing the current year's prospects, which is reflected in the current price of 6s. 3d. for the 6s. 8d. stock units.

Union Corporation.—A preliminary inspection of the accounts shows that, unlike certain Kaffir finance houses, Union Corporation was able last year virtually to maintain its 1936 rate of profit. Hence it repeats the various appropriations of the preceding year. Once again, £90,000 has been set aside, earmarked on the present occasion to exploration reserve account. The final dividend of 6s. per share, makes 8s. 6d. per share, as before. The whole of the dividend was recovered in the market price of the shares after its deduction on Monday last, and the current yield is approximately 5½ per cent. on the basis of the current price of 7½. The new issue of 140,000 shares offered to shareholders last November at £7 will rank for dividend in respect of the profits of the current year.

Rand Mines.—A setback occurred in the earnings of Rand Mines last year, but it is of trifling extent, and follows a long succession of advances. Maintenance of the previous year's dividend rate absorbs an increased amount owing to taxation. A transfer to investment reserve account replaces the previous year's credit from that fund, and the balance carried forward is consequently lowered. Results of the past four years are summarised below:—

	1934	1935	1936	1937
Total income	£ 899,160	£ 925,530	£ 990,510	£ 989,200
Administration expenses...	27,030	25,030	28,350	28,790
Net profit	862,130	900,500	962,160	960,410
Dividends	785,840	811,870	844,230	850,400
Earned %	148.2	169.4	181.2	180.7
Paid %	150	155	160	160
To reserve account.....	193,330	106,010	Dr. 107,030	154,650
Carried forward†	400,500	383,700	609,080	564,610

† Including forfeited dividends refunded.



The company's portfolio, at £4,347,570, showed an increase of £433,440 last year. As usual, the aggregate value largely exceeds the book value. The principal changes comprise the acquisition of 281,280 shares of 10s. each in the Blyvooruitzicht company and an increase in the number of Durban Roodepoort Deep shares held to 318,230—the latter arising in connection with the new issue referred to in a later note. On the other hand, the company has somewhat reduced its holdings in the Daggafontein and Vogelstruisbult companies. On the basis of the dividends of the past two years, the yield on the shares is approximately 4½ per cent. This, of course, is modest; but Rand Mines, unlike some other Kaffir finance concerns, depends chiefly upon dividends for its income.

Durban Roodepoort and East Rand.—The reports of both of these concerns have points of similarity. Durban Deep last year raised further funds by an issue of 325,000 shares at 55s. The greater capacity of the Roodepoort United reduction plant permitted an increase of 243,200 tons in the quantity of ore treated, which reached 1,209,000 tons. A decline in average yield was more than offset by reduced costs, and profit per ton rose to 6s. 3d. against 5s. 2d. The impact of the new basis of taxation on increased earnings is marked by a substantial rise in the tax provision to £116,850, against £41,820. At the end of the year the balance of working capital amounted to £715,060. The capacity of the milling plants is to be raised to 1,700,000 tons per annum. The consulting engineer points out that the reduction in average value (and, it might be mentioned, increase in quantity) of the ore reserves arises from the inclusion of a considerable tonnage of low-grade ore rendered payable through the reduction in working costs. The recent results of both companies are set out below:—

	Working Profit	Dividends Amount	Per cent.	Carry-forward	Ore Reserves Quantity	Value
	£	£		£	Tons	dwt.
Durban Roodepoort Deep						
1935	216,311	207,000	22½	611,270	4,062,100	5·0
1936	250,560	225,000	22½	223,520	4,528,200	4·7
1937	376,950	270,312	25	222,440	5,145,700	4·6
East Rand Proprietary						
1935	1,130,540	495,000	27½	539,720	8,688,000	5·2
1936	1,178,270	630,000	35	638,580	9,575,810	5·4
1937	1,240,070	630,000	35	580,870	10,271,320	5·3

In 1935 the East Rand Proprietary issued 600,000 shares at 45s. to increase its scale of operations, and at the end of that year working capital on hand amounted to £600,720. On December 31st last the amount had been reduced to £163,640. Capital expenditure continued heavy, and some £206,000 was absorbed from last year's profits. Since capital outlay this year is expected to exceed the 1937 figure, the company may experience some difficulty in maintaining its dividend rate.

City Deep and Modder B.—Perhaps the most interesting item in the City Deep report is the announcement of the sale of two portions of freehold property for some £142,000. This will not be taken into account until actually received, but shareholders may possibly entertain hopes of a bonus distribution in due course. Of the additional funds raised by the share issue in 1936, some £159,700 was in hand at the end of last year, when net current resources amounted to £412,780. Despite a marked reduction in the

development footage, ore reserves show a modest increase in quantity. The new shaft which is being sunk to open up the eastern section of the property has reached 3,520 feet of the anticipated 5,870 feet. Comparative tables showing the results of both companies for the past three years follow:—

	Working Profit	Dividends Amount	Per cent.	Carried Forward	Ore Reserves Quantity	Value
	£	£		£	Tons	dwt.
City Deep						
1935	295,350	129,500	10	140,770	3,033,600	5·2
1936	250,030	144,500	10	186,000	3,397,400	5·0
1937	240,660	159,500	10	253,080	3,532,200	5·0
Modder B						
1935	555,320	420,000	60	235,269	3,053,130	3·96
1936	542,440	385,000	55	212,790	3,085,310	3·93
1937	542,940	350,000	50	217,820	3,187,360	3·96

The report and map of Modder B suggest that little if any primary development remains to be done. Prospecting on the Bird Reef was discontinued owing to the disappointing results.

Other Company Results.—A considerable number of important industrial results have been issued in the past week and our usual analysis of profit and loss accounts on page 727 includes some 95 companies in all. Apart from the iron and steel, electricity and other companies already discussed, our table includes the results of *Maple and Company*, *British Ropes*, *Rorentree and Company*, and *Tunnel Portland Cement*. The profits are discussed on page 728 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings commence on page 715 of this issue. At the *Eastern Bank* meeting Mr J. S. Haskell discussed the growth of economic nationalism and its effects upon international trade. He regarded conditions in the United States as one of the keys to economic prospects, but found the present situation there not wholly encouraging. Sir Dennis Herbert disclosed that, at the *Equity and Law Life* triennial valuation at the end of December, the large depreciation in investment values was fully covered by internal reserves, without drawing on the £100,000 investment reserve. Reference was made by Mr R. P. Sloan to the additional business secured by *North Eastern Electric* as a result of increased industrial activity on the North-East Coast. At the *County of London Electric* meeting Sir Bernard E. Greenwell referred to the 15.94 per cent. increase in units sold as a reflection of the company's active development policy. The warning was voiced by Mr John E. James that the profits of *Lancashire Steel Corporation* might tend to be less favourable during the current year, since raw materials were costing more than those used for a portion of the past year. The effect of the war in China and of the lack of recovery in France was underlined by Mr Edward Robson at the *Pinchin Johnson* meeting. Mr H. James Yate, addressing *Radiation* shareholders, justified the economies of standardisation and explained how costs were increased when deviations from standards were required. At the *Godfrey Phillips, Ltd.*, meeting, Mr Arthur G. Phillips reported that during the year some £30,000 had been spent in increasing trading opportunities at home and abroad. In expressing satisfaction with the current year's turnover of *Alfred Dunhill*, Mr Dunhill referred to the growth of pipe-smoking. Colonel J. J. Gillespie, at the *Moss Empires* meeting, described the expenditure incurred in improving the company's properties. Mr John Douglas Broad, addressing the *Apollinaris and Presta* meeting, declared it was the company's intention to develop products made in this country. Sir Alexander Roger, discussing the progress made by operating companies of the *Telephone and General Trust*, referred to Venezuela as a country of possibilities. At the *Ingersoll* meeting, Mr E. S. Daniells reported that sales to date this year showed a favourable increase as compared with the same period of last year.

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THE STOCK EXCHANGES

London

SETTLING DAYS
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THE London market began well, with all-round rises in the funds, a recovery in depressed Central European bonds and an appreciable rebound from the previous Wednesday's low levels in industrial issues. But a relative small part of the recovery was due to the return of the investor on any appreciable scale. In gilt-edged stocks, particularly, it was due rather to the closing of bear positions taken in the previous week for "insurance" purposes. The sale of British Government stocks, as always, was the only ultimate protection against the political crisis, but after this position had been reversed this week, buying impetus subsided and the market decided to await Mr Chamberlain's speech before taking further action, keeping the other eye on Wall Street's further retreat.

The nervousness of the funds to political developments was illustrated on Wednesday, when a sharp reaction, particularly in undated stocks, checked the moderate advances of the preceding two days. Fundings and the short-dated conversion issues, however, recorded a net advance on the day. Quotations recovered on Thursday afternoon.

Covering in the *Central European bonds* assisted German issues, but Czechoslovakian loans experienced a sharp setback on the withdrawal of co-operation of the German political parties with the Czech Government and nervousness regarding future political developments. Japanese issues were also sold, but Argentine and Chilean bonds found occasional support.

Home rail stocks opened with a considerable display of firmness, particularly among the preference issues. Southern preferred were well supported, but the traffic returns made disagreeable reading, and in mid-week the stocks lost more than the day's initial gains. Signs of improvement in the Argentine rail group were not fully maintained.

Bear covering in *industrial shares*, coupled with a small volume of bargain hunting, produced better conditions

early in the week, but the best prices were not held after mid-week. The steel list, in particular, responded to recent armament company reports (discussed in a leading article on page 690), but although prices were responsive at first business was not really expansive. Appreciable improvements in such leading electrical equipment shares as British Insulated (whose results are discussed on page 700) were shown. Electrical supply shares enjoyed a steadier investment demand, but tobacco and brewery issues, after initial support, did not maintain their best prices. Aircraft and engineering shares were generally better, though a certain irregularity was evident after mid-week. An easier tone was also found in the miscellaneous industrial section on Wednesday, after substantial improvements had occurred at first. Turner and Newall, Murex and Imperial Chemical Industries slipped back, and Lever Bros. and Unilever and Dunlop were also slightly lower.

Apart from Mexican and Canadian Eagle, oil shares began the week well and small gains predominated. The volume of business, however, declined and prices reacted in mid-week from want of support. Turnover in Mexican Eagles was substantial, a slump on Monday being followed by a harder tendency on news of an appeal to the Mexican Courts.

Owing to the behaviour of the commodity, rubber shares did not share the full advantage of the general improvement early in the week. Business continued very restricted despite a slight improvement, but the market's apathy was illustrated when the ensuing drop in the rubber market failed to affect quotations seriously.

Thanks to the absence of any further bad news over the week-end the *mining markets* began the week cheerfully, with widespread gains in prices. The amount of business then slackened gradually, and by mid-week the earlier exuberance had vanished and quotations eased. Kaffirs started off with one of the best sessions for some time past, but there was no solid foundation for the change, and by Wednesday a reactionary tendency had again got the upper hand. West Africans were in good demand at the opening, and Rhodesian coppers became dull after a short-lived rally.

"FINANCIAL NEWS" INDICATORS

	Total Barings	Corres. Day 1937	Security Indices
			30 ord. shares* 20 fixed int.†
Mar. 18	8,535	11,080	82·7 126·9
Mar. 21	8,450	12,045	85·5 127·4
Mar. 22	7,150	9,465	86·5 127·7
Mar. 23	7,515	9,785	85·9 127·8
Mar. 24	7,305	9,420	85·7 127·9
1938 High...	...	...	97·2 131·0
Low...	...	...	79·4 Jan. 12 Feb. 4
			Mar. 16 Mar. 17

* Approx. total recorded in S.E. List. † 1928 = 100.
1935 = 100

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial ordinary share prices had by Tuesday last (March 22nd) fallen only slightly to 65·5 from the level of 65·8 a week before, but was nearly 4 points below the level of 69·4 a month before. The corresponding yields are 5·59, 5·53 and 5·22 per cent. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Feb. 22, 1938	Mar. 15, 1938	Mar. 22, 1938	
Coal (9)	94·1	93·8	91·6	106·7
Elec. lights, etc. (16)	120·0	117·2	114·8	120·2
Elec. mg. (12)	119·7	114·5	111·1	129·7
Iron & st. (17)	59·8	56·1	57·4	66·4
Oil (4)	77·8	73·9	71·7	84·9
Home rails (4)	61·9	57·1	61·2	71·0
Stores, etc. (18)	61·0	57·8	56·5	66·4

Group	Yields (%)			Prices 1938 Low
	Feb. 22, 1938	Mar. 15, 1938	Mar. 22, 1938	
Coal	5 51	5 65	5 70	91 6
Elec. light, etc.	4 51	4 58	4 67	114 8
Elec. manuf.	5 32	5 56	5 74	111 1
Iron and steel	6 82	7 46	7 17	56 1
Oil	6 42	6 76	7 00	73 9
Home rails	5 25	5 69	5 39	57 1
Stores, etc.	4 83	5 06	5 66	56 5

New York

WALL STREET'S worst fears have been realised this week by the collapse of the Dow Jones industrial average, to dip below the low level recorded last November. Wednesday's selling drive, (Continued on page 706)

TENOVA SOCKS never let you down



Tenova socks stay up under their own power. The band at the top, containing Lastex yarn, adjusts itself instantly to your leg, supports the socks gently but firmly all through the day—and goes to the laundry with them. For town, 3/6, 4/6, 5/6 and 7/6. For tennis, from 3/6. For golf, 7/6. Black Silk for evening, 7/6 and 12/6. Obtainable from good shops for men.

TENOVA self-supporting socks

Patent No. 323457. Reg. Design 749674.
Tenova Ltd., 157-161 Regent Street, London, W.1. Regent 2424

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks 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 increase or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Mar. 23, inclusive				Prices, Year 1938 Jan. 1 to Mar. 23, inclusive				Prices, Year 1938 Jan. 1 to Mar. 23, inclusive				Prices, Year 1938 Jan. 1 to Mar. 23, inclusive				Prices, Year 1938 Jan. 1 to Mar. 23, inclusive							
High		Low		High		Low		High		Low		High		Low		High		Low		High		Low		High		Low	
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By courtesy of the Standard Statistics Company, Inc., of New York, we print in the next column index figures of American values calculated on closing prices (1926=100).

WEEKLY AVERAGES					
	1938		Mar. 9, 1938	Mar. 16, 1938	Mar. 23, 1938
	Low Mar. 23	High Jan. 12			
347 Ind'ls.	85-7	101-5	94-6	92-3	85-7
32 Rails	21-3	31-4	26-7	24-6	21-3
40 Utilities ...	64-6	86-8	69-5	68-0	64-6
419 Stocks ...	71-9	78-4	79-5	77-4	71-9
Av. yield %*	8-35	5-37	5-37	5-40	5-47
	High	Low			

* 50 Common Stocks.

Mar. 17	Mar. 18	Mar. 19	Mar. 21	Mar. 22	Mar. 23
104.1	100.9	103.1	102.9	99.6	97.6

High: 116.9 January 11th. Low: 97.6 March 23, 1938.

1938	Stock Exchange		Curb Shares
	Shares	Bonds	
	000's	000's	000's
Mar. 17	640	6,380	149
Mar. 18	1,580	10,630	280
Mar. 19*	440*	3,660*	90*
Mar. 21	540	9,750	130
Mar. 22	690	6,000	142
Mar. 23	1,470	7,720	340

* Two-hour session

Capital Issues

AFTER an absence of some weeks, offers by industrial companies have re-appeared. The largest of the week's issues is of an unfamiliar type. Messrs Robert Benson and Company are offering for sale at par £1,000,000 5½ per cent. debenture stock, which is the joint and several liability of two separate companies, *British and Colonial Furniture Company* and *Cavendish Furniture Company*. The companies work in close association as retail sellers of furniture, mainly on the hire-purchase system. Subject to prior mortgages up to £500,000, the stock (which is covered 2½ times by net assets) is secured by a specific charge on buildings, etc., with a book value of £1,006,885, in addition to a floating charge. Total borrowing is limited to five-eighths of outstanding hire-purchase rentals and book debts (at present exceeding £3,000,000). The yield basis of the stock fairly suggests the type of security offered, but the safeguards provided by the Trust Deed are more than usually specific. The *Euglescliffe Chemical Company*, which issues 75,000 6 per cent. cumulative £1 preference shares at par, is an old-established family business in County Durham. Average profits cover preference dividend requirements over 2½ times, and all the ordinary shares will in effect be held by the vendors. The moderate size of the company will limit the marketability of the shares offered. *Cat-tell and Swarbricks Brewery, Ltd.*, have offered at 212½ per cent. premium, 76,000 £1 ordinary shares, permission to deal in which will be sought from the Manchester Stock Exchange. The prospectus does not set out the earnings yield on the shares, but fore-shadows the maintenance of a 20 per cent. dividend and bonus on the increased capital. Statements for information only have been published by *Hulton Colliery, Dudley Brierley Hill and District Gas, and Hornsey Gas*.

CAPITAL ISSUE TOTALS

Week ending March 26	Nominal Capital	Con- versions	New Money
To the Public	1,312,500	...	1,312,500
To Shareholders ...	100,000	...	100,000
By S.E. Introduction	215,000	...	134,375
By Permission to Deal	547,979	...	979,349
Sav. Certs. w/Market	450,000	...	...
Year to date	Including Conversions	Excluding Conversions	
1938 (New Basis).....	55,000,999	41,000,942	
1937 (Old Basis).....	148,181,512	114,894,970	
1938 (Old Basis).....	39,309,095	27,253,695	
1937 (Old Basis).....	71,564,493	52,972,851	

Destination
(Excluding Conversions)

Year to date	U.K.	Brit. Emp. excl. U.K.	Foreign Countries
1938 (New Basis)	87,595,926	6,801,337	2,423,229
1937 (New Basis)	32,492,242	26,238,606	1,154,140
1938 (Old Basis)	20,759,094	4,095,475	2,399,124
1937 (Old Basis)	37,999,317	4,973,534	Nil
Nature of New Borrowing (Excluding Conversions)			
Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	19,981,099	3,757,846	18,051,547
1937 (New Basis)	30,306,331	12,159,754	7,255,465
1938 (Old Basis)	15,533,330	2,202,222	1,788,849
1937 (Old Basis)	17,297,833	7,412,092	1,772,716

NOTE: "Old Basis" includes public issues only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Eaglescliffe Chemical Co.—Issue at par of 75,000 6 per cent. cumulative £1 preference shares. Net assets, £151,465, purchased for £149,980. Unsecured loan stock, redeemable at company's option all in cash, or as to £75,000 cash and £74,980 in £1 ordinary shares. Company will use latter alternative. Profits, after depreciation, etc.: 1935, £9,330; 1936, £14,468; 1937, £14,003. Lists closed 9.5 a.m. March 22nd. Oversubscribed.

Catterall & Swarbricks Brewery.—Issue of 76,000 £1 ordinary shares at 62s. 6d. Owns brewery, hotels and licensed properties. Total assets, £917,169. Profits, after depreciation, before bank interest, years to September 30, 1935, £42,865; 1936, £62,303; 1937, £67,397.

OFFER FOR SALE

British and Colonial Furniture Co., and Cavendish Furniture Co.
—Offer for sale at par of £1,000,000 5½ per cent. debenture stock (created jointly by two companies). Redeemable by 1970 at various rates. Retail furniture sellers. Combined net assets, £1,310,311 (goods on hire, debtors, etc., £2,128,711); profits (after allocations for unexpired hire-purchase contracts), years to June 30th: 1935, £193,175; 1936, £203,677; 1937, £271,995. Robert Benson and Co. take issue at 96, or 99½ including expenses.

STOCK EXCHANGE INTRODUCTIONS

Dudley, Brierley Hill and District Gas Company.—Issue of £79,000 3½ per cent. debenture stock, redeemable at par September, 1963. Messrs Seymour Pierce and Company take issue at 100 net. Interest ranks *pari passu* with other loan capital.

Hulton Colliery Company.— Issued capital £180,000; total assets £313,442. Year to June 30, 1937: total profits, £15,055 (including £8,537 from sale of land), or £4,135 balance (after £10,470 capital expenditure).

Hornsey Gas Company.—Issue of £50,000 3½ per cent. debenture stock, redeemable at par March, 1963. Messrs Seymour Pierce and Company take issue at 100 net. Interest ranks with existing debenture stock.

Industry and Trade

Building Well Maintained.—The activity of the building and construction industries is surprisingly well maintained, in spite of all the prophecies of rapid decline. Indeed, with the exception of the coal and metal trades, there is no major branch of industry in which activity has declined so little as in building and contracting. Compared with February, 1937, the proportion of insured workers unemployed last month showed a rise of only 1.6 per cent. in the case of building, and was actually 2.5 per cent. lower in the case of public works contracting. The industries most seriously affected by the decline in general business activity are those which, like cotton and wool textiles, are largely dependent on foreign trade, and in which the time-lag between the placing of orders and their completion is relatively short. Owing to the comparatively long time-lag between the inception and completion of buildings, a substantial proportion of the work now in hand was begun before the onset of the recession in general business activity last autumn. Another reason for the continued buoyancy of the building and public works contracting trades is the increase in construction due to the speeding-up of rearmament and the Government's housing programmes, which appear to have offset the downward trend in dwelling-house building by private enterprise.

The relative slightness of the decline in general business activity since last autumn is due, in no small measure, to the sustained activity of the constructional trades. How important these industries are is revealed by the fact that in July last year some 10 per cent. of the total number of insured persons in this country were directly engaged in them. In addition, the high level of activity in building and contracting has prevented a recession in a large number of ancillary trades. The future trend of general business activity therefore depends, to a large extent, on the course of building and public works contracting. The February returns of building plans passed by 142 local authorities, showing a decline of 26.8 per cent. from the corresponding month last year, are scarcely promising. It appears, however, that the volume of work which remains to be completed is such that a slump in constructional activity is unlikely in the near future. On a longer view, however, the outlook is not entirely reassuring.

Cotton Relapses into Depression.—A remarkable change has taken place in the Lancashire cotton industry since last summer. Not long ago spinners and manufacturers were booked up for months, yarn and cloth was sold at more profitable rates than for ten years past, and employers had to import juvenile labour owing to a shortage of operatives. To-day profits have in many cases disappeared, 40 per cent. of the machinery is standing idle, unemployment is now higher than at any time since 1935, and stocks of goods are larger than for years past. Nor are there any signs of an early improvement. Lancashire admits that the cotton industry has relapsed into a state of depression.

The decline in demand began last summer. The fall in American cotton prices from 8d. to 4½d. per lb. undermined all confidence. But the English cotton industry was no: the only one to suffer, for reports from all Continental, Eastern and American countries indicate a similar reduction in turnover. One of the main causes of the setback was the fall in commodity prices. Exports of cotton piece-goods last month were only 117 million square yards, the lowest figure since the cotton industry attained any size. The unemployment returns also testify to the serious setback in spinning and weaving. The number of unemployed

on February 17th, at 95,000, was higher than in any month since September, 1935. There are now twice as many people out of work as in July last year. Moreover, stocks, both at the mills and in Manchester warehouses, are the largest for years past. Many of these goods were bought months ago, but they are held back because customers, both at home and abroad, do not want them. The position has been relieved a little by better home trade clearances. A rise in raw cotton prices would do much to cause a freer flow of goods. The most that Lancashire can hope for is that an improvement may set in next autumn, but at the present moment there are very few traders who are sufficiently optimistic to predict that the next six months will witness a revival.

Labour and Prices in the Coal Industry.—For the moment coal miners' representatives are concentrating their efforts in negotiation on securing holidays with pay in the various producing districts. In Durham, Lord Gainford has stated that paid holidays, estimated to cost £300,000 or £400,000 if conceded in the current year, would be too expensive, unless reciprocal concessions were granted by the men. In North Wales, however, holidays with pay have been agreed upon. The cost situation is complicated by the various bodies interested in coal prices. There are good grounds for contending that the operation of the coal selling-schemes are onerous upon consumers, although owners and miners are united to contest any modification likely to lead to lower prices. In part, the level of coal prices to consumers is due to distribution costs, and the Prime Minister's announcement on March 16th that a Departmental Committee would be set up to examine and make recommendations about the differences between ascertained pit-head prices and those paid by consumers should be welcomed by producers, workers and consumers alike. The selling-schemes will not be investigated, but all distributing companies, whether colliery subsidiaries or not, will be concerned; and some light may incidentally be thrown on the problem of transfer prices between producers and subsidiary concerns.

Stocks of Primary Products Increasing.—The recession in world economic activity since last autumn, preceded by a boom in the prices of primary products, which stimulated their production, has inevitably been accompanied by an increase in stocks. Changes in world stocks

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of foodstuffs and industrial raw materials in recent years are shown in the following table, based on the League of Nations indices:—

INDICES OF WORLD STOCKS (Average of 1929 = 100)			
End of December	12 Food- stuffs	12 Raw Materials	Total
1925	83.4	90.5	87.8
1929	112.2	119.5	116.5
1930	118.0	132.9	126.7
1931	126.5	138.4	133.4
1932	126.9	132.6	130.3
1933	129.5	128.8	129.1
1934	126.7	118.0	121.6
1935	117.2	100.8	107.6
1936	97.8	104.0	101.4
1937†	98.4	118.8	110.3

† Provisional.

Stocks of foodstuffs, it will be seen, have so far scarcely risen, and the index for December, 1937, is still well below the figures for the corresponding month in 1929. The latest index of world stocks of industrial raw materials, on the other hand, is almost as high as eight years earlier. Moreover, the rise in the index of raw material stocks during 1937, amounting to 14.2 per cent., was even more marked than in 1930, when it showed an advance of 11.2 per cent. Indeed, the rapid increase in world stocks of industrial raw materials last year suggests that the attempt to prevent over-production by means of restriction schemes has so far not been particularly successful. Under the circumstances the headlong fall in the prices of many primary products during the past twelve months is scarcely surprising.

The Price of Food.—At a time when the interests of the consumer are all too frequently ignored, some satisfaction may be derived from the knowledge that the Food Council continues its unobtrusive work. This body, originally appointed by the Prime Minister in 1925 to watch the interests of consumers and traders, has just published its annual report for 1937. It points out that food prices rose more last year than in the two previous years combined, and that the seasonal decline which normally takes place in the spring did not occur in 1937. On November 1, 1937, the Ministry of Labour's index of food prices (July, 1914 = 100) stood at 146—the highest figure since March, 1930. It is clear, states the Council, that this rise in the price of food has aroused considerable concern. Present prices should not, however, be compared with

those ruling in the depression without bearing in mind the abnormal conditions of that period. "Now that we have passed out of the period of depression it would be unreasonable to expect slump prices to continue." Nevertheless, the results of the detailed investigations made into the prices of particular commodities (which form the bulk of the Report) suggest that the increase is not in all cases justifiable. Unfortunately the Council has no power except to report and advise, but its work is, nevertheless, not without value.

The price of milk has recently risen less than the prices of most other foodstuffs, but the average for last year was higher than in any year since 1922. As is only natural, therefore, the Council draws attention to the urgent need for reducing the price of milk to the general consumer. It considers that the fixing of milk prices should, in the interests of the community, be placed in independent hands and urges the need for effecting economies in the present system of milk distribution. Commenting on the Potato Marketing Board's measures for raising the price of potatoes last autumn, the Report rightly observes that "consumers are entitled to receive some compensation in seasons of larger production for the higher prices which necessarily rule when the crop is abnormally low. At the same time, growers should be content with a lower return per ton when the yield per acre is larger." As regards bacon production, the Council thinks that, after the breakdown of the contract system, it would have been better to leave curers in unrestricted competition rather than to regulate their sales by quota. The whole industry should, moreover, be supervised by some more independent body, such as the Bacon Development Board, with power to obtain full information on costs in all sections. This latter criticism is being met in the Government's latest plans for the reorganisation of the industry, discussed in last week's *Economist*.

Technical Education.—Complaints about the inadequacy of the technical training of workmen in Britain, compared with instruction overseas, have been perennial since the emergence of foreign competitors in industrial manufacture. The Association of British Chambers of Commerce, in a memorandum to its members, has once more laid stress upon this deficiency. The memorandum claims that more attention is being given to technical education abroad than in England. Foreign technical institutions and instructional workshops are better planned and equipped; and administration is more efficient and clear-sighted. There is some reason for the Association's concern, especially in view of the present shortage of skilled labour in certain branches of British industry and the existence simultaneously of large numbers of unskilled youths and young men. British technical education has in many ways fallen between the two stools of academicism and utility; and co-operation between industry and education has not been all that might have been desired. Yet expenditure on technical education in England and Wales increased from £3.6 millions in 1923 to £5.6 millions in 1936. The Association's warning is timely.

Tin Prices and the Buffer Pool.—Although the official text of the tin buffer pool scheme has not yet been published, practically all its details are now known. The pool is to consist of about 15,000 tons of the metal, accumulated from a special production quota of 7½ per cent. In contrast to similar proposals put forward in the past, the new buffer pool will remain in being for the whole duration of the restriction scheme. It will apparently buy when the price falls below £200 per ton and sell to prevent a rise above £230. In other words, it will transform the present tin agreement into a price-raising scheme. Such a change might well be followed by the re-introduction of the stringent quota policy which gave rise to so much criticism between 1933 and 1935; and might upset the balance

between the price of tin and that of the other principal base metals—especially if the trend of industrial activity remains downward. Nor can the possibility of the formation of a speculative private tin pool, to operate under the shadow of the official pool, be excluded. In this connection it is perhaps significant that a substantial bull account has already been built up during the past few days. The proposed scheme is warmly supported in Dutch tin circles, by most of the smaller Chinese-owned Malayan mines, and among the less efficient producers generally. But the majority of the larger Malayan producers, the London dealers, and, of course, the consuming interests are afraid that the formation of a buffer pool will have harmful effects. Meanwhile, a referendum which was to have been taken in Malaya this week has been postponed until early next month. It is highly likely therefore that the meeting of the International Tin Committee, originally fixed for April 5th, will also be postponed to enable the Malayan Government to consider the views of producers in that area. It is rumoured in London that the Government of Malaya will make a revision of its standard tonnage a condition for participation in the buffer pool. This rumour cannot be verified; but if Malaya's consent is obtained the buffer pool will begin to operate during the summer.

Austria's Fur Trade.—The present organisation of the international fur trade owes much to the activities of Herr Hitler; and his latest *coup* will not be without its effects on the fur markets. When the Nazis came to power in Germany, in 1933 many of the fur dealers of Leipzig were forced to leave the country and carry on their business elsewhere. Many of them came to London, while others established themselves in Vienna. The importance of the Austrian capital as a fur trading centre was consequently considerably increased; but a reversal of this development is now imminent. At a time when most of the large fur dealers are planning to leave Austria, it is of considerable interest that the Czechoslovakian Ministry of Commerce has just opened an inquiry into the possibility of holding large fur auctions at Prague. This inquiry is taking place in co-operation with the Central Chamber of Commerce of Czechoslovakia. No conclusions have yet been reached; but it is not considered likely in London fur circles that auctions in Prague would find support from British, American or French buyers. In the circumstances, therefore, it seems probable that the migration of the Viennese merchants will not benefit Prague, but will probably strengthen the position of London and other large West European fur centres.

INDUSTRIAL REPORTS

Our correspondents from various industrial centres have no cheerful news to report this week. New business in coal—especially export orders—shows no improvement. During the week ended March 12th, for example, the output of coal was lower than during the corresponding week a year earlier. Moreover, stocks are tending to accumulate in certain districts. The volume of transactions in iron and steel remains at a low level though the markets have recently shown a slight increase in activity. Stocks of pig-iron and semi-manufactured materials, however, remain heavy, and until these are reduced new business is expected to remain small. In South Wales the operations of the tinplate industry fell to 46.7 per cent. of capacity during the week ended March 12th and shipments at Swansea were less than half of what they were during the corresponding week a year ago. The cotton trade has relapsed into a state of depression. Moreover, as stocks of piece-goods at weaving sheds and in Manchester warehouses are very heavy, the industry may be forced to curtail its output still further. In the jute industry both spinners and manufacturers have been compelled to reduce output progressively for lack of orders. Activity in the building trade remains at a high level, but the February returns of the value of building plans passed show a substantial decline on the corresponding month a year ago. The latest economic developments at home and abroad are discussed in the *Trade Supplement* accompanying this week's issue of *The Economist*.

Coal

Cardiff.—Conditions on the Cardiff coal market show no material change. Current inquiries are restricted, but a few new contracts have been placed and the Control Board is strongly resisting the efforts of buyers to bring down prices. Stocks are increasing and, in isolated cases, best smalls are reported to have been banked rather than disposed of below the approved export prices.

There has been a decline in the demand for industrial as well as household coals for inland consumption. Uncontrolled coke prices are easier, and furnace qualities are now ruling at between 32s. 6d. and 35s. per ton, compared with 42s. 6d. and 43s. recently; foundry classes are firmer at 45s. per ton, compared with 46s.-50s. a few weeks ago. Patent fuel prices are unchanged. Shipments of coal and coke at the South Wales docks last week totalled 359,600 tons, compared with 408,100 tons the previous week and 398,999 tons in the corresponding week last year. The negotiations about the miners' application for increased wages are proceeding satisfactorily, and it is expected that agreement will be reached without the intervention of the Arbitration Board.

Sheffield.—The market for industrial coal continues very active, and full deliveries under contract are being made. Prices are firmly held. The call for small fuel is well maintained, electricity works and coke plants taking full supplies. Gas coal, on the other hand, moves slowly, and household demand has declined.

Coke is easier; supplies which should be going abroad under contract are not fully taken, and a surplus is left with some makers. There is lessened activity at blast-furnaces, with consequent contraction of coke requirements. The demand for central heating coke is showing a seasonal decline. Export trade continues to be extremely restricted, scarcely any business of substantial weight being transacted. All prices are unchanged.

Workington.—The coal trade is brisk, but as output has increased, it is now possible to satisfy fully the Irish demand. Cross-Channel shipments at 8,000 tons in the week are the heaviest recorded for several years. House coal is in sharp request, and as there is not enough coking coal to go round, Welsh supplies are being imported.

The pressure by iron smelters on the coking plants does not diminish. Prices are firm.

Glasgow.—Trade is moving more slowly. There is a marked lull in regard to export business, although a fair amount of interest is being shown by the Baltic markets in forward contracts. Stocks in importers' hands are apparently still fairly large, and there are signs that buyers anticipate lower prices over the next few months. At the moment the trend is definitely easier in all sections of the market. Industrial demand is also easing in certain cases, while the market for nuts has been affected by the seasonal contraction of buying by the gas and electricity undertakings.

COAL OUTPUT AND EMPLOYMENT

District	Week ended March 5, 1938		Week ended March 12, 1938	
	Output	Wage- earners	Output	Wage- earners
Northumberland...	302.1	45.3	294.0	45.5
Durham	715.3	118.0	705.6	118.0
Yorkshire	947.9	143.7	966.6	143.9
Lancs. Cheshire and N. Wales	370.1	68.9	370.7	68.8
Derby, Notts & Leicester ...	741.3	98.9	707.3	98.7
Staffs. Worcs. Salop & War- wick	425.9	67.8	426.7	67.8
South Wales and Monmouths...	829.0	137.2	818.3	137.4
Other English districts*	123.6	22.5	124.5	22.5
Scotland	654.4	91.3	644.3	91.2
Total ...	5,113.5	793.8	5,048.0	793.8

* Including Cumberland, Gloucester, Somerset and Kent.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that markets have become more active. It seems possible, therefore, that the usual spring demand is beginning to make itself felt. In some sections of the market, considerable stocks have accumulated; but large

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accentuated by the sharp decline in the value of building plans approved in February. A revival of buying interest may be expected shortly, since this is the period of most active consumption; but this will hardly cause a major improvement in prices in view of the fact that production is still in excess of consumption.

SALES ON LONDON METAL EXCHANGE

Date	Copper	Tin	Lead	Spelter
1938	Tons	Tons	Tons	Tons
March 11	2,100	475	1,200	1,000
" 14	700	400	1,550	425
" 15	2,900	265	2,750	1,800
" 16	2,000	225	2,600	1,550
" 17	900	230	2,400	725
" 18	950	225	2,550	1,325
" 21	900	325	2,300	1,600
" 22	1,300	275	1,900	650
" 23	2,500	275	2,400	1,150

U.K. STOCKS

	Mar. 12, 1938	Mar. 19, 1938
Copper (Br. official w/houses):	Tons	Tons
Refined	8,368	8,059
Rough	23,944	24,600
Tin (London and Liverpool):	3,195	4,112

Grains

With demand dull and selling pressure from Australia increasing, the wheat markets have again had an easy tendency. Despite a rally on Wednesday, Liverpool futures showed a further loss of about 5d. per cental on the week. Australia's difficulties have arisen in consequence of poor demand for the East and also for the Continent of Europe. Flour prices have eased in sympathy. Maize, however, has shown considerable strength and is slightly dearer than it was a week ago. Business in imported feeding barley remained quiet.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 Quarters)

	Week ended	Season to
	Mar. 12, 1938	Mar. 19, 1938
From—		
N. America	301	453 19,087
Argentina and Uruguay	277	246 13,881
Australia	566	482 7,998
Russia	29	102 11,406
Danube and dist.	96	136 6,881
India	10	982 1,043
Other Countries	53	32 1,049
Total	1,322	1,461 49,889
To—		
U.K.	280	217 12,151
" Orders "	286	247 13,413
France	10	7 889
Belgium	37	59 3,228
Holland	45	135 1,216
Italy	20	11 3,824
Greece	94	60 1,319
Scandinavia	24	60 1,319
Austria, etc.	88	36 1,352
Other European Countries	170	357 7,227
Ex-European Countries	258	272 10,441
Total	1,322	1,461 49,889

SALES OF BRITISH CEREALS

	Week ended
	Mar. 12, 1938
Wheat	cwt. 214,542
Barley	cwt. 48,214
Oats	cwt. 52,955

Other Foods

Provisions and Meat.—At the London Provision Exchange the market in bacon was steady to firm, prices being unaltered compared with those ruling a week ago. Colonial butters were sharply reduced and the market was steady at the lower level. Cheese was rather irregular, but Colonial makes were in quiet request and were a shade easier. The seasonal decline in egg prices continued. At Smithfield Market beef was slightly cheaper, but other sorts of meat were mostly unaltered in price.

OTHER FOODS: STATISTICS

	Week ended
	Mar. 12, 1938
BACON:	
Arrivals in London (bales):	
Danish	13,490
Canadian	6,384
Dutch	1,983
Lithuanian	1,119
Polish	2,044
COCOA:	
Movements in Lond. (bags):	
Landed	4,402
D/d for home consumption	9,063
Exports	248
Stocks, end of week	103,139
COFFEE:	
Movements in Lond. (cwt.):	
Brazilian—Landed	30
" D/d for home consn.	256
" Exports	2
" Stocks, end of week	2,085
Central and S. American:	
Landed	9,522
D/d for home consumption	1,975
Exports	553
Stocks, end of week	81,940
Other kinds—Landed	16,511
" D/d for home consn.	4,097
" Exports	727
" Stocks, end of week	122,806
MEAT:	
Supplies at Smithfield (tons):	
Total	8,325
Beef and veal	4,555
Mutton and lamb	2,439
Pork and bacon	856
Poultry, etc.	575
PEPPER:	
Movements in Lond. (tons):	
Black—Landed	10
" Delivered	1
" Stocks, end of week	1,938
White—Landed	4
" Delivered	23
" Stocks, end of week	500
SUGAR:	
Movements, London and Liverpool (tons):	
Imports	4,215
Deliveries	16,799
Stocks, end of week	281,030
TEA:	
Sales on Garden A/c. (pkgs.):	
N. India	44,506
S. India	1,704
Ceylon	14,672
Java	3,637
Sumatra	144
Attra	3,019
Total	67,792

* Weeks ended Mar. 10 and 17 respectively.

Colonial Produce.—Except for tea, price changes were few and the markets generally had a quiet appearance. Raw sugar was a shade easier, while the London spot market in coffee ruled quietly steady. Accra cocoas were in quiet request at about unchanged prices. At this week's auctions the demand for Indian teas was strong and prices recorded a general advance. The tone was also strong at the Ceylon sales, plainest kinds being 1d. per lb. dearer and other descriptions all showing appreciable advances.

Miscellaneous Commodities

Oilseeds and Oils.—In the absence of American demand, Plate linseed is easier and Indian varieties have declined under selling pressure. Indian shippers continue to be ready sellers in view of the prospect of an increased new crop soon coming on the market. Harvesting is proceeding apace, and the condition of the seed is regarded as satisfactory. Private estimates indicate a probable yield of half-a-million tons, compared with 418,000 tons actually harvested last season. The possibility of a larger export from India should go some way towards meeting the shortage in Argentina. The exportable surplus from Argentina and Uruguay is unofficially estimated at around 900,000 tons. Cottonseed prices have declined to comparatively low levels.

Trade in vegetable oils is of a hand-to-mouth character, and prices are difficult to maintain. Linseed oil has eased and is now 20s. per ton below the opening of the month and at the lowest level since last November. Cotton oil is slow, but quotations show little change on the week. The demand for oilcakes continues to fall owing to the fine weather.

Rubber.—The uncertainties of the international political outlook, the renewed weakness of Wall Street and the paucity of American demand, have had a depressing influence on the rubber market. Prices show a substantial loss on the week. Doubts have been expressed in the market as to whether the International Committee will reduce the export quota for the second quarter at its meeting on Tuesday next.

MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL

	Week ended
	Mar. 12, 1938
Landed	2,501
Delivered	1,070
Stocks, end of week	73,003

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS

In submitting to the Shareholders the Accounts of the Corporation for the year ended December 31, 1937, the Directors state:—

The Accounts are drawn up in Union of South Africa currency, English currency being taken at par.

The net profit for the year is £682,854 14s. 2d., plus £130,950 19s. 3d. brought forward, making a total of £813,805 13s. 5d. The Directors have placed £90,000 to Exploration Reserve Account, and have declared a final dividend of six shillings per share on the old shares (numbered 1 to 1,400,000 inclusive), making, with the interim dividend of two shillings and sixpence, a total distribution of eight shillings and sixpence, or £595,000 for the year. £128,805 13s. 5d. remains to be carried forward.

Your Directors resolved to increase the capital from £875,000 to £962,500 by the creation of 140,000 new Ordinary Shares of 12s. 6d. each. These new shares, which do not rank for the dividends declared as above for the past year, but in all other respects rank *pari passu* with the old shares, were offered to the shareholders for subscription at 17s. 6d. per share in the ratio of one new share for every ten shares held. The subscription was guaranteed for an underwriting commission of 2½ per cent. and an over-riding commission of 1 per cent. on the issue price. The issue realised £980,000, of which £87,500 constitutes an addition to the issued capital, and £892,500 was placed to Share Premium Account. The expenses, including commission, of the issue, have been charged to Profit and Loss Account.

The Share Premium Account of £892,500 has been eliminated by the transfer of £680,000

to Reserve Account, thereby raising that Account to £2,000,000. £212,500 has been transferred to Exploration Reserve Account, which was established in 1936 and then endowed with £50,000.

Exploration expenses, which have fluctuated between £6,949 and £97,416 per annum during the past five years, have hitherto been charged to Profit and Loss Account. The Directors, realising that the value of such expenditure frequently cannot be appraised for a long period and that exploration programmes should not be unduly influenced by their being a direct charge upon annual profits, have decided to charge such expenditure directly to Exploration Reserve Account. That account will receive suitable appropriations from Profit and Loss Account from time to time as and when deemed necessary, and in that respect £90,000 has been so appropriated for the past year. On the other hand, exploration expenses amounting to £97,416 have been charged to the Account, leaving that Account with a balance of £255,984 to be carried to the new year.

Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

The operating results of the EAST GEDULD MINES have been as follows:—

	Tons milled	Gold output (and per ton)	Average price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1936	1,368,591	£2,824,630 (41 3)	140s.	£1,215,243 (17 9)	£1,609,387 (23 6)	£855,000 (9 6)
1937	1,498,000	£3,063,508 (40 11)	141s.	£1,280,839 (17 1)	£1,782,669 (23 10)	£877,500 (9 9)

The ore reserves at December 31st last were estimated to amount to 10,100,000 tons assaying 6·2 dwt. per ton over a stoping width of 60 inches.

The operating results of GEDULD PROPRIETARY MINES have been as follows:—

	Tons milled	Gold output (and per ton)	Average price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1936	1,276,000	£2,321,653 (38 5)	140s.	£917,383 (14 3)	£1,404,270 (22 2)	£1,095,643 (15 0)
1937	1,301,000	£2,294,265 (35 3)	141s.	£939,887 (14 5)	£1,354,378 (20 10)	£1,095,643 (15 0)

The ore reserves at December 31st last were estimated to be unchanged at 9,100,000 tons assaying 5·0 dwt. per ton over a stoping width of 57 inches.

shareholding in East Geduld Mines.

In addition to the profits earned from its own operations, the Company received revenue from other sources amounting to £350,654, which figure includes dividends on its large

shareholding in the MODDERFONTEIN DEEP LEVELS (in Liquidation) have been as follows:—

	Tons milled	Gold output (and per ton)	Average price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1936	588,100	£797,676 (23 9)	140s.	£466,570 (15 8)	£231,106 (8 1)	£150,000 (1 6)†
1937	590,800	£777,552 (19 7)	141s.	£470,342 (15 11)	£107,210 (5 8)	£150,000 (1 6)†

* Of which 9d. was a first liquidation dividend.

† Liquidation dividends.

On THE GROOTVLEI PROPRIETARY MINES workings from No. 4 Shaft were connected with No. 2 Shaft of East Geduld Mines and development work was thus expedited. No. 3 Shaft had reached a depth of 2,693 feet at the end of the year, and it is expected that the reef will be intersected at a depth of about 3,600 feet.

The total footage sampled during the year was 23,650 feet, of which 14,650 feet, or 62 per cent., was payable. The Consulting Engineer estimates the ore reserves blocked out to December 31st last at 2,500,000 tons having an average value of 5·8 dwt. over an assumed stoping width of 57·5 inches.

Orders were placed early in the year for a reduction plant with a capacity of 60,000 tons per month. The Company decided in December last to increase immediately the capacity of this plant to 80,000 tons and further to 120,000 as soon as the necessary development work was completed. To provide funds for this programme, the authorised capital has been increased to £2,800,000, and 301,460 shares have been issued at 75s. per share, of which 290,824 shares were offered to shareholders and the remainder were subscribed for by your Corporation and its associates.

On MARIEVALE CONSOLIDATED MINES No. 2 Incline Shaft was stopped at a depth of 4,498 feet and No. 2A Incline from the bottom of this shaft was begun, the depth at the end of the year being 1,040 feet. The total footage sampled for the year was 19,570 feet, of which 5,150 feet, or 26 per cent., was payable.

To enable the extensive development programme recommended by the Consulting Engineers to be carried to completion, 1,321,866 shares of 10s. each were subscribed for at par during the year; half were allotted to the Corporation and its associates under its preferential right and half were offered to shareholders at par, the offer being underwritten by the Corporation.

On VAN DYK CONSOLIDATED MINES during the year No. 2 Shaft was completed to a depth of 2,152 feet. The total footage sampled was 29,215 feet, of which 12,975 feet, or 44 per cent., was payable. The Consulting Engineer estimates the ore reserves at December 31st last at 1,800,000 tons, having an average assay value of 5·8 dwt. over an assumed stoping width of 40 inches.

Work on the erection of the initial reduction plant with a nominal capacity of 60,000 tons per month has proceeded satisfactorily and production is about to start. Since the close of the year it has been decided that additional development work should be undertaken and provision made for the expansion of the reduction plant to 80,000 tons. In order to supply funds for these purposes the authorised capital was increased to £2,800,000 and an offer to shareholders of 500,000 new 10s. shares at 21s. per share has been made.

IN THE ORANGE FREE STATE, SOUTH WESTERN TRANSVAAL & WESTERN TRANSVAAL geological mapping, geophysical investigation and boring operations have continued throughout the year. It is too early to come to any conclusion regarding these areas.

SAN FRANCISCO MINES OF MEXICO during its financial year to September 30th, 1937, treated a total of 589,470 tons for an operating profit of £453,058. After deducting the usual charges, there remained a net profit of £276,344. Dividends totalling 2s. 3d. per share were declared.

The Corporation has an important interest in SELECTION TRUST, which has large holdings in American Metal Company, Consolidated African Selection Trust, Trepsa Mines and other mining ventures. The Company paid a dividend of 1s. per share and a bonus of 6d. per share in respect of 1936.

Rio Antelope Copper Mines and Rhodesian Selection Trust, in Northern Rhodesia, and Trepsa Mines, in Yugoslavia, benefited by the relatively high prices ruling for their metal products during last year.

BAY HALL TRUST. The net profit for 1937 was £78,953. A dividend of 6 per cent. was declared, absorbing £40,352 on an issued capital of £1,095,875. The carry forward was increased by £18,601 to £37,535. The Trust's investments as at December 31st last showed, at their current market prices, an appreciation of £230,575, or 12·3 per cent. over their book cost of £1,875,138.

SOUTH AFRICAN PULP & PAPER INDUSTRIES. This Company is actively engaged in erecting its pulp and paper factory at Springs, in the Transvaal.

Holders of Share Warrants to Bearer can obtain copies of the full Report and Accounts on application at the London Office, Princes House, 95 Gresham Street, E.C. 2.

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LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES.

ATTRACTIVE ANNUITY RATES.

TOTAL FUNDS

Total Advances upon House Property to Policy-holders and Certificate-holders exceed

£14,063,553

TWENTY-TWO MILLIONS

W. W. BENHAM, Chairman.

J. G. SLEIGH, Managing Director.

AMERICAN WHOLESALE PRICES

	Mar. 16, 1938	Mar. 23, 1938	Mar. 16, 1938	Mar. 23, 1938	Mar. 16, 1938	Mar. 23, 1938
GRAINS (per bushel)—						
Wheat, Chicago, May	88	80½	41 37½	41 10	8 86	8 57
Winnipeg, May	119½	115½	4 50	4 50	8 75	8 57½
Maize, Chicago, May	59½	59½	4 25	4 25		
Oats, Chicago, May	30½	30½				
Rye, Chicago, May	69½	66½				
Barley, Winnipeg, May	61½	59½				
METALS (per lb.)—						
Copper, N.Y., Domestic spot	9 77½	9 47½				
Producers' export	10 05	9 75				
METALS (per lb.)—cont.						
Tin, N.Y., Straits spot	41 37½	41 10				
Lead, N.Y., Spot	4 50	4 50				
Spelter, East St. Louis, spot	4 25	4 25				
MISCELLANEOUS (per lb.)—						
Cocoa, N.Y., Accra, March	5 68	5 52				
Coffee, N.Y., cash						
Rio, No. 7	5½	4½				
Santos, No. 4	7½	7½				
Cotton, N.Y., Am. mid., spot	8 99	8 67				
MISCELLANEOUS (per lb.)—cont.						
Cotton, Am. Mid., Apr.	8 86	8 57				
Lard, Chicago, Mar.	8 75	8 57½				
Petroleum, Mid-cont. crude						
33 deg. to 33 90, at well						
per barrel	116	116				
Rubber, N.Y., smkd. sheet spot	137½	12½				
Do. Do. Apr.	14	12½				
Sugar, N.Y., Cuban Cent. 96	3 01	3 00				
deg., spot						

BRITISH WHOLESALE PRICES

Mar. 16, Mar. 23,
1938 1938

CEREALS AND MEAT

GRAIN, Etc.—	s. d.	s. d.
Wheat—		
No. 2, N. Man. 496 lb.	50 6	52 3
Eng. Gaz. av., per cwt.	7 10	7 9
Liv. March, per cental	7 0	6 7
Flour, per 280 lbs.—		
Straits, d. d. London	35 0	34 0
Manitoba, ex store	36 6	36 6
Barley, Eng. Gaz. av.	11 10	12 3
Oats,	8 4	8 6
Maize, La Plata, landed, 480 lb.	32 6	33 0
Rice, No. 2 Burma, per cwt.	7 10½	7 9

MEAT—	s. d.	s. d.
Beef, per 8 lbs.—		
English long sides	4 8	4 6
Argentine chilled hinds	4 1	3 11
Mutton, per 8 lbs.—		
English wethers	5 8	5 8
N.Z. frozen wethers	2 10	2 10
Lamb, per 8 lbs.—		
N.Z. frozen	4 8	4 8
Pork, English, per 8 lbs.	6 0	5 8

BACON (per cwt.)—	s. d.	s. d.
English	102 0	102 0
Danish	102 0	102 0
Dutch	99 0	99 0
Irish	104 0	104 0
HAMS (per cwt.)—	s. d.	s. d.
Canadian	98 0	98 0
United States	87 0	88 0

OTHER FOODS

BUTTER (per cwt.)—	s. d.	s. d.
Australian	120 0	114 0
New Zealand	120 0	115 0
Danish	124 0	122 0

CHEESE (per cwt.)—	s. d.	s. d.
Canadian	76 0	77 0
New Zealand	70 0	69 0
English Cheddars	96 0	96 0
Dutch	58 0	57 0
Trinidad	42 0	42 0
Grenada	45 0	45 0

COFFEE (per cwt.)—	s. d.	s. d.
Santos sup. c. & f.	30 0	30 0
Costa Rica, medium to good	50 0	50 0
Kenya, medium	45 0	44 0

EGGS (per 120)—	s. d.	s. d.
English (15-15½ lb.)	10 9	9 3
Danish (15½ lb.)	8 9	8 9

FRUIT—	s. d.	s. d.
Oranges, Jaffa	9 3	8 6
Lemons, Malaga	11 3	11 6

Apples, Amer. (var.)	s. d.	s. d.
Standard cash	40 15 0	39 3 9
Three months	41 0 0	39 8 9

Apples, Amer. (var.)	s. d.	s. d.
Standard cash	40 15 0	39 3 9
Three months	41 0 0	39 8 9

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Apples, Amer. (var.)	s. d.	s. d.
Standard cash	40 15 0	39 3 9
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SUGAR (per cwt.)—cont.		
Crushed	20 10½	s. d. 21 1½
Granulated	18 9	19 0
Home Grown	18 7½	18 10½
TEA* (Auction Average) (per lb.)—	18 9	19 1½
N. India	13 63	13 65
S. India	14 83	15 97
Ceylon	16 82	16 89
Java	13 06	12 64
Sumatra	12 86	11 79
Atropa	12 44	12 64
Total	14 25	14 25
TOBACCO (per lb.)—		
Virginia stemmed and unstemmed, common to fine ...	0 8	s. d. 0 8
Rhodesian stemmed and unstemmed	2 6	2 6
Nyasaland stemmed and unstemmed	0 9	0 9
East Indian stemmed and unstemmed	1 10	1 10
East Indian stemmed and unstemmed	0 7	0 7
East Indian stemmed and unstemmed	0 7	0 7
East Indian stemmed and unstemmed	1 10	1 10

TEXTILES	s. d.	s. d.
COTTON (per lb.)—		
Raw, Mid.-American	5 18	4 95
" Sakelariadis, F.G.F.	8 49	8 26
" Giza, F.G.F.	7 54	7 31
Yarns, 32's Twist	10 8	10 4
" 40's Weir	17 4	17 2
Cloth, 32 in. Printers, 116 yds.	18 2	18 0
" 36 in. Shirtings, 75 yds.	24 7	24 4
" 38 in. ditto, 48 yds.	10 6	10 5
" 39 in. ditto, 37½ yds.	9 6	9 5

FLAX (per ton)—	s. d.	s. d.
Livonian ZK	69 0	68 0
Pernau HD	68 0	69 0
Slanetz Medium, 1st sort	87 0	87 0

HEMP (per ton)—	s. d.	s. d.
Italian P.C.	71 0	71 0
Manila, Mar.-May "J2"	26 0	26 0
JUTE (per ton)—		
Native 1st mks., c.l.f. H.A.R.B.	18 11½	18 6/3
Mar.-Apr.	17 12½	17 6/3
Daisee 2.5 c.l.f. Dundee, Mar.-Apr.	17 12½	17 7/6

SISAL, African, Mar.-May.	s. d.	s. d.
Italian, raw, fr. Milan	7 6	7 6
Wool, (per lb.)—		
English, Southdown, greasy	13 12	15½
" Lincoln hog, washed	13 12	15½
Queensland, scd. super combg.	22 22	22 22
N.S.W. greasy, super combg.	13 13	13 13
N.Z., greasy, half-bred 50-56	12 12½	12½
" Crossbred 40-44	11 11½	11½
Top—		
Merinos 70's average	29 28	28
" 64's "	27 26	26
Crossbred 48's	16 16	16
" 40's "	15½ 15½	15½

MINERALS	s. d.	s. d.
COAL (per ton)—		
Welsh, best Admiralty	22 6	22 6
Durham, best gas, f.o.b. Tyne	21 6	21 6
Sheffield, best house, at pits	22 0	22 0
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d.d.	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Trilplates	22 6	22 6

NON-FERROUS METALS (per ton)—	s. d.	s. d.
Copper—		
Standard cash	40 15 0	39 3 9
Three months	41 0 0	39 8 9
Tin—		
Standard cash	185 0 0	184 10 0
Three months	185 5 0	184 12 6
Lead, soft foreign—		
Cash	16 8 9	16 1 3
English, pig	16 10 0	16 3 9
Spelter, G.O.B.—		
Spot	15 3 9	14 5 0
Aluminium, ingots and bars	15 6 3	14 7 6
rolling billets	100 0 0	100 0 0
Nickel, home and export	180 0 0	180 0 0
Antimony, Chinese	67 0 0	55 0 0
Wolfram, Chinese	68 0 0	57 0 0

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Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
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Antimony, Chinese	67 0 0	55 0 0
Wolfram, Chinese	68 0 0	57 0 0

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Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6
Trilplates	22 6	22 6

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GOLD, per fine ounce	s. d.	s. d.
SILVER (per ounce)—		
Cash	1 8½	1 8½

MISCELLANEOUS

CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—	s. d.	s. d.
4-ton loads and upwards	42s.	per ton

CHEMICALS—	s. d.	s. d.
Acid, citric, per lb., less 5%	1 0	1 0½
" Nitric	0 2	0 2
" Oxalic, net	0 5	0 5
" Tartaric, English, less 5%	1 1	1 1
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb.	20/0/0	20/0/0
" Sulphate	7/14/0	7/14/0
Arsenic, lump	35/0/0	35/0/0

Borax, gran.	s. d.	s. d.
" powder	13 6	13 6
Nitrate of soda	8 0	8 0
Potash, Chlorate, net	0 4	0 4
Sulphate	10 0	10 0
Soda Bicarb.	11 0	11 0
Crystals	5 0	5 0
Sulphate of Copper	19/0/0	18/10/0

COPRA (per ton)—	s. d.	s. d.
S.D. Straits, c.l.f.	12/7/6	12/10/0
HIDES (per lb.)—	s. d.	s. d.
Wet salted, Australian	0 5½	0 5½
West Indian	0 3½	0 3½
Cape	0 4½	0 4½
Dry and Drysalted Cape	0 7½	0 7½
Market Hides, Manchester	0 4½	0 4½
Best heavy ox and heifer	0 5¼	0 5¼
Best cow	0 3¾	0 3¾
Best calf	0 4½	0 4½
NDIGO (per lb.)—		
Bengal, g.d. red-vio. to fine	5 6	5 6

LEATHER (per lb.)—	s. d.	s. d.
Sole leathers, 8, 14 lb.	2 0	2 0
Bark Tanned Sole	2 0	2 0
Shoulders from DS Hides	0 7	0 7
" Eng. or WS do.	0 9	0 9
Bellies from DS do.	0 5	0 5
" Eng. or WS do.	0 6	0 6
Dressing Hides	1 4	1 4
Ro. Eng. Calf, 20/35 lb. per doz.	4 6	4 6

PETROLEUM PRODUCTS (per gall.)—	s. d.	s. d.
Motor Spirit, No. 1, London	1 5½	1 5½
Petroleum, Amer. rid. bri. Lond.	0 10¼	0 10¼
Fuel oil, in bulk, for contracts		
ex instal. Thames—		
Furnace	0 3½	0 3½
Diesel	0 4½	0 4½

ROSIN (per ton)—	s. d.	s. d.
American	14/15/0	14/15/0
RUBBER (per lb.)—		
St. ribbed smoked sheet	0 6½	0 6½
Fine hard Para	0 6	0 5½
SHELLAC (per cwt.)—		
IN Orange	40 6	41 6

Best calf	{ 0 4½ 0 4½	{ 0 4½ 0 4½
NDIGO (per lb.)—	{ 0 5½ 0 5½	{ 0 5½ 0 5½
Bengal, gd. red.-vio. to fine ...	{ 5 6 5 6	{ 5 6 5 6
	{ 6 0 6 0	{ 6 0 6 0
LEATHER (per lb.)—		
Sole bends, 8.14 lb.	{ 1 0 1 0	{ 1 0 1 0
	{ 2 0 2 0	{ 2 0 2 0

COUNTY OF LONDON ELECTRIC SUPPLY COMPANY, LIMITED

FURTHER EXPANSION

The forty-fourth ordinary general meeting of this company was held, on the 22nd instant, in London.

Sir Bernard E. Greenwell, Bt. (chairman of the company) presided and, briefly summarising the more important features of the year's working, said: We have sold approximately 165 million more units to our own consumers, which is an increase of 16 per cent. over the previous year's sales. The gross revenue—£4,762,000—shows an increase of nearly £385,000, while the increase in revenue from sale of current is nearly 9 per cent. Our capital expenditure for the year was over one and a half million pounds, which included large payments for the extensions at the Barking station and also final payments on the new transmission system between Barking and Streatham.

The balance transferred to net revenue account—namely, £2,378,000—shows an increase as compared with 1936 of £215,770, and we propose to pay the same dividend of 10½ per cent., while to general reserve we are transferring again £150,000, leaving to be carried forward to 1938, an amount of £483,396, an increase of £58,108 as compared with the amount brought in.

Our distribution system has been extended and reinforced during the year to meet the growth of load. We have established 170 new sub-stations, laid down 100 miles of high-tension lines and some 500 miles of low-tension mains. I think I am justified on this occasion in reminding you of what your company has done in the way of developing the public service of the supply of electricity and that we have fulfilled our obligations not only to the authorities but also to the public.

MUNICIPAL AND PRIVATE ENTERPRISE

Comparisons have been made between municipal and private enterprise, and the advocates for municipal control have not, I think, given quite a fair picture of the situation. When you realise that private enterprise to-day is responsible under statute for the supply of electricity over 73,600 square miles, whereas the municipal authorities are only responsible for 14,500 square miles, the following facts will show you that not only do they have the more densely populated areas but by far the more lucrative.

The total revenue from working these 73,600 square miles by companies in this country is something over £30 millions per annum, or a revenue of £408 per square mile, whereas the revenue derived by the municipalities from their 14,500 square miles is some £49½ millions, or about £3,500 per square mile. This is stated as a fact, and in no way as a criticism of either method of administration. After all, the ratepayers of any particular town are entitled to ask why their money should be devoted to any large rural area surrounding their town and from which, under local government law, they derive no benefit. These large extra urban and rural areas were left to private enterprise, and it has only been by economic planning and expenditure that such areas have eventually been made to pay.

The proposed legislation, we understand, aims at bringing in some of the smaller undertakings into surrounding big undertakings, but I must say at once that, unless definite savings can be shown to result from this idea, it seems unwise to cause a wholesale upheaval, as from our knowledge of what is happening many of the smaller undertakings are very well managed, and it would be a mistake to force the smaller undertakings to give up their identity. We are quite willing to take in those small undertakings that want to come to us; that has always been our policy. We are supplying a number of such undertakings in bulk, and they have all the advantages of our main transmission lines already, and, naturally, we are very loth to disturb the present friendly feeling which exists between us.

The 15.94 per cent. increase in units sold for the year is a demonstration of the settled policy of development and of educating the public in the new uses to which our commodity can be put. The average rate paid by our domestic two-part tariff consumers for the year was 1.57d. per unit throughout the whole of our area, which, as you know, comprises urban, suburban and rural districts. We still, however, have consumers who, for one reason or another, remain on the flat rates. They are not getting the benefit of cheap electricity available to them under the two-part tariffs, but we have to have regard to the minority still on a flat rate, and last year I was able to report to you that we had reduced this flat rate for our city areas from 5d. to 4½d. per unit; we were at the beginning of this year able to see our way to reduce the flat rate in our suburban areas from 5½d. to 5d. per unit, while in the very rural areas of the county council we have a uniform flat rate of 6d. per unit.

The report and accounts were unanimously adopted.

EASTERN BANK, LIMITED

DIFFICULT CONDITIONS

The twenty-eighth annual general meeting of the Eastern Bank, Limited, was held, on the 18th instant, at 2 Crosby Square, London, Mr J. S. Haskell (the chairman) presiding.

The Chairman, in the course of his speech said:—The past year opened with great promise and in the confident expectation that the activity in commodities and international trade, which developed in the last quarter of 1936, would continue to expand, but these hopes were destined to end in speedy disillusionment and discouragement.

Various adverse rumours were circulated and apprehension was felt that the high prices reached by commodities would lead sooner or later to a serious slump; great nervousness was also created by a report from the United States of America that the price of gold would be lowered, which, although contradicted afterwards, destroyed confidence all over the world. Values depreciated by about 40 per cent. Later in the year the outbreak of hostilities between China and Japan made the position worse.

HOME AND OVERSEAS TRADE

The home trade was not so seriously affected owing mainly to the large expenditure on armaments. Both our imports and exports have expanded, the former in much larger volume; making the visible balance of payments against this country as much as £432 millions, which is continuing to increase this year—a formidable sum even taking into account the invisible exports. Industrialists and manufacturers on all sides are urged not to neglect the overseas trade. You may depend on it that they are quite alive to its importance, but the matter is largely beyond their control. Every country is now striving to become self-sufficient, and instead of being mainly agricultural, East and West alike are extending their factories and building new ones, besides imposing quotas and high duties against foreign goods. Take the case of India: the import of Lancashire goods has declined from £26,100,000 in 1929 to £5,709,000 in 1937. Lancashire exports of yarn have also fallen considerably. India is steadily increasing her own production and has entered into intensified competition with Lancashire goods in other countries. There are also cheap Japanese goods to contend with.

It rests with the Government at home to take a long and broad view of the seriousness of the situation. Firstly, they should reduce by every means in their power the imports of manufactured goods into this country, and, secondly, they should encourage increased production of foodstuffs at home.

India, whose trade was steadily improving, has recently had a most unfortunate setback caused by the fall in the prices of cotton and other commodities. Throughout this unsettled period, however, gilt-edged securities were unaffected and money remained cheap and abundant, showing the soundness of the economic position.

Iraq has had a prosperous year. The latest Customs figures show a large expansion. I would here point out that the branches of the bank do not extend eastwards of Singapore and that we have no commitments in China.

The result for the year, as you will have seen from the report, is a profit of £127,172, against £131,865 the year before. The apparent fall is more than accounted for by the new National Defence Contribution tax. We recommend a final dividend of 4s. a share, less tax, the same as last year.

Taking into consideration the difficulties in business generally, we have come through the past year with a result which I trust you will consider not unsatisfactory.

THE OUTLOOK

As for the immediate future, it is impossible to hazard an opinion; apart from international politics there is the unhappy situation in the United States of America. In the spring commodity prices were declared by the President to be too high and a slump was brought about; lately he has taken the view that they are too low and must be raised, but how is that objective to be achieved? Prices are regulated by supply and demand. Take the case of cotton: the planting and raising of a crop unprecedented in quantity has had the effect of depressing prices, with disastrous consequences all over the world. One remedy, which would no doubt appeal to other cotton-producing countries, would be for America to follow Brazil's example in regard to coffee and burn half the crop. Copper and oil provide further examples of over-production.

We can only hope that the differences between the President and business interests may be composed in the near future. The present fight is ruining their country and where there should have been prosperity there is nothing but despair. If business were given a rest from State interference confidence would return and we might look for better conditions throughout the world.

The report and accounts were unanimously adopted.

EQUITY AND LAW LIFE ASSURANCE SOCIETY

ANOTHER RECORD

The annual general meeting of the Equity and Law Life Assurance Society was held, on the 22nd instant, at 20 Lincoln's Inn Fields, London, the Rt. Hon. Sir Dennis Herbert, K.B.E., M.P. (the chairman), presiding.

The Chairman, in the course of his speech, said: Notwithstanding the large increase every year for many years past, our total new life business, both gross and net, again shows an increase, and establishes a new record; the gross figure is £5,582,113, against £5,144,660, and the net £4,667,681, against £4,658,909. The new sinking fund business is lower than the exceptionally high figure of the preceding year, but is higher than in any year other than 1936, and more than three times as much as in any of the four years before 1936.

Claims by death were well within the expectation under the latest mortality tables, and resulted in a substantial profit. Our total net funds at the end of the year were £28,117,742, against £24,935,078 at the end of the previous year, an increase of £3,182,666.

TRIENNIAL REPORT

I now come to the triennial report. Our last quinquennial report and valuation was made as at the end of 1934, and we then decided to work on three-year instead of five-year valuations, so that we have now to deal with the three-year period ended on December 31st last. The surplus disclosed is £1,266,803, which, allowing for the fact that it arises from three years' business instead of five, is proportionately larger than any previous surplus. It enables us to distribute to our policy-holders £835,381 in bonuses at the same high rates as the end of our last quinquennium, and after crediting the proprietors' fund with its one-tenth of the divisible surplus to carry forward as a reserve an increased sum of £332,522, against £312,682.

The minimum rates of reversionary bonuses are: On whole-life assurances, £2 5s. per cent. per annum; on endowment assurance, £2 2s. per cent. per annum. Higher rates are payable under our method of allotment of bonuses, and rates as high as 4 per cent. have been allotted in respect of some of the older policies. Current bonuses in respect of policies becoming claims during this present triennium will be paid at the full reversionary rate now allotted to them.

The proprietors' one-tenth of the divisible surplus is £98,900; this, together with the interest earned on the proprietors' fund, permits of the declaration of a dividend for the next three years of 4s. 9d. a share per annum net (equivalent to 6s. 4d. gross), as against 3s. net paid for the past three years: it is calculated that this dividend can be paid without resorting to payments received from such extraneous sources as trustees' remuneration, which during 1937 amounted to over £3,000.

These results of our first triennial valuation are, I think, very satisfactory—especially when our Stock Exchange investments had to be valued as on December 31, 1937, a date on which quoted market values had fallen heavily. We were necessarily faced with a large depreciation in the value of these investments, but thanks to the cautious and conservative methods adopted, and to our having set aside the profits on realisation of investments, we have been able to show these satisfactory results after fully meeting the depreciation and writing down our Stock Exchange investments to within their mean market value, while still keeping intact our £100,000 investment reserve. Our balance sheet shows a thoroughly sound position.

PROGRESS SINCE 1929

This is our first annual meeting to be held in our new building, with which we are very well satisfied. Our need for greater office accommodation leads me to remind you of the almost phenomenal growth of the society's business during the eight years forming the present triennium and the immediately preceding quinquennium, and I would ask you to compare the following figures at the end of 1929 with those at the end of 1937:—

	1929	1937
Total funds	£8,704,234	£28,117,742
Total net Assurances in force	15,397,068	40,503,178
Current Annuities in force ...	3,000 p.a.	999,000 p.a.
Net new Life business for the year	1,738,976	8,061,627

As to our prospects for the future, apart from foreign affairs, I see little reason to fear any serious check at present in this country's progress towards increased prosperity.

As regards what one may call the domestic affairs of the society's own business, the position is quite hopeful. Up to date new business this year is quite as satisfactory as usual.

The report was adopted.

LANCASHIRE STEEL CORPORATION, LIMITED

SUBSTANTIALLY IMPROVED RESULTS

The eighth ordinary general meeting of shareholders of the Lancashire Steel Corporation, Limited, was held, on the 18th instant, at 34 Leadenhall Street, London.

Mr John E. James (the chairman), in the course of his speech, said: The earnings from operations for the year to December 31, 1937, have increased to £803,565 from £543,970 for the year to December 31, 1936. This represents a substantial improvement.

The net profit for the year, brought down at this stage, amounts to £628,656, an increase on the net profit of the previous year of £234,595. After adding the balance brought forward, a total of £705,297 is shown. Your directors have appropriated £100,000 to general reserve, thus strengthening the financial position.

Dealing with the proposed appropriation of profits, he said that the board proposed to pay a final dividend of 4½ per cent. on the ordinary shares, making 7 per cent. for the year, carrying forward £78,071. That dividend was higher than the one declared for the previous year. The surplus of liquid assets over current liabilities in the consolidated statement amounted to £1,246,063.

Continuing, he said:—The production of steel in the United Kingdom during 1937—namely, 12,964,000 tons—constituted a record for this country, representing as it did an increase of 1,265,800 tons over 1936, the previous best year. It is difficult to estimate the extent to which the increased production was due to the re-armament programme, but it seems probable that, whatever the proportion may have been, it will be greater during the year on which we have now entered. It is abundantly clear to me that the re-armament programme must take precedence over all supplies of steel for commercial purposes, and you can rest assured that so far as we are concerned any demands the Government may make on us will meet with an immediate response.

DEMAND AND RAW MATERIAL PRICES

In the early part of the year raw materials required to meet the increasing demand were at times almost impossible to obtain, and, as a result, prices of these materials increased to an alarming extent.

The dangers inherent in such a situation were recognised by the British Iron and Steel Federation, and action was taken by that body which enabled supplies of pig iron and scrap to be obtained, though at prices considerably in excess of those ruling during the period before the above-mentioned advances took effect. Attempts were also made by that body to stabilise, as far as possible, prices of coke and industrial fuel, which were tending to become prohibitive as a result of the insistent demand for these materials. I have pleasure in informing you that the steps taken by the Federation enabled the steel manufacturer to meet the demands placed upon him, and a definite shortage of finished steel was avoided. It was necessary, however, to control supplies of finished products to commercial users, enabling them to obtain a reasonable, if not always entirely satisfactory, supply, while at the same time providing for export business on a limited scale and the requirements of the re-armament programme.

Although the foregoing conditions seriously affected steelmakers' cost of production, prices ruling for finished steel products were not advanced until May, 1937, and even then new contracts only were affected. Towards the end of the year the industry decided to stabilise such increased prices to December 31, 1938, in order that the steel-consuming industries might in turn be in a position to make contracts with their customers with the knowledge that prices would not vary during the period to that date.

BENEFIT OF ECONOMIES

The profit of the corporation for the year 1937 has, of course, been influenced by the foregoing factors, but in addition a substantial advantage was derived from the economies which are associated with any considerable increase in the tonnage of steel produced, when that increase, as in the past year, applies to all departments. It must also be recognised that for a portion of the year the raw materials which were being used were out of stocks or deliveries contracted for in the latter part of 1936 at prices considerably lower than those now prevailing, and it seems probable that even if the demand for finished products remains reasonably stable as at present, the earning capacity of the various departments of the corporation will tend to be less favourable during 1938 than during the past year.

Despite the satisfactory figures of production for 1937, the steel industry experienced a recession of forward business during the latter part of that year. The United States suffered a substantial setback and there is little doubt that the reaction in our country resulted to some extent from that position.

The report and accounts were unanimously adopted.

RADIATION, LIMITED

CONTINUED PROGRESS

The annual meeting of Radiation, Limited, was held, on the 23rd instant, in London.

Mr H. James Yates, the chairman, who presided, said that the net income from the subsidiary companies for the year had amounted to £326,958, compared with £328,109. A total dividend of 12½ per cent. on the ordinary stock for the year was proposed, with a bonus of 2½ per cent.

For some years past he had referred to the rising cost of manufacture due to successive improvements and developments; the two small advances in price which had been made had not compensated for their heavier costs, so that their profits for the past year were not equal to those of the previous year. Most of the shareholders knew of the company's "New World" gas cookers and "High Beam" gas fires; there were millions of users of those goods all over the world. While retaining the fundamental principles which had made their "New World" cookers outstandingly better than all other gas cookers, they had this year introduced further developments, covered by patents, which placed them in a still more unapproachable position. They had further developed their principle of single oven-burner and direct bottom-flue outlet and had attained a still higher efficiency and even better cooking. In that connection he would emphasise again that the "Regulo" was a Radiation product, only obtainable with Radiation apparatus.

ECONOMY OF STANDARDISATION

In these times the only way to manufacture economically was to standardise and to produce in large quantities. Those familiar with manufacturing processes would appreciate the addition to the cost which resulted if there were even a slight deviation from the standard article. To give one instance: they were sometimes asked to alter the standard lettering on the enamelled doorplate of a cooker. Each variation would necessitate the making of a special stencil. The plates, as they passed out of the furnaces, would have to be sorted out, and when the cookers were assembled on their large conveyors—some 620 feet in length—special arrangements would be needed so that, when the cookers on the conveyor reached the stage where the doorplates were fitted, all the varieties of doorplate must be placed ready at that point, and extra hands employed to ensure that at the exact moment the right plate was available. Imagine what that could mean at this particular point of assembly when there might be hundreds of doorplates differing only in respect of the lettering.

Similar complications would arise in the case of all departures from standard, and would greatly increase the cost of manufacture. In addition, the completed cookers, instead of taking their routine course for immediate despatch or putting into stock, must be sorted by additional workpeople.

In regard to their "High Beam" gas fires, they had in hand some very remarkable developments which he believed would result in their still wider application. Large cooking apparatus for hotels, restaurants, large public institutions, etc., had always formed an important part of their business. The company had been successful in obtaining the large order for the gas cooking apparatus for the equipment of the kitchens of the Birmingham Hospitals Centres.

PROSPERITY OF BRITISH TRADE

It was reassuring that the chairmen of the big banks had recently expressed such definite opinions as to the prosperity of British trade. Their views were founded on a thorough survey of present conditions, and prospects in the future. It was obvious that there were fluctuations in most commercial undertakings in regard to the profits earned year by year.

They all knew that if they kept telling a man he looked ill, almost invariably he began to feel ill without any cause whatever. That also applied to trade. To declare that trade was not what it ought to be, and that it was going to be worse, had an effect on the minds of many people, and pessimism prevailed instead of optimism.

As to the outlook at the present time in certain directions there were difficulties and the world horizon was far from clear, but he saw no reason for pessimism. He thought, however, that a word of caution was needed in relation to taxation, which was now very heavy. Local rates were increasing, and he felt that no municipal expenditure should be embarked upon without careful investigation, as such expenditure was not justified if rates would in consequence be unduly raised, causing the community to suffer in other directions. It was obvious that if the prosperity of the country was to continue there must be available each year individual savings for reinvestment. The increasing burden of national and local taxation was seriously depleting the amount so available.

The report and accounts were unanimously adopted.

INGERSOLL, LIMITED

100 PER CENT. INCREASE IN NET PROFIT

DIVIDEND OF 20 PER CENT. AND BONUS

MR E. S. DANIELLS'S SPEECH

The eighth annual general meeting of Ingersoll, Limited, was held at the Connaught Rooms, on the 23rd instant, Mr E. S. Daniells, chairman of the company, presiding. Mr Daniells said:—

The pleasure which a chairman has in meeting the shareholders of any company is very largely governed by the report and accounts which he has to present. You, therefore, can imagine that I feel particularly happy and I am certain that you will all be gratified with the results which we have to place before you this year. Our net profit, after providing for depreciation, income-tax, and reserving for National Defence Contribution, amounts to no less than £30,164, compared with £15,409 last year—an increase of nearly 100 per cent. on our last year's figure. This considerable improvement, resulting from greatly increased sales, is convincing testimony of the public's appreciation of the quality of Ingersoll products and of the efficiency of our organisation.

THE NEW CAPITAL

In order to assist in financing our development during the year we issued in August last the 92,614 then remaining unissued ordinary shares to our existing ordinary shareholders at 3s. per share. We received on these a share premium which, after deducting expenses, left us with a surplus of £4,291 10s. 5d., and, as you will see from the report, after adding to the profit for the year this balance of share premium and the amount brought forward from 1936, we have a total available balance of £42,830 13s. 2d.

Before the close of the year we had already paid six months' dividend on the preference shares at the rate of 7½ per cent. per annum and an interim dividend of 7½ per cent. actual on the ordinary shares. We have since paid to the preference shareholders a further six months' dividend at the rate of 7½ per cent. per annum and their participating dividend of 2½ per cent. actual, so that they have received their full 10 per cent. dividend on their shares in respect of the year 1937. As regards the ordinary shareholders, we are proposing to pay a final cash dividend of 12½ per cent., making 20 per cent. for the year, and to distribute to them a bonus of one new fully paid ordinary share for every four ordinary shares at present held. Resolutions to this effect will be submitted to you later, and after making these appropriations and transferring £1,628 1s. 9d. to reserve for equalisation of preference dividends, we shall still be left with a balance to carry forward of £13,630 3s. 5d. compared with £8,375 2s. brought forward from last year.

FURTHER ISSUE OF ORDINARY SHARES

As we have already issued all our ordinary share capital, it becomes necessary to increase our capital before the bonus distribution to the ordinary shareholders can become effective. When increasing the capital your directors had to bear in mind the further money likely to be required in the future to finance the development of the company. We are proposing to increase the total authorised ordinary share capital up to £130,000, and, as stated in the report, it is our intention to offer immediately to the shareholders of the company a further 209,250 ordinary shares for subscription on favourable terms. These new shares will be offered for subscription at the price of 4s. 6d. per share, which, having regard to the price at which shares have recently been changing hands, is, I think you will agree, offering them to you on very favourable terms. In order to give the preference shareholders a further opportunity to participate in the future benefits accruing to the ordinary shareholders, 100,000 of these shares will be offered for subscription to the preference shareholders. The remainder to the ordinary shareholders. Letters of right and forms of application will be forwarded to all shareholders.

CURRENT YEAR'S PROSPECTS

In conclusion, you would no doubt like some indication as to prospects for the current year. Our sales to date this year show a favourable increase on the corresponding figures for the same period of last year, and, given normal trading conditions, we have every reason to anticipate being able to present to you at the end of this year an account at least as satisfactory as the one now before you. These results have not been achieved without considerable hard work on the part of every member of the staff from the Board downwards, and I would like to express my personal appreciation of the services rendered to the company by my colleagues on the Board and by every member of the staff.

GODFREY PHILLIPS, LIMITED

INCREASING SALES

MR ARTHUR I. PHILLIPS'S STATEMENT

The twenty-ninth annual general meeting of the shareholders of Godfrey Phillips, Limited, was held, on the 22nd instant, at the registered office of the company, 112 Commercial Street, London.

Mr Arthur I. Phillips (the chairman and managing director) presided, and in the course of his speech, said:—The amount standing for the credit of the "reserve for development account" at £13,233 odd is virtually the sum which remained at the end of the previous accounting period. During the year we have spent some 30 odd thousand pounds in the direction of increasing the opportunities for trading both at home and abroad, and we have almost entirely established a factory and plant in Calcutta which, on personal inspection, is reported to be as modern, up to date, well laid out, and complete as any we operate. This factory will begin to offer its manufactures for sale very shortly, and your directors have every hope that this development will prove of considerable future value.

In the other markets which have also been visited progress has been made, and the results in most instances are encouraging. If to-day you approve the further appropriation to this account, your board is hopeful that the ultimate benefits may prove considerable in the future.

For a time our Australian investment had to withstand the difficult times through which that Dominion has so successfully emerged, and we are now receiving a fair reward for the sustained financial and other assistance we rendered it.

"Stock," as certified by the managing director, including leaf abroad and in transit at £1,141,814, is more or less the same figure as in the last accounts. The price of commodities has a certain bearing on this item, but beyond leaf tobacco, we carry but little others—of leaf we must, for purposes of maturity, maintenance of quality and safety, carry a great deal.

NET TRADING PROFIT

Turning to the "profit and loss account" as will be seen, the net profit for the year, including dividends declared by associated undertakings, is £257,322 9s. 2d., against the figure of £254,900 last year. To your board, who are almost every one of them in daily contact with the trading conditions in the tobacco trade, this result is not unsatisfactory, bearing in mind that during the major portion of last year competition, in a direction in which your company is very much interested, became very acute indeed, and ate into our turnover considerably, and this explains the somewhat smaller item in the balance sheet for debtors, and which, naturally, had its reflex action upon earnings.

Moreover, the net profits this year have had to bear the additional income tax rate and the whole of the amount payable under the National Defence Contribution.

It was solely due to past conservatism and policy, and still further and successful efforts in Empire and foreign markets that your board was able to maintain, and even slightly improve, the previous year's results.

I trust that you will agree in view of what I have just said, that you can join your board in their satisfaction with the results obtained.

The appropriation account needs no comment, and I have already referred to the account which is headed "reserve for development."

REVENUE PROSPECTS

In these days of uncertainty, it would not be politic to paint a too rosy picture of the future, neither is it necessary to be ultra cautious. Much of the earnings of your company is by way of dividends from our subsidiary and associated undertakings, and, actively engaged as I am with all these businesses, I am in a position to know that the revenue we shall receive during the coming year will be but little different from last year.

We have enjoyed during the first two months of this year, a satisfactory increase in sales abroad and our stock position is such that only a small extra cost of leaf will have to be met, and provided, therefore, the Chancellor is satisfied that the £80,000,000 he now obtains annually from the tobacco duties can only be increased by the natural course of greater consumption, as is undoubtedly the case, I am not unhopful that, as a whole, revenue receipts and earnings from all sources during 1938 may reach just about the same level as for last year, in spite of the difficulty of the particular competition to which I previously referred and which, as yet, remains to be overcome.

The report and accounts were unanimously adopted.

ALFRED DUNHILL, LIMITED

PIPES ARE FASHIONABLE

The Fifteenth Ordinary General Meeting of Alfred Dunhill, Limited was held, on the 22nd instant, at Dorland House, 14/16, Regent Street, London, S.W.

Mr Dunhill (the chairman), in the course of his speech, said:—The accounts before you show a continuation of that progress I have been able to report to you yearly for the last five years.

As a matter of interest I will repeat to you the net profit shown on our balance sheets for recent years:—

1931	...	...	£10,520	1934	...	...	£30,506
1932	...	...	£12,714	1935	...	...	£35,043
1933	...	...	£14,188	1936	...	...	£45,247

and for the year under review £55,133. I need not remind you that the last figure is after allowance has been made for N.D.C.

From this profit of £55,133, the highest since 1927, we recommend the payment to the ordinary shareholders of a final dividend of 8 per cent., making with the interim already paid, 12 per cent. for the year. After this is paid there is sufficient surplus for us to recommend the payment of a bonus of 10½ per cent., a total distribution for the year of 22½ per cent., subject, of course, to income tax.

You will notice that in accordance with our established custom we are recommending the distribution of practically the full profit for the year. If you agree to the proposed distributions the sum carried forward will be increased by £133, making £70,433, which, together with our reserve, is ample for all anticipated needs.

Although we hear from some sources talk of trade recession, I am pleased to report that, excepting the temporary dislocation of the last few days, we ourselves have not experienced it. On the contrary, our retail trade, the trade one would expect first to be affected, reached for last December the record total of any month since the foundation of the firm.

This year there are encouraging signs for future business, particularly the spread of pipe smoking among men of fashion and distinction in every walk of life. Although we shall not have that extra business which was brought last year to all London tradesmen by His Majesty's Coronation, our turnover for the current year is satisfactory, and we view the future with confidence.

The report was unanimously adopted.

PINCHIN, JOHNSON AND COMPANY, LIMITED

CONTINUED PROGRESS

SALES AND PROFITS EXPANSION

The annual general meeting of Pinchin, Johnson and Company, Limited, was held, on the 21st 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 1937, said: In submitting this report and accounts for 1937 I draw your attention to the figure of net profit for the year, £385,593 14s. 3d., which profit figure represents an increase of £6,230 14s. 11d. over the previous year.

Specific reference has been made in the report to two factors which are directly responsible for the profits for the year not showing a considerably greater increase. These factors are: Firstly, the totally unexpected and disastrous conflict in China, with destruction to property and virtual cessation of all business operations in the latter part of last year, and, secondly, the deplorable trend of economic events in France.

I regret I should have to refer to these rather depressing influences, but on the other hand, they serve, by contrast, to show up the intrinsically sound position of our business as a whole.

In the home market and all other foreign markets where we are directly or indirectly interested progress has been most satisfactory, and it is gratifying that a new record of sales and profits has been established by our Australian company.

It was our considered opinion last year that on the increased capital we should have no difficulty in maintaining the same rate of dividend. I fully believe we should have done so but for the profit-affecting factors that I have mentioned.

I have now to refer to a third factor which does not affect the profit made for the year but does affect the rate of dividend payable, and that is the National Defence Contribution. You will see that we have to provide now the sum of £92,000 as compared with £69,500 required in the previous year.

I do not think that at the time we had our last meeting anyone could have foreseen that so soon after that meeting this new burden of taxation would have been imposed upon us, and it has to be realised that this tax is really a contribution by the ordinary shareholders of all business concerns.

In the last three months of 1937 there was a slowing up in the rate of progress of our business. However, it is with pleasure we can announce that during January, February and up to date in March the rate of progress of our sales is again on an upward trend and higher than that of the corresponding period of last year.

The report was adopted.

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.

TELEPHONE AND GENERAL TRUST, LIMITED

PROGRESS OF OPERATING COMPANIES

The twelfth ordinary general meeting of Telephone and General Trust, Limited, was held, on 24th inst., at the Incorporated Accountants' Hall, Victoria Embankment, London.

Sir Alexander Roger, the Chairman, who presided, said that the profit at £107,636 compared with £108,996. They were paying 8 per cent. on the ordinary stocks and shares, with a surplus on the year's working of £7,637, compared with £9,404 in 1936. Their usual conservative valuation of the Trust's investments showed that in common with everybody else they had experienced some depreciation, but at December 31st last there was an excess beyond the total balance sheet figure of £1,969,313.

As to their telephone operating companies, the recovery which had commenced in March, 1936, in Venezuela had continued steadily throughout 1937. Venezuela was a country of great possibilities, and, given a continuation of the present stable and far-sighted Government, the board looked forward to a period of expansion and prosperity. Telephone Properties, in which they were directly interested, was the parent of the Nacional Company of Venezuela.

The Jamaica company continued to expand, but it was with regret that the board had to note that there was still no public telephone service between Kingston and its surroundings where the company operates and the rest of the island. The Jamaica Government were proposing to take some further steps in connection with the problem during the present year.

POSITION IN TRINIDAD

In Trinidad the company, which supplied the telephone service to Port of Spain and the rest of the island, continued to make progress. The staff of the telephone company had worked hard and loyally during the strike and riot periods, and had earned praises from the Government and the business community. They were prepared to invest considerable further sums of money in necessary expansion in Trinidad under reasonable conditions, and he might say that they had received assurances from important interests in Trinidad that if the company should wish to offer local participation in the telephone company the public would readily respond. As to Barbados, the board were confident that the installation of the automatic equipment put into service towards the close of 1937 would lead to an extended use of the telephone system, and with regard to the West Indies generally, they continued to work assiduously on the development of the telephone service in the various islands.

The Telephone Company in Portugal, in which their company had a large investment, continued to make satisfactory progress, and the company's relationship with the Government and the public was excellent.

As to the Polish contracts, an extension of the supply contract with the Polish Ministry of Posts, Telegraphs and Telephones had been arranged in association with their friends, Automatic Telephones and Electric Company, on a satisfactory cash basis. Repayment of the existing credit would be accelerated. In February last he had visited Poland and noticed the great progress that had been made since his last visit in 1934.

Summing up the prospects for 1938, provided no major political upheaval occurred, the board felt confident that next year they would be able to present results at least as good as those now submitted.

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 of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

APOLLINARIS AND PRESTA, LIMITED

BETTER TRADING RESULTS

The forty-first ordinary general meeting of Apollinaris and Presta, Limited, was held, on the 22nd instant, in London.

Mr John Douglas Broad, the chairman of the company, presided, and in the course of his speech said:—The better trading results for 1937 indicated progress, but the German exchange position, unfortunately, showed no improvement, which naturally affected Apollinaris, emanating from Germany. Owing to the so-called German moratorium they were also still unable to have any monies transferred, and this was bound to affect the business. The home-produced Presta Waters and Fruit Squashes showed substantial improvements in sales and trading profits, and it was their intention to develop that branch of their business.

Shareholders would remember that a scheme of arrangement was submitted two years ago to the debenture holders and the debenture deferred interest certificate holders. The directors had had under consideration during the past year the question of a scheme of reconstruction, or, alternatively, an extension of the moratorium, and after consultation with the committee of debenture holders and certificate holders and the trustees, it had been decided to apply to the Court for an extension of the moratorium in the hope that the Continental position would improve so as to enable them to bring forward a scheme of reconstruction based on a clearer view of future prospects.

During the summer he had paid his first visit to the Apollinaris Spring and to the Apollinaris Bottle Works. He had been impressed by all he saw and could assure shareholders that both the Apollinaris Spring and the Apollinaris Bottle Works were wonderful establishments.

During the year under review the sales of Apollinaris here in England were holding their own. The advertising campaign in the United States of America, referred to last year, had not met with the success hoped for, possibly because the campaign was on too small a scale for such a vast territory.

As to the future. The prospects for Apollinaris were not likely to improve much until world conditions had become more settled, but they did feel that in Presta they had a good article, and this enabled them to face the future with some measure of confidence. The report and accounts were unanimously adopted.

MOSS EMPIRES, LIMITED

BURDEN OF TAXATION

The thirty-ninth ordinary general meeting was held at the company's London offices on March 18th.

Addressing the members, Colonel J. J. Gillespie (chairman) said owing to the conversion of the issued share capital into stock, the capital is stated in a different form. The difference in the 4 per cent. debenture stock is £1,800, which was repurchased and can be reissued. £2,076 of 4½ per cent. debenture stock was redeemed during 1937, making the total amount redeemed £4,076.

£4,986 18s. 11d. has been written off reserve fund, mainly represented by investments written down, and the value of old buildings demolished at Edinburgh and Finsbury Park. New shops have been erected adjoining Edinburgh Empire. Additional waiting rooms, bars and exit accommodation have also been provided.

Disregarding fluctuating items on both sides of the balance sheet, he referred to a £14,000 increase in property, mainly composed of the cost of the buildings at Edinburgh and the construction of a car park adjoining Finsbury Park Empire.

Depreciation written off theatre furnishings is £20,440, but, with additions taken credit for, the net reduction is £6,600. As a result of a recent inspection of the companies' theatres, I can say that they are in first-class condition.

Trading profit is £6,110 up. Expenses debited in detail in the printed profit and loss account (excluding income tax and the National Defence contribution) are £1,000 less, but provision for income tax and National Defence contribution are together almost £16,000 more than preceding year's tax provision. On balance net profit carried to the balance sheet is less by £7,596 3s. 11d. Imperial and local taxation hits a company of this kind severely.

Last year's results are not unsatisfactory, looking to the intense competition in the entertainment business, not only from direct competitors, but from other forms of entertainment.

Trading results since January 1st show that we have more than held our own so far this year. When the year commenced our pantomimes were still running and on the whole they have proved more successful than the previous Christmas season.

The directors' report and accounts were adopted and a dividend was declared on the ordinary stock of 5 per cent. actual, less income tax (making 10 per cent. for the year).

CURRENT STATISTICS

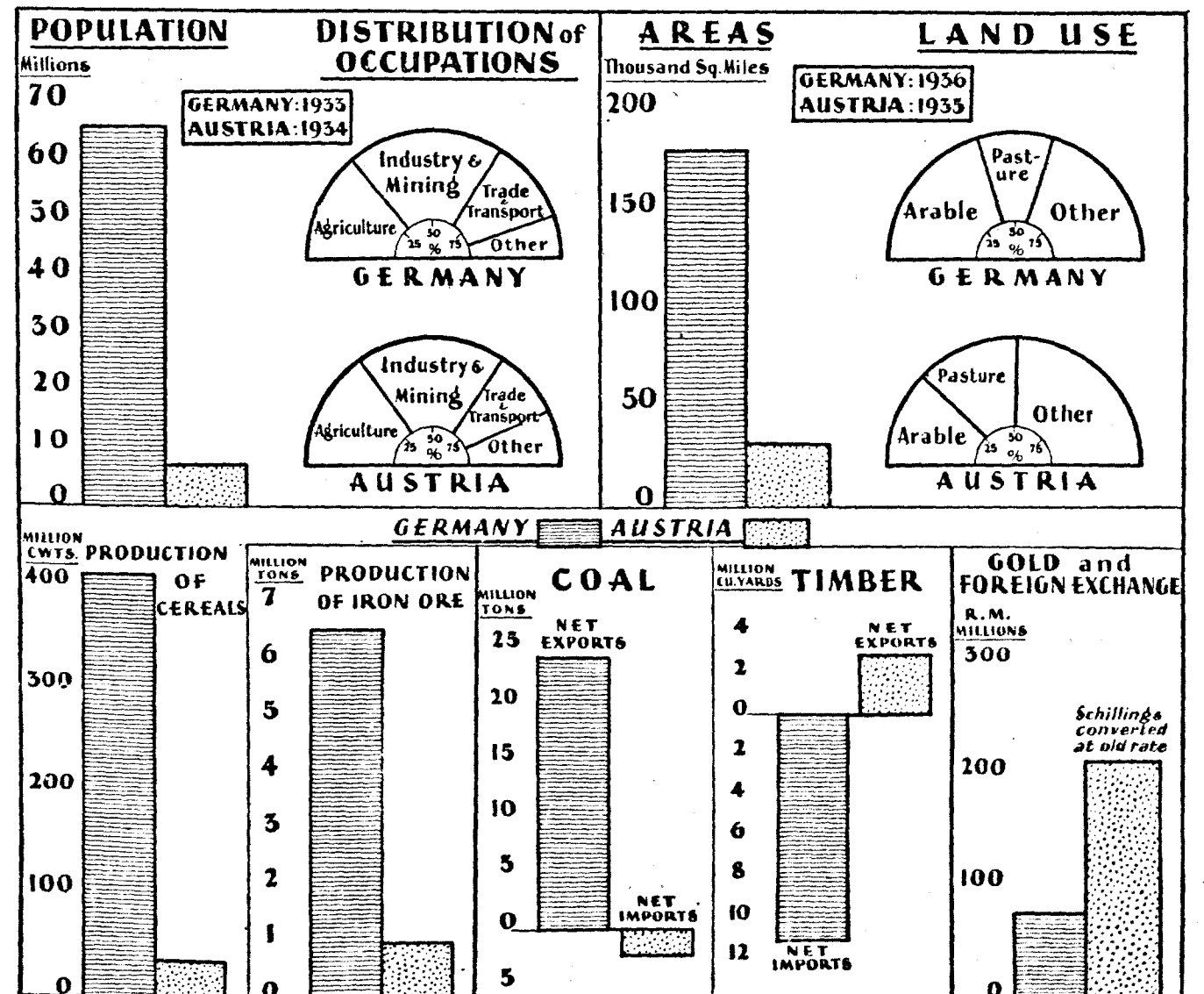
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Austria and Germany

The charts which we present below, have been designed to throw some light on the economic benefits accruing to Germany from the annexation of Austria. They should be examined in conjunction with the leading article on page 672. It should be noted that the most obvious gain, the Austrian gold and foreign exchange reserve of 423 million schillings, has been converted into Reichsmarks at the old official value of 49·5 pfennigs; the figures do not include sums due to Austria under clearing agreements. The figures of gold and foreign exchange reserves relate to March 7th of this year; the statistics of production and foreign trade are all for the year 1936.



Finance

GOVERNMENT FINANCE

For the week ended March 19, 1938, the total ordinary revenue was £23,568,000, against ordinary expenditure of £12,256,000. The surplus accrued since April 1st last is thus £21,468,000, against a deficit of £4,094,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Est. for 1937-38	1937	1938	Week ended Mar. 19, 1938	Week ended Mar. 19, 1937
ORDINARY REVENUE					
Inc. Tax	288,150	247,499	283,669	5,318	6,585
Sur-tax	58,000	49,750	51,250	3,720	3,510
Estates, etc.	89,000	84,209	85,800	1,870	1,760
Duties	29,000	27,610	23,410	2,430	2,420
N.D. Fund	2,000	...	800	...	130
Other In.	1,500	1,670	1,660	550	60
Rev. Duties	...	...	...	...	...
Total I. Rev.	467,650	410,729	446,579	13,918	14,465
Customs	219,850	206,017	214,101	4,216	3,678
Excise	113,150	108,700	112,500	4,800	5,100
Total Cust. and Excise	333,000	314,717	326,601	9,016	8,778
Motor Duties	34,000	32,339	34,400	...	...
P.O. (Net Receipts)	11,800	12,850	13,810	1,800	300
P.O. Fund	1,350	1,320	1,280	...	...
Crown Lds.	4,300	4,550	5,230	...	...
Inc. from Sun. Loans	11,000	17,656	11,813	441	25
Misc. Rev.	...	...	...	...	...
Total Ordinary Revenue	863,100	794,161	839,788	21,575	23,568
SELF-BAL. REVENUE					
Post Office and Broadcasting	75,198	68,300	70,770	3,000	950
Total	...	862,461	910,558	24,575	24,518

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Est. for 1937-38	1937	1938	Week ended Mar. 19, 1938	Week ended Mar. 19, 1937
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	224,000	209,247	211,847	366	1,076
Payments to N. Ireland	8,000	6,656	7,229	...	...
Other Govt.	3,200	2,926	2,942	54	...
P.O. Fund	300	421	...	...	...
Total	235,500	219,230	224,018	420	1,076
Supply Serv.	162,735	157,905	159,302	14,693	11,180
Total Ord. Expend.	862,848	798,255	818,320	15,113	12,256
Sinking Funds	...	11,572	9,870	...	...
Self-Bal. Expend.	...	...	...	...	...
P.O. and Broadcasting	75,198	68,300	70,770	3,000	950
Total	...	878,127	898,960	18,113	13,206

* Revenue required to meet expenditure.
† Including margin for Civil Supplementary Estimates but excluding £80,000,000 from borrowing.
‡ Motor Duties Self-Balancing in 1936-37 now added to Revenue and Expenditure.

After reducing Exchequer balances by £300,240 to £2,498,139, the other operations for the week (as shown in the next column, but excluding £8,000,000 issued under the Defence Loans Act), reduced the gross National debt by £3,613,000 to about £8,136 millions.

WEEK'S CHANGES IN DEBT

Net Incr. in Debt		Net Repayments, Etc.*	
Nat. Savings Certs.	450	Treasury Bills	323
		Pub. Dept. Adv.	3,340
		P.O. and Teleg.	400
		(Money) Acts	4,063
	450		4,063

* Excluding £8,000,000 issued under Section 1 (1) of the Defence Loans Act, 1937.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1937, to March 19, 1938, are shown below:—

Ordinary Exp. ... 819,320		Ordinary Rev. ... 839,788	
Issue to Exch. Eq.	200,000	Dec. in blocs. ...	202
Fund (July, '37)	200,000	Gross	227,059
Issues under Defence Loans Act	38,850	Less	...
		New S.F. 9,870	...
		Old S.F. 9	...
		Net borrowing	217,180
	1,057,170		1,057,170

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Mar. 20	500.0	171.6	39.4	...	711.0	211.0
Dec. 18	622.0	317.3	41.6	...	980.9	358.9
Dec. 25	622.0	319.9	41.1	...	983.0	361.0
Jan. 1	597.0	301.0	28.1	...	926.2	329.1
Jan. 22	587.0	292.3	31.6	...	910.9	323.9
Feb. 5	572.0	281.7	33.6	...	887.3	315.3
Feb. 12	572.0	276.9	31.9	...	865.8	308.8
Mar. 19	542.0	275.5	31.3	...	849.8	306.8
Mar. 26	532.0	273.1	39.2	...	844.3	312.3
Mar. 5	522.0	282.4	39.8	...	844.2	322.2
Mar. 12	517.0	283.8	38.9	...	839.8	322.7
Mar. 19	512.0	288.5	35.6	...	836.1	324.1

* Owing to inequalities between Treasury bill payments and maturities at the end of the quarter, it is impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Mar. 19	45.0	91.2	45.0	5.0	39
Dec. 17	50.0	76.8	50.0	13.0	75
Dec. 24	50.0	68.4	50.0	12.0	64
Jan. 1	50.0	80.5	50.0	10.0	59
Jan. 21	35.0	88.2	32.0	9.0	46
Feb. 28	30.0	86.5	30.0	10.0	18
Feb. 4	30.0	88.4	30.0	10.0	18
Feb. 11	30.0	87.7	30.0	10.0	18
Mar. 18	35.0	86.6	35.0	10.0	23
Mar. 25	40.0	92.0	40.0	10.0	33
Mar. 4	45.0	97.8	45.0	10.0	30
Mar. 11	45.0	92.1	45.0	10.0	36
Mar. 18	50.0	82.3	50.0	10.0	54

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On March 18th, applications at 99 1/2% 5d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted at to about 54 per cent. of the amount applied for. Applications at higher prices were accepted in full. £50 millions of Treasury bills are being offered on March 25th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price	
		£	s.
9 weeks to:			
Mar. 6, 1937	6,568,448	4,926,335	
Mar. 5, 1938	6,524,445	4,891,131	
Week to: Mar. 6, 1937	708,702	531,526	
Feb. 26, 1938	668,565	501,424	
Mar. 5, 1938	728,083	546,512	

Net Exchequer receipts, week to March 5, 1938: Dr. 150,000.

BANK OF ENGLAND RETURNS

MARCH 23, 1938

ISSUE DEPARTMENT

Notes Issued:		Govt. Debt...	
In circula.	479,485,220	Govt. Debt...	11,015,100
In Bank. Department	46,921,940	Other Govt. Securities	188,169,977
		Other Secs.	807,275
		Gold Coin & Bullion	7,648
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,407,160
			526,407,160

BANKING DEPARTMENT

Prop. capital		Govt. Secs...	
14,553,000		Govt. Secs...	105,086,164
Rest	3,709,228	Other Secs.	...
Public Depts.	15,556,839	Disc. etc.	6,835,138
Bankers	109,142,577	Securities	20,085,758
Other	36,646,985		...
	145,789,562	Notes	26,730,894
		Gold & Silv. Coin	869,631
	179,608,629		179,608,629

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

THE WEEK'S CHANGES

Both Departments	Amt., Mar. 23, 1938	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	479,485	+ 10	+ 8,959
Deposits: Public	15,557	+ 4,447	+ 12,351
Bankers	109,143	+ 9,903	+ 27,156
Others	36,647	+ 980	+ 921
Total outside liabilities	610,832	+ 4,466	+ 22,843
Capital and rest	18,262	+ 1	+ 24
COMBINED ASSETS			
Govt. debt and securities	304,271	+ 7,900	+ 11,553
Discounts and advances	6,635	+ 2,995	+ 1,879
Other securities	20,903	+ 415	+ 3,270
Silver coin in issue dept.	...	...	...
Gold coin and bullion	327,217	+ 28	+ 12,658
RESERVES			
Res. of notes & coin in banking department	47,792	+ 18	+ 3,699
Proportion of reserve to outside liabilities—			
(a) Bank, dept. only ("proportion")	29.6%	+ 1.2%	+ 0.3%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.1%	+ 0.4%	+ 0.2%

COMPARATIVE ANALYSIS

	1937				
	Mar. 24	Mar. 2	Mar. 9	Mar. 16	Mar. 23
Issue Dept.					
Notes in circ.	470.5	478.3	479.3	479.5	479.5
Notes in bank- ing dept.	43.1	48.1	47.1	46.9	46.9
Govt. debt and securities	198.2	199.6	200.0	200.0	199.2
Other sec.	1.8	0.6	0.0	0.0	0.8
Gold	313.7	326.4	326.4	326.4	326.4
Deposits:					
Public	27.9	11.4	12.6	11.1	15.6
Bankers	82.0	115.7	114.3	119.0	109.1
Others	37.6	36.0	36.1	35.7	36.6
Total	147.5	163.1	163.0	165.8	161.3
Bkg. Dept. Secs.					
Government	94.5	104.4	105.2	112.2	105.1
Discounts, etc.	4.8	7.1	6.5	3.6	6.6
Other	22.3	21.0	21.5	20.5	20.1
Total	121.6	132.5	133.2	136.3	131.8
Banking dept. reserve	44.1	48.8	48.0	47.8	47.8
"Proportion"	20.9	29.9	29.4	28.8	29.6
Reserve ratio†	50.9	51.0	50.9	50.7	51.1

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £7,648; capital, £14,553,000; rest, £3,709,228.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Portugal appeared in The Economist of February 5; Egypt, of March 5; International Settlements and Denmark, of March 12; Federal Reserve Reporting Members, Argentina, Australia, Austria, Bulgaria, Estonia, Greece, Hungary, Yugoslavia, Poland and Sweden, of March 19.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Mar. 25, 1937	Feb. 1938	Mar. 1938	Mar. 11, 1938
12 U.S.F.R. BANKS				
Gold certifs. on hand and due from Treas.	8,844	9,168	9,189	9,197
Total reserves	9,127	9,616	9,676	9,685
Total cash reserves	270	439	478	478
Total bills discounted	3	10	8	10
Bills bt. in open mkt.	11	11	9	10
Total bills on hand	23	18	17	17
Industrial advances	2,430	2,564	2,564	2,564
Total U.S. Govt. sec.	2,464	2,592	2,590	2,591
Total bills and sec.	12,318	12,808	13,115	12,915
LIABILITIES				
F.R. notes in actual circulation	4,167	4,126	4,125	4,120
Aggregate of excess m. bank res. over reqs.	1,270	1,410	1,460	1,560
Deposits—Member-bank reserve account	6,578	7,241	7,328	7,333
Govt. deposits	279	155	264	270
Total deposits	7,183	7,839	7,917	7,915
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,318	12,808	13,115	12,915
Ratio of total res. to deposit and F.R. note liab. combined	80.4%	80.4%	80.4%	80.5%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	11,541	12,784	12,778	12,781
Treasury and Nat. Bk. currency	2,537	2,665	2,672	2,674
LIABILITIES				
Money in circulation	6,375	6,324	6,328	6,325
Treasury cash and deposits	3,002	3,775	3,814	3,815

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

	Mar. 25, 1937	Feb. 1938	Mar. 1938	Mar. 11, 1938
Total gold reserves	343.0	390.6	389.6	401.0
Total bills discounted	3.6	2.9	2.2	2.6
Bills bt. in open mkt.	1.3	0.2	0.2	0.2
Total U.S. Govt. sec.	652.3	739.5	739.5	739.5
Total bills and sec.	660.0	742.6	742.6	742.6
Deposits—Member-bank reserve acc.	302.9	328.1	335.0	345.6
Total res. to dep. and Fed. Res. note liab. combined	86.3%	85.6%	85.4%	85.9%

BANK OF FRANCE.—

BANK CLEARINGS

LONDON

(£ thousands)

	Month of February			Week ended		Aggregate from	
	1937	1938	Change	Mar. 24, 1937	Mar. 23, 1938	Mar. 24, 1937	Mar. 23, 1938
Number of wkg. days:	24	24	%	6	6	71	70
Town.....	3,167,737	2,627,656	-17.0	772,572	627,510	9,170,262	7,917,679
Metropolitan ..	169,953	168,828	-0.7	42,788	37,776	520,743	503,321
Country.....	246,371	249,003	+1.1	66,097	63,100	897,299	890,713
Total.....	3,634,261	3,091,543	-14.9	881,457	728,386	10,588,304	9,311,713

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of February			Week ended		Aggregate from	
	1937	1938	Change	Mar. 20, 1937	Mar. 19, 1938	Mar. 20, 1937	Mar. 19, 1938
No. of working days:	24	24	%	6	6	71	70
BIRMINGHAM.....	12,212	9,753	-20.1	2,281	2,021	34,417	29,399
BRADFORD.....	4,560	3,453	-24.2	804	630	12,700	9,567
BRISTOL.....	5,517	5,508	-0.1	1,304	1,200	15,142	14,586
BULL.....	4,039	3,725	-7.9	898	792	11,214	10,796
LEEDS.....	4,396	4,407	+0.2	1,155	976	13,202	12,629
LIVERPOOL.....	3,288	2,837	-13.7	664	576	9,164	8,429
MANCHESTER.....	30,420	22,847	-24.8	8,561	5,551	88,877	63,416
NEWCASTLE.....	47,425	40,992	-13.5	10,257	8,728	131,361	116,013
NOTTINGHAM.....	6,159	7,041	+14.3	1,319	1,537	16,746	18,781
SHEFFIELD.....	2,255	2,256	+0.0	429	393	6,393	6,240
Total: 11 Towns	125,231	107,929	-13.8	28,639	23,613	252,747	204,203
DUBLIN.....	...	...	...	5,406	5,191	70,898	72,073

† Based on average working day. ‡ 12 full weeks.

MONEY RATES

LONDON

	Mar. 17, 1938	Mar. 18, 1938	Mar. 19, 1938	Mar. 21, 1938	Mar. 22, 1938	Mar. 23, 1938	Mar. 24, 1938
Bank rate (changed from 2½% June 30, 1932).....	2	2	2	2	2	2	2
Market rates of discount:							
60 days' bills, drafts.....	17½	17½	17½	17½	17½	17½	17½
3 months' do.....	17½	17½	17½	17½	17½	17½	17½
4 months' do.....	17½	17½	17½	17½	17½	17½	17½
6 months' do.....	17½	17½	17½	17½	17½	17½	17½
Discount Treasury Bills:							
2 months'.....	12½	12½	12½	12½	12½	12½	12½
3 months'.....	12½	12½	12½	12½	12½	12½	12½
Loans—Day-to-day.....	12½	12½	12½	12½	12½	12½	12½
Short.....	12½	12½	12½	12½	12½	12½	12½
Deposit advances: Bk.....	12½	12½	12½	12½	12½	12½	12½
Discount houses at call.....	12½	12½	12½	12½	12½	12½	12½
At notice.....	12½	12½	12½	12½	12½	12½	12½

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938							
Feb. 24.....	1½	17½	17½	17½	2½	2½	2½
Mar. 3.....	1½	17½	17½	17½	2½	2½	2½
" 10.....	1½	17½	17½	17½	2½	2½	2½
" 17.....	1½	17½	17½	17½	2½	2½	2½
" 24.....	1½	17½	17½	17½	2½	2½	2½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Mar. 24, 1937	Feb. 23, 1938	Mar. 2, 1938	Mar. 9, 1938	Mar. 16, 1938	Mar. 23, 1938
Call money.....	1½	1½	1½	1½	1½	1½
Time money (90 days) mixed coll.....	1½	1½	1½	1½	1½	1½
Bank acceptances—						
Members—eligible 90 days.....	1½	1½	1½	1½	1½	1½
Non-mem.—eligible 90 days.....	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days.....	1½	1½	1½	1½	1½	1½

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Mar. 18, 1938	Mar. 19, 1938	Mar. 21, 1938	Mar. 22, 1938	Mar. 23, 1938	Mar. 24, 1938
New York, \$...	4.86½	4.95½	4.94½	4.95½	4.95½	4.96½	4.95½
Montreal, \$...	4.86½	4.97½	4.98½	4.98½	4.98½	4.98½	4.98½
Paris, Fr.....	124.21	160½	160½	160½	161½	161½	161½
Brussels, Bel...	35.00a	29.45	29.45	29.45	29.45	29.45	29.45
Milan, L.....	92.46	94½	94½	94½	94½	94½	94½
Zurich, Fr....	25.22½	21.62	21.62	21.62	21.62	21.62	21.62
Athens, Dr....	375	540½	540½	540½	540½	540½	540½
Amst'dm, Fl...	12.107	8.97	8.97	8.97	8.97	8.97	8.97
Berlin, Mk....	20.43	12.35	12.35	12.35	12.35	12.35	12.35
Br. India Rup.	† 18d.	49.54	49.54	48.53	48.53	48.53	49.54
Hong Kong, \$	† 10d.	14½	14½	14½	14½	14½	14½
Shanghai, \$...	† 10d.	13½	13½	13½	13½	13½	13½
Rio, Mil.....	† 5.899d.	21½	21½	21½	21½	21½	21½
B. Aires, \$...	† 11.45	25½	25½	25½	25½	25½	25½
Valparaiso, \$...	† 40	125½	125½	125½	125½	125½	125½
M'video, \$...	† 17.38	20½	20½	20½	20½	20½	20½
Lima, Sol.....	† 9.76	17½	17½	17½	17½	17½	17½
Mexico, Pes....	† 24.66d.	23½	23½	23½	23½	23½	23½
Manila, Pes....	† 26.29½	26½	26½	26½	26½	26½	26½
Moscow, Rbls.	...	30½	30½	30½	30½	30½	30½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (b) Per cent. discount. (c) Latest "import" rate. (d) Official rate is \$15 sellers. (e) Average remittance rate for exporters. (f) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (g) Nominal. (h) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Mar. 18, 1938	Mar. 23, 1938	Mar. 24, 1938
Helsingfors, M.....	193.23	225½	225½	225½
Madrid, P.....	25.22½	80-140	80-140	80-140
Lisbon, Esc.....	110	110-110½	110-110½	110-110½
Vienna, Sch.....	34.58½	25½	25½	25½
Budapest, Pen.....	27.82	24½	24½	24½
Prague, Kc.....	161½	141½	141½	141½
Danzig, Gul.....	25.00	26½	26½	26½
Warsaw, Zl.....	48.38	26½	26½	26½
Riga, Lat.....	25.22½	24½	24½	24½
Bucharest, Lei.....	813.8	665	665	665
Constantinople, Pst.....	110	62½	62½	62½
Belgrade, Din.....	276.32	211-21	212-222	212-222
Kovno, Lit.....	48.66	29-30	29-30	29-30
Sofia, Lev.....	673.69	390-420	390-420	390-420
Tadum, E. Kr.....	18.159	17½	17½	17½
Oslo, Kr.....	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.....	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.....	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.....	97½	97½	97½	97½
Kobe, Yen.....	† 24.58d.	1½	1½	1½
Singapore, \$.....	† 26d.	27½	27½	27½
Batavia, F.....	12.11	8.94	8.94	8.94
Bangkok, Bait.....	† 21.82d.	22-22½	22-22½	22-22½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par, 197-10½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England:—(a) Under Anglo-Spanish Agreement. (b) Under Anglo-Turkish Agreement. (c) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Mar. 18, 1938	Mar. 19, 1938	Mar. 21, 1938	Mar. 22, 1938	Mar. 23, 1938	Mar. 24, 1938
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)

(p) Premium. (d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Mar. 17, 1938	Mar. 18, 1938	Mar. 19, 1938	Mar. 21, 1938	Mar. 22, 1938	Mar. 23, 1938
London:—							
60 days.....	4.866½	4.95½	4.94½	4.95½	4.95½	4.96½	4.95½
Cables.....	4.866½	4.96½	4.94½	4.96½	4.96½	4.96½	4.96½
Demand.....	8.237	4.96½	4.94½	4.96½	4.96½	4.96½	4.96½
Paris, Fr.....	6.63	3.09½	3.06½	3.08	3.04½	3.06½	3.05
Brussels, Bel...	23.54	16.83	16.82½	16.83½	16.83	16.83½	16.83½
Switz'd Fr.....	32.67	22.96	22.89	22.93	22.93	22.95	22.93
Italy, Lira.....	8.91	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Berlin, Mk.....	40.33	40.16	40.13	40.14½	40.12	40.13	40.13
Vienna, Sch.....	33.82	18.90½	18.90	18.90	18.90	18.90	18.90
Madrid, P.....	32.67	5.60a	5.60	5.60	5.60	5.60	5.60
Amst'dm Gold	68.06	55.29	55.11	55.29	55.28	55.37½	55.29
Cop'hgn, Kr.....	22.15	22.15	22.15	22.15	22.15	22.15	22.15
Oslo, Kr.....	145.37	24.95	24.85	24.95	24.92½	24.97½	24.92½
St'hm, Kr.....	25.57½	25.50	25.57½	25.55	25.50	25.55	25.55
Athens, Dr.....	1.29½	0.91½	0.91	0.91	0.91½	0.91½	0.91½
Algeria, Can. \$	150.31	99.560	99.250	99.750	99.430	99.560	99.560
Yokohama, Yen	84.40	28.67	28.58	28.87½	28.85	28.90	28.92
Shanghai, S.....	29.20	28.41	28.60	28.50	28.00	27.80	27.80
B. Aires, Pes...	30.79	30.69	30.85	30.78	30.84	30.78	30.78
Rio, Ms. T.....	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T. * Dollars per £1. † Official. ‡ Nominal. a Offered.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended March 24, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
Gold			Gold		
British W. Africa	£ 293,072	£ ...	Hong Kong	£ 70,925	£ ...
British S. Africa	1,470,601	...	Netherlands	...	13,700
British India	470,615	...	France	4,804	184,620
U.S.S.R.	1,136,164	...	Switzerland	831,946	...
Netherlands	185,073	47,824	China	...	1,700
Belgium	6,764,768	52,250	U.S.A.	4,716,685	...
Mexico	...	226,820	C. and S. America	...	10,350
Total*	10,496,420	603,146	Total*	5,625,635	210,373
Silver			Silver		
British India	4,946	...	Aden, etc.	...	22,532
Hong Kong	...	623,440	Hong Kong	...	5,000
Canada	5,637	...	Denmark	1,857	...
Belgium	8,705	...	Germany	11,690	...
France	7,834	96	Italy	14,870	...
Czechoslovakia	43,217	...	Egypt	940	2,300
Japan	7,430	...	C. and S. America	...	2,419
Total*	78,039	626,564	Total*	34,448	32,314

* Including other countries.

TRANSVAAL GOLD OUTPUT

STATISTICS FOR FEBRUARY, 1938

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Mar. 20 (£'000)					Aggregate Gross Receipts, 11 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Other	Total	Passenger	Merchandise	Coal & Coke	Other	Total
L. M. & S.—										
1937	430	521	308	829	1,259	4,209	5,315	3,210	8,525	12,725
1938	404	514	282	796	1,200	4,292	5,363	3,369	8,732	13,024
L. & N. E. (a)—										
1937	279	349	285	615	894	2,812	3,629	2,806	6,535	9,347
1938	265	354	261	615	880	2,852	3,753	3,086	6,839	9,691
Great Western—										
1937	171	203	122	325	496	1,767	2,098	1,313	3,411	5,178
1938	170	212	121	333	503	1,794	2,159	1,366	3,575	5,369
Southern—										
1937	259	62	37	93	358	2,762	641	393	1,034	3,796
1938	266	66	36	102	369	2,842	650	414	1,064	3,904
Total—										
1937	1,139	1,135	733	1,864	3,007	11,541	11,683	7,822	19,505	31,046
1938	1,105	1,146	700	1,846	2,951	11,780	11,955	8,255	20,210	31,950

(a) Week ended March 19.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, first half 1937, over first half 1936	+ 1,329	+ 1,187	+ 670	+ 359
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross increase, first half 1938, over first half 1937	+ 299	+ 344	+ 191	+ 110
Weekly Figures				
Av. weekly increase, 1st half 1938	+ 27.18	+ 31.27	+ 17.36	+ 10.00
Latest week compared with 1937	- 59	- 14	+ 7	+ 10
Latest week compared with average 1927-30	- 199	- 170	- 65	- 15

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended March 18 (£'000)			Aggregate Gross Receipts, 11 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.6	0.5	2.1	17.7	5.4	23.1
1938	1.7	0.4	2.1	18.4	4.8	23.2
Great Northern—						
1937	8.6	8.8	17.4	83.8	98.1	181.9
1938	9.7	9.6	19.3	89.2	93.7	182.9
Great Southern—						
1937	28.8	37.9	66.7	283.0	462.4	745.4
1938	29.9	35.7	65.6	306.7	440.8	747.5

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. year
Week ending March 10, 1938, before pooling	£55,200	+ £8,800
Total, 38 weeks to date	2,125,500	+ 100,300
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1937, after pooling	30,247,378	+ 522,655
London Transport Pool receipts, year to June 30, 1937	41,777,929	+ 771,590

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS					OTHER COMPANIES					Lawson (Glasgow)...	6 1/2	11	11	11
Bank of Scotland	12	...	...	...	Al. & Europ. Inv.	5 1/2	10	May 7	15	Lucas (Joseph)...	2 1/2	11	May 14	2 1/2
Beacon Insurance	25	...	...	25	Amer. Inv. & Gen. Tr.	4 1/2	6 1/2	...	6 1/2	Maidenhead Brick	...	3 1/2	...	6 1/2
General Accident	2 1/2	3 1/2	May 2	3 1/2	Assoc. Coal	3 1/2	...	...	7 1/2	Miller and Beatty	...	5	...	5
World Auxiliary	...	2 1/2	...	7 1/2	Associated Electric	...	10	...	7 1/2	Moor Line	...	25	...	17
World Marine, etc.	12 1/2	40 1/2	Apr. 12	40 1/2	Automatic Telephone	7 1/2	10	...	10	Newman Industries	...	25	...	17
TEA AND RUBBER					Brilliant Signs	6 1/2	10	...	10	Olds Discount	6 1/2	11 1/2	...	12 1/2
Danisco Co.	5 1/2	7 1/2	...	6	Brown and Eagle	7 1/2	10	...	10	Price and Pierce	5 1/2	...	Apr. 12	5 1/2
Dimbula Valley Tea	5 1/2	7 1/2	Mar. 31	6	Cannock Collieries	3 1/2	...	Apr. 8	3 1/2	Primitiva Gas	...	2 1/2	Apr. 29	2 1/2
F.M.S. Planters	5 1/2	10	...	10	Carpet Trades	...	5	...	5	Renold, etc., Chain	3 1/2	...	Apr. 30	3 1/2
Gokonda Rubber	6 1/2	9	May 11	7	Chesnut United Salt	3 1/2	...	...	...	Royal Plate (A)	3 1/2	14	...	13
Highland Tea	4 1/2	8	...	6	Craven Brothers	10 1/2	15	...	12 1/2	Trust, etc. (B)	3 1/2	...	...	3 1/2
Justin Rubber	5 1/2	10	Apr. 14	10	Currys	7 1/2	10	...	12 1/2	Rose (L.) (2-)	37 1/2	62 1/2	...	62 1/2
Kuala Pah Rubber	...	...	...	...	Daily Mail Trust	12 1/2	...	Apr. 25	12 1/2	Rowntree & Co.	...	10	...	10
Langkat Sum Rubber	...	8 1/2	Apr. 14	6 1/2	Dartford Brewery	8 1/2	11	...	11	Royal Mail Lines	...	5	Apr. 20	4 1/2
Nedem Tea	2 1/2	...	Apr. 8	Nil	Dunlop Rubber	...	9	...	9	Rugby Cement	6 1/2	11	Apr. 12	11
North Malay Rubber	5 1/2	10	Apr. 22	7 1/2	Easterns	...	7 1/2	Apr. 9	7 1/2	Sec. Caledonian Est.	...	2	Apr. 12	2
Panama Rubber	...	6	...	2 1/2	Edinburgh United Salt	12 1/2	17 1/2	...	17 1/2	Southern Areas Elec.	3 1/2	5	...	3 1/2
Poonmudi Tea, etc.	...	7 1/2	Apr. 4	2 1/2	Erith and Co.	12 1/2	17 1/2	Apr. 1	17 1/2	Stephens (Henry C.)	...	25	...	25
Raimai Tea	...	5 1/2	Mar. 25	...	Frans Investment	2 1/2	4	Apr. 4	3 1/2	Tunnel Cement	15 1/2	25	...	25
Rosevale Rubber	...	14 1/2	...	6 1/2	Grattan Warehouses	10 1/2	...	...	7 1/2	United Carlo Gatti	11 1/2	15	...	14
Sempah Rubber	...	10 1/2	Apr. 12	3 1/2	Heenan and Froude	...	...	Mar. 31	4 1/2	United Kingdom Gas	3 1/2	5	...	5
Sungei Salak Rub.	1 1/2	15	...	10	Heiton (Thos.)	3 1/2	...	...	4 1/2	Wallis (Costumers)	10	15	...	15
Tebrau Rubber	...	...	Apr. 19	4 1/2	Heriburger Brooks	2 1/2	...	Apr. 2	5 1/2	West (Allen) & Co.	...	7 1/2	...	Nil
Yataderna Rubber	4 1/2	6	...	4	Inn & Co.	8 1/2	15	...	15	Wigan Coal & Iron	...	3 1/2	...	2 1/2

* Free of income tax. (a) Paid on a larger capital.

THE WEEK'S COMPANY RESULTS

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. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£	£	%	£	£	£	%
Bank of Australasia	Oct. 11	193,329	309,501	502,830	...	297,000	8	...	205,830	300,962	8
Chartered of India, etc.....	Dec. 31	182,720	491,065	673,785	...	420,000	14	75,000	178,785	496,682	14
Commercial of Near East...	Dec. 31	536	6,223	6,759	...	3,000	2	3,000	759	6,060	Nil
Breweries											
Dartford Brewery	Dec. 31	38,097	50,353	88,450	6,006	16,913	11	25,969	39,562	51,985	11
Melish and Neale	Dec. 31	9,476	21,084	30,560	2,805	11,842	17½	7,000	8,913	23,162	17½
Style and Winch	Dec. 31	107,869	109,764	217,633	21,897	75,000	15	20,000	100,736	115,661	15½
Electric Lighting, etc.											
Bournemouth & Poole	Dec. 31	13,553	172,647	186,200	11,094	83,900	15	74,849	16,357	170,998	15
Isle of Thanet Electric	Dec. 31	1,235	38,300	39,535	16,920	6,000	4	13,498	3,117	47,671	4
Richmond (Surrey) Elec.	Dec. 31	1,643	33,662	35,305	...	21,700	7	11,536	2,069	32,364	7
South Metropolitan	Dec. 31	40,207	201,302	241,509	16,500	69,750	9	111,743	43,516	167,316	9
Urban Electric	Dec. 31	48,410	145,864	194,274	21,000	56,000	8	65,000	52,274	130,448	8
Financial Land, etc.											
Law Land Co.	Dec. 31	13,394	70,013	83,407	15,750	31,500	9	21,804	14,353	68,121	9
Matador Land and Cattle.....	Dec. 31	1,514	20,729	22,243	...	4,500	3	13,938	3,805	7,983	Nil
Nat. Star Brick, etc., Hldgs.	Dec. 31	6,593	23,618	30,211	4,495	10,828	8	7,676	7,212	25,999	8
Olds Discount Company ...	Dec. 31	8,368	28,789	37,157	5,775	13,350	13½	6,421	11,611	19,440	12½
Gas											
British Gas Light	Dec. 31	80,878	86,216	167,094	26,250	48,094	7½	11,722	81,028	86,747	7½
Dover Gas	Dec. 31	11,695	7,761	19,456	...	10,412	8½	...	9,044	10,420	8½
Hotels, Restaurants, etc.											
Savoy Hotel	Dec. 31	51,574	69,408	120,982	17,500	36,947	5	12,191	54,344	83,352	7½
Iron, Coal and Steel											
Arrol (Sir William) and Co.	Dec. 31	22,053	95,876	117,929	22,387	17,802	20	51,750	25,990	67,076	15
Baker (John) & Bessemer.....	Dec. 31	18,079	46,406	64,485	10,948	13,948	7½	13,350	26,239	30,614	5
Baldwins, Ltd.	Dec. 31	45,439	521,353	566,792	77,010	188,665	10	258,643	42,474	367,005	10
Blacnava Co.	Dec. 31	...	(b) 6,163	6,163	750	...	...	5,373	40	(a)	(a)
Cannell Laird & Co.	Dec. 31	22,339	278,030	300,369	...	110,937	8	154,323	35,109	188,202	5
English Steel Corporation	Dec. 31	71,976	649,809	721,785	117,017	226,224	20	305,439	73,105	722,452	20
Firth (Thos.) & Brown (John)	Dec. 31	78,934	812,682	891,616	48,000	271,250	17½	475,000	97,366	602,533	15½
Guest Keen Baldwins	Dec. 31	82,446	455,006	537,452	58,579	137,813	5	260,000	81,060	270,950	2½
Halesowen Steel	Dec. 31	2,003	54,282	56,285	563	22,500	30	26,000	7,222	30,165	25
Projectile & Engineering.....	Dec. 31	31,518	137,737	169,255	...	50,000	20	86,907	32,348	70,405	20
United Collieries	Dec. 31	2,095	37,573	39,668	...	32,806	...	6,862	31,852	Nil	Nil
Vickers, Ltd.	Dec. 31	266,500	1,351,056	1,617,556	418,190	461,831	10	500,000	237,535	1,162,610	10
Vickers-Armstrong	Dec. 31	115,891	867,540	983,431	863,171	...	...	...	120,260	768,267	Nil
Motor, Cycle and Aviation											
Briggs Motor Bodies	Dec. 31	14,759	103,505	118,264	...	52,500	7	35,000	30,764	93,134	7
Currys, Ltd.	Jan. 29	16,853	75,749	92,602	15,000	35,000	10	23,600	19,002	73,983	15
Rubber											
Cluny	Dec. 31	3,183	8,629	11,812	...	5,250	10	3,250	3,312	2,764	4
Hidden Streams	Dec. 31	1,542	2,693	4,235	...	2,640	10	...	1,595	1,879	7½
Johore River Rubber	Dec. 31	3,639	5,923	9,562	...	4,849	6	2,000	2,713	4,385	5
Karak	Dec. 31	2,682	7,119	9,801	...	5,265	10	1,750	2,786	5,058	7½
Lanadron.....	Dec. 31	4,586	33,549	38,135	...	24,300	9	9,267	4,568	14,848	5
Ledbury	Dec. 31	6,170	18,753	24,923	...	10,181	12½	7,500	7,242	9,401	7½
Mengkibol (Central Johore)	Dec. 31	4,033	16,978	21,011	668	14,583	10	1,500	4,260	14,942	7½
New Crocodile River.....	Dec. 31	3,437	31,044	34,481	...	19,431	7½	10,900	4,150	16,484	6½
Shipping											
Line of Steamships ...	Dec. 31	524	44,538	45,062	...	...	...	41,656	3,406	16,771	Nil
g Line	Dec. 31	22,660	198,127	220,787	...	30,000	8	167,934	22,853	73,114	Nil
Shops and Stores											
Bright and Colson	Jan. 31	9,302	31,105	40,407	15,750	7,700	7	7,500	9,457	26,300	5
Goldsmiths and Silversmiths	Jan. 31	38,876	40,340	79,216	15,000	18,000	6	5,000	41,216	38,845	5
Great Northern, etc., Stores	Feb. 5	...	(c) 5,990	5,990	...	4,500	8	...	1,490	(a)	(a)
Maple & Co.	Jan. 31	27,883	200,272	228,155	60,000	136,000	7½	8,196	23,959	294,216	8½
Tea											
asta Tea	Dec. 31	...	559	559	163	...	...	93	303	Dr. 391	Nil
Augalla Estate	Dec. 31	1,161	5,072	6,233	...	4,500	10	482	1,251	3,196	7½
Batang Valley	Dec. 31	133	27,292	27,425	3,783	13,802	7½	9,000	840	10,484	5
Dimbul Tea, etc.	Dec. 31	2,808	12,038	14,846	...	7,368	7½	7,000	478	8,573	2½
Poonmud Tea	Sept. 30	4,911	30,163	35,074	5,823	17,040	16	7,000	5,211	15,944	6
Travancore Textiles											
Plant and Levy	Dec. 31	3,103	Dr. 10,796	Dr. 7,693	8,100	...	...	Dr. 9,524	Dr. 6,269	8,503	Nil
Hirst (Geo. H.) & Co.	Dec. 31	2,012	5,167	7,179	...	...	...	4,482	2,697	4,030	Nil
Brocklehurst-Whiston Amal.	Dec. 31	Dr. 61,955	(d) Dr. 9442	Dr. 71,397	...	...	...	150,534	Dr. 86,451	(a)	(a)
Trusts											
City National Investment...	Feb. 28	4,713	10,646	15,359	...	7,312	6½	2,500	5,547	8,017	6
Investors Trust	Feb. 28	24,712	21,979	46,691	14,062	5,625	2	...	27,004	20,297	1½
Waterworks											
Jersey Ne	Dec. 31	2,103	14,099	16,202	...	13,837	10	...	2,365	13,367	10
Oth Companies											
Argus Press.	Dec. 31	6,117	66,187	72,304	11,912	37,500	20	20,000	2,892	99,759	25
Assoc. Electrical Industries	Dec. 31	176,118	909,249	1,085,367	78,458	369,138	10	417,756	220,015	788,050	10
Associated Portland Cement	Dec. 31	196,665	1,434,767	1,631,432	137,500	787,500	22½	500,539	205,893	1,524,583	22½
Blythe Colour Works	Dec. 31	4,475	27,191	31,666	6,000	13,125	17½	5,000	7,541	26,599	17½
British Aluminium Co.	Dec. 31	71,158	538,183	609,341	90,000	267,917	12½	150,000	101,424	398,930	10
Br. Insulated Cables.....	Dec. 31	380,879	766,632	1,147,511	57,500	400,000	20	243,019	446,992	711,534	20½
British Pepper & Spice.....	Dec. 31	1,897	78,122	9,019	...	6,000	5	1,500	1,519	12,061	6½
British Ropes	Dec. 31	61,995	318,166	380,161	81,726	109,530	25	99,396	89,509	275,015	25
Canning Town Glass Works	Dec. 31	10,168	48,525	58,693	...	26,905	7½	21,500	10,288	50,188	7
Costain (Richard)	Dec. 31	31,583	62,692	94,275	17,228	25,399	5	22,772	28,876	63,526	6
Craven Bros. (Manchester)	Dec. 31	5,742	76,173	81,915	...	45,000	15	10,000	26,915	40,718	12½
Crosfield (Joseph) & Sons ..	Dec. 31	150,653	797,068	947,721	227,500	600,000	40	...	120,221	821,694	40
Drey, Simpson & Co.	Dec. 31	131	20,422	20,553	...	8,595	8 & 21½	10,750	1,208	14,909	6 & 6
Dwyer and Company	Jan. 31	19,069	13,932	33,001	2,558	6,875	12½	3,500	20,068	13,088	12½

THE WEEK'S COMPANY RESULTS—continued

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. Amount	Ordinary Amount	Rate				
Other Companies (cont.)		£	£	£	£	£	£	£	£	%	
Erith and Company	Dec. 31	31,875	38,915	70,790	...	14,389	17½	13,552	42,849	29,394 17½	
Gaskell and Chambers	Dec. 31	15,615	42,537	58,152	1,320	21,937	20	17,200	17,695	34,228 20	
Glamorgan Wagon	Nov. 30	11,397	4,779	16,176	...	1,217	5	1,355	13,604	5,392 5	
Gossage (William) & Sons ...	Dec. 31	44,952	294,695	339,647	71,250	210,000	30	...	58,397	281,665 30	
Hall (L.) Edmonton.....	Dec. 31	26,708	36,860	63,568	4,500	15,000	15	13,500	30,568	32,952 15	
Hoffmann Manufacturing ...	Dec. 31	68,116	205,928	274,044	37,500	75,000	15†	100,675	60,869	168,466 (e) 20†	
Humphreys, Ltd.	Nov. 30	11,626	30,396	42,022	...	10,000	10	5,500	21,022	28,100 10	
Inns and Company	Dec. 31	4,784	71,503	76,287	15,794	28,125	15	27,448	4,920	74,384 15	
Lancashire Dynamo, etc. ...	Dec. 31	43,635	144,634	188,269	3,300	93,626	25	24,782	66,561	91,849 20	
Limmer, etc., Asphalt	Dec. 31	55,039	111,825	166,864	...	74,542	14†	35,000	57,322	110,408 14†	
Maidenhead Brick, etc.	Sept. 30	14,857	22,528	37,385	14,375	4,372	33½	...	14,220	25,672 66	
McMichael Radio	Dec. 31	1,644	17,703	19,347	11,503	...	...	7,550	294	29,732 Nil	
Morris (B.) & Sons	Dec. 31	Dr. 3,795	Dr. 6,451	Dr. 10,246	1,334	...	...	...	Dr. 11,580	Dr. 4,528 Nil	
Pears (A. and F.).....	Dec. 31	27,526	80,925	108,451	50,400	30,000	15	...	28,051	77,441 12½	
Rowntree and Company ...	Dec. 31	171,847	219,168	391,015	158,550	43,750	10	106,564	82,151	245,273 10	
Slaegers	Dec. 31	12,903	20,348	33,251	6,000	11,183	6	2,600	13,463	18,672 5	
Tizer, Ltd.	Dec. 31	9,966	61,697	71,663	...	33,750	22½	27,500	10,413	61,213 20	
Tunnel Portland Cement ...	Dec. 31	79,382	281,561	360,943	27,000	145,125	25	115,921	72,897	276,232 25	
United Carlo Gatti, &c. ...	Dec. 31	24,866	28,947	53,813	...	22,500	15	5,102	26,211	35,929 14½	
Vab Products	Dec. 31	...	8,881	8,881	1,066	5,000	12½	1,053	1,762	(a) (a)	
Wallis and Co. (Costumiers)	Jan. 31	2,879	19,088	21,967	4,225	9,750	15	1,750	6,242	(a) (a)	
Watford Electric & Mfg. ...	Dec. 31	790	18,294	19,084	2,817	7,500	15	1,000	7,767	(a) (a)	
Westons and Moultons	Jan. 31	3,077	23,693	26,770	...	19,687	17½	4,200	2,883	23,320 17½	
Total Profits, 1938, in £000's :	No. of Cos.										
To March 19	523	24,530	78,186	102,717	12,691	44,770	...	18,873	26,383	69,749 ...	
To March 26	633	26,219	86,757	112,976	14,776	47,727	...	22,293	28,180	77,032 ...	

† Free of income tax. (a) No comparable figure. (b) Three months. (c) August 17, 1936, to February 5, 1938. (d) Nine months (e) Absorbed £50,000. (f) Absorbed £28,000. (g) Absorbed £350,000.

SHORTER COMMENTS

Company Results of the Week.—Trading profits of STYLE AND WINCH are over £13,000 greater at £336,358, but higher expenses (in particular maintenance costs) have left net profits, at £109,764, a little below those for 1936. Stability of profits is shown by the report of BRITISH GAS LIGHT, whose 7½ per cent. dividend is unchanged. Despite good business at the Coronation season, SAVOY HOTEL have earned £14,000 less at £69,408, owing to the marked decrease in takings from early July till the end of the year. Boom conditions in the constructional steel industry are illustrated by the 1937 profits of SIR WILLIAM ARROL AND COMPANY, which amount to £95,876, against £67,076. Contracts now on hand indicate favourable prospects for the current year. Although CAIRN LINE STEAMSHIP profits are as high as £44,538, against £16,771, it is not proposed to resume dividends owing to the need for overtaking arrears of depreciation. The volume of traffic on the Canadian service improved considerably, though liner freights did not increase to the same extent as chartered tonnage. KING LINE have resumed dividends with an 8 per cent. payment, net profits of £198,127, comparing with £73,114. Apart from £133,716 from revenue, depreciation also receives £49,312, representing the surplus from the sale of two steamers. An appreciable setback has been experienced by MAPLE AND COMPANY, whose net profits amount to £200,272, against £294,216. The report refers to the depreciation of certain foreign currencies, which has been met by earmarking part of the general reserve. BRITISH ROPES have earned £313,166, against £275,015, but the 25 per cent. dividend is maintained. Increasing activity in all sections has more than counteracted the large fall in raw material values during the latter part of 1937. CRAVEN BROS. (MANCHESTER) have made excellent progress, and the year's net profits of £76,173 compares with £40,718. The extensions have been completed and are in production, and the year's output was the highest on record. HOFFMANN MANUFACTURING COMPANY earned £205,928, against £108,460, and the 20 per cent. tax free

dividend is maintained on the capital as increased by last November's scrip bonus, which ranked, however, only for the final dividend. Continued progress has been made by LANCASHIRE DYNAMO, whose net profits amount to £144,634, against £91,849. ROWNTREE AND COMPANY have experienced a setback in net earnings of £26,000 to £219,168, but the 10 per cent. dividend is maintained. TUNNEL PORTLAND CEMENT have achieved a moderate advance in profits, from £276,232 to £281,561. The increase was obtained in spite of higher costs, and a lower investment income on account of conditions in America.

BANKS

Yokohama Specie Bank.—Accounts for half-year to December 31, 1937, show net profit of Yen 16,984,426, including Yen 10,745,727 brought forward. To reserve fund, Yen 1,500,000; dividend at 10 per cent. per annum, Yen 5,000,000; carried forward, Yen 10,484,426. Reserve fund has thus been brought to Yen 135,900,000.

Chase National Bank.—Deposits on March 7, 1938, were \$2,115,262,000, compared with \$2,069,990,000 on December 31, 1937. Total resources were \$2,423,645,000 (\$2,375,379,000). Cash was \$723,594,000 (\$708,040,000); investments in U.S. Govt. securities, \$590,479,000 (\$603,362,000); loans and discounts \$733,095,000 (\$728,522,000). Undivided profits after semi-annual dividend of \$5,180,000, were \$28,121,000 (\$31,121,000).

Imperial Bank of India.—Profits for half-year to December 31, 1937, were Rs.1,29,900 larger than in second half of 1936, at Rs.36,90,102, dividend being maintained at 12 per cent. per annum, tax free. Advances and internal bills discounted, which stood at Rs. 123 crores on July 2, 1937, fell to Rs. 110 crores by end of September and remained at about that level.

MISCELLANEOUS

British Ropes, Ltd.—Net profits for 1937 are £256,769, an advance of £45,194. Ordinary dividend maintained at 25 per cent. on increased capital. To staff fund £13,000 (£9,500). To general reserve £25,000 (same). Carry forward raised from £61,995 to £89,508.

Craven Brothers (Manchester), Ltd.—Profits for 1937 £76,172, against £40,717. Ordinary dividend raised from 12½ per cent. to 15 per cent. To dividend equalisation reserve £10,000 (nil). Carry forward raised from £5,742 to £26,914.

African and European Investment Company.—Profits for 1937 amounted to £478,838, compared with £807,888. Ordinary dividend reduced from 15 to 10 per cent. To investment depreciation £100,000 (£187,164); taxation reserve £100,000 (£150,000); staff fund £5,000 (same); reserve £5,594 (£150,000). Carry forward increased from £89,162 to £106,862.

Savoy Hotel, Ltd.—Net earnings for 1937 £57,216, against £71,153 for 1936. Ordinary dividend reduced from 7½ to 5 per cent. Carry forward raised from £51,574 to £54,344.

Hoffmann Manufacturing.—Net profit for 1937 £205,929, against £168,466. Ordinary dividend maintained at 20 per cent., but absorbs £75,000, against £50,000. To general reserve £50,675 (£60,000); debenture redemption reserve £60,870. Carry forward reduced from £66,870 to £60,870.

Cable and Wireless Traffic Index.—The index at 73.7 for February, 1938 (1929 = 100) shows a rise of 2.2 compared with the January index of 71.5. The February index was 84.6 in 1937, 73.3 in 1936, and 74.4 in 1935.

Southern Areas Electric Corporation.—The profits for 1937 amounted to £37,953, against £26,501, after the subsidiary companies had provided £20,952 for depreciation (£18,514). Final dividend 3 per cent., making 5 per cent. for the year, against 4½ per cent. Carry forward £16,029, against £7,457.

Nestle and Anglo-Swiss.—Net profits are Frs. 23,035,956 for 1937, compared with Frs. 24,579,362 for 1936. Dividend on shares of Frs. 200 nominal is Frs. 30 per share, against Frs. 28. Statutory reserve receives Frs. 1,600,000, against Frs. 1,174,362, pension fund Frs. 2,000,000 (Frs. 2,500,000), and special relief fund Frs. 500,000 (Frs. 2,500,000). Carry forward raised from Frs. 6,261,332 to Frs. 7,403,209.

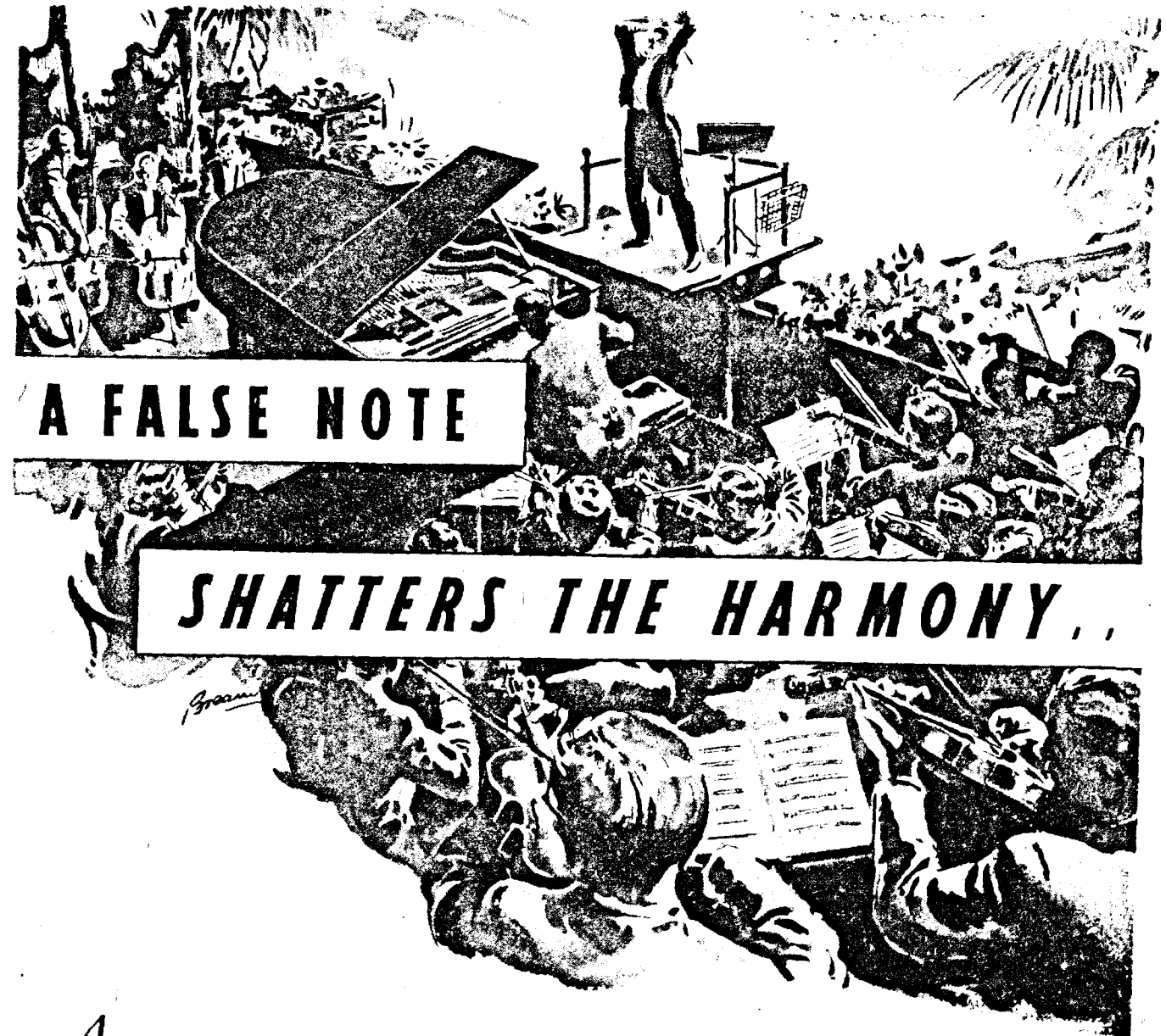
THE ECONOMIST

COMMERCIAL HISTORY OF 1937

Vol. CXXX

SATURDAY, FEBRUARY 12, 1938

No. 4929



A FALSE NOTE

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THE ECONOMIST

Commercial History & Review of 1937

The Seventy-fifth of the Series which began in 1863

ol. CXXX

SATURDAY, FEBRUARY 12, 1938

No. 4929

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A Check to Recovery

IN spite of the all but universal scramble for self-sufficiency, the world is still an interdependent whole. That, in striking measure, is the lesson of 1937. Nobody could read through the reports from the different countries which appear on the later pages of this Commercial History without being impressed by the broad similarity of the pattern that has been followed by economic development throughout the world. Even in some of the countries which have been at the greatest pains to insulate themselves from the outside world, there are signs at the year's end of movements in sympathy with external currents.

What, then, is the theme that has been played in so many keys, major and minor, and with so many tempi, *andante* and *prestissimo*? It is a theme of reversal, although even now, six weeks after the end of the year, it is still too early to say whether the reversal is of a major character. At the beginning of the year, the economic horizon seemed to be clearer than at any time since the first origins of recovery in 1932 and the title of this introduction to last year's Commercial History was "Recovery Becomes World Wide." Indeed, voices were not wanting to speak the word "boom" and to warn of excessively rapid progress. These warnings were particularly inspired by the breakneck rise in the prices of many commodities, especially those likely to be particularly affected by worldwide re-armament. President Roosevelt, in fact, thought it necessary to issue an official intimation that the prices of "durable goods" were too high.

This commodity boom (the word is hardly an exaggeration) barely outlived the first quarter of the year. Throughout April and May, the "gold scare" revealed how slender had been the base for the rises in prices, for on nothing more than unfounded rumour prices came down almost as quickly as they had risen. Moreover, the Stock Exchanges of London and New York, which had never shown real

strength after the New Year, turned definitely weak. These market developments had not affected the main current of business activity, which was still buoyant and expansive. But there were worse shocks to come. In the late summer, for reasons even less explicit and explicable than the earlier "gold scare," markets turned sharply downwards and there were some days in the early autumn when the retreat became a rout. This time, moreover, industrial activity in the United States was affected, and the last two months of the year saw, in that country, a downward movement of astonishing sharpness. In other countries, the check to industry was much less catastrophic. In Great Britain it was not until December that the check to recovery was generally admitted.

In every country, then, the year ended on a note of questioning. With the exception of some European countries, notably France, which were still wrestling with the financial legacy of deflation, 1937 was the best year of recovery. Even in the United States, the sharp autumn recession came so late that most of the indices, on the average of the year, were higher than in 1936. But the sudden reversal is causing the question to be raised everywhere whether 1937 must be written down, like 1929, as the last year in an expanding cycle, or whether it will rather prove to be, like 1907 or 1927, an interruption to be followed by a resumption of the previous trend.

This is not the place for prophecy, and it is only necessary here to remark that few of the obvious economic causes of disequilibrium existing at the beginning of 1930 are present to-day. The other side of the medal, however, is the menacing political situation in Europe and the Far East. Will this political factor overthrow the slow progress towards economic balance that has been made since 1929? Perhaps this introduction next year will be able to supply the answer.

United Kingdom

INDUSTRY AND TRADE

THE past year opened with world production and trade in the course of a process of rapid expansion, stimulated by a strong upward trend of prices. A vigorous upward movement carried British business activity far above all previous records. *The Economist* index of business activity advanced from 106 (1935=100) in 1936 to 111 in 1937, an increase of 13 per cent. over 1929. Moreover, the number of insured persons in employment in the United Kingdom in June last year, at 12,327,000, showed an increase of 696,000 over the corresponding month in 1936 and of 1,397,000 over 1929. The proportion of insured persons unemployed last June, at 10 per cent., was no higher than in the corresponding month of 1929. Despite some increase in the number of days lost through labour disputes, industrial relations remained fairly satisfactory and wages showed a steady increase. Last summer, however, there were signs of hesitancy in recovery. The strong upward trend of world production and trade had been arrested and commodity prices were again declining. The volume of new business began to shrink, and during the last few months general business activity tended to decline.

The trend of business activity since 1929 is indicated in the following table:—

PRODUCTION AND BUSINESS				
Indices of production—	1929	1932	1936	1937
London and Cambridge Economic Service (1924=100)	110.6	84.9	118.0	124.1
Board of Trade (1930=100)	108.5	90.5	124.6	†
Output of—				
Coal (Mn. tons)	258	209	229	241
Electricity (Mn. tons)	7.6	3.6	7.7	8.5
Steel (Mn. tons)	9.6	5.3	11.7	12.9
Rayon yarn and waste (Mn. lbs.)	56.9	72.5	145.3	154.8
Electricity by Authorised Undertakings (Mn. k.w. hrs.)	10,294	12,241	20,220	22,901
Shipbuilding: tonnage commenced (000 tons)	1,650	72	1,081	1,057
Private motor cars (number) (a)	182,352	171,243	353,838	389,633
Index of wage rates (Ministry of Labour) (1924=100)	98.8	95.9	98.25	102.5†
<i>The Economist</i> Indices of Business Activity (1935=100)				
Employment, all trades	98.5	90	105	110.5
Coal consumption	104	90	104.5	108.5*
Electricity consumption	68	71.5	112.5	123.5
Merchandise on railways	127	86	106.5	116*
Commercial motors in use	76	86	105.5	111*
Postal receipts	95	84.5	104.5	108*
Building activity	60	57	107	89*
Iron and steel consumption	97	59.5	125	141.5
Cotton consumption	111	94	109.5	115
Imports of raw materials	98.5	84	110.5	118*
Exports of manufactures	137.5	82	101.5	111.5*
Movement of shipping	108.5	94.5	102	108
Provincial bank clearings	91	86.5	104	105*
London bank clearings	109	86.5	103.5	102.5*
Complete Index	98.5	84	106	111*

* Provisional. † For the first nine months of 1937 the figure was 132.7, as compared with 122.5 in the corresponding period of 1936. ‡ Third quarter of 1937. (a) Year ended September 30th.

Closer analysis of the trend of business in 1937 reveals a number of significant changes. First, the increase in defence expenditure, concentrated largely on the metal industries, brought about a substantial expansion in these trades. For example, *The Economist* index of domestic iron and steel consumption, which showed a downward trend during the first four months of the year, rose suddenly from 117 (1935=100) in April to 173½ in December. The rate of steel consumption towards the end of the year was about 75 per cent. greater than in 1929. Secondly, the marked revival of world production and trade during the first half of the year was responsible for the rapid recovery in the export industries, which had lagged behind the general upward movement. In the second quarter of last year, for example, the volume of domestic exports was 18 per cent. greater than during the corresponding period of 1936. In the summer of last year, however, the upward trend of the volume of exports was arrested by the deterioration on the world economic front, and during the last quarter the trend was actually downwards. As a consequence, the revival of the export trades was short-lived. New orders placed with the shipbuilding industry tended to decline again, and in the cotton and wool textile trades recession became serious.

A more detailed description of developments in various branches of British industry during 1937 will be found in Section III of this Commercial History.

Agriculture

THE long-term downward trend in the country's arable area, temporarily checked in 1935, was continued last year. A further 10,000 acres were returned as permanent grass, while some 91,000 acres were lost to agriculture altogether. The area of land devoted to wheat, barley and hay was rather larger than in 1936, but there was a decline of 14 per cent. in the acreage under oats. The acreage under sugar beet was the smallest since 1932. Root crops in general occupied a rather smaller area than in the preceding year.

The weather was not particularly kind to the cereal farmer, and yields per acre were again below the ten-year averages. The out-turn of wheat was slightly higher than in 1936, at 1,393,000 tons, against 1,378,000 tons. The barley crop fell, however, from 663,000 tons to 576,000 tons and the production of oats from 1,080,000 tons to 938,000 tons. Potatoes gave a higher yield than in the preceding year, and the total crop (including seeds and chats, as well as ware potatoes) was up by 11 per cent. from 2,814,000 tons to 3,126,000 tons. Production of other root crops was smaller, but more hay was produced than in 1936.

In the livestock industry the year was, unhappily, made memorable by a severe outbreak of foot-and-mouth disease—the worst since 1923—which dislocated the Christmas trade and caused serious losses in the farming community. The spread of the disease was checked by the Ministry's slaughter policy, and the outbreak now appears to be under control. The total number of cattle and sheep in the country rose between 1936 and 1937, but the pig population was further reduced. The number of horses on British farms suffered a further slight reduction.

Certain new departures in the sphere of Government policy, made or projected in 1937, appear to have been dictated, in part at least, by the desire to be self-sufficient in time of war. Mr Morrison has placed before Parliament proposals designed, *inter alia*, to increase the fertility of the land and to encourage the production of cereals. The Government is to offer a subsidy which will have the effect of reducing the price of lime and basic slag; it will make grants for land drainage and will encourage experiments in grass drying. The assistance offered to cereal growers takes the form of an extension of the standard price provisions of the Wheat Act to cover 35, instead of only 27, million cwt. of millable wheat, and of the application of the principle of that Act to oats and barley if prices fall below current levels. In the case of these cereals, however, it is proposed that the cost should fall directly on the Budget, and not, as with wheat, on the consumer.

The policy represented by the Agricultural Marketing Acts appeared last year to be waning in popularity. Thus the Pigs and Bacon Marketing Schemes were allowed to remain suspended; the interests concerned decided not to proceed with the proposed marketing scheme for sugar beet; and proposals were made to modify the status of the Milk Marketing Board. An application by the poultry industry for further restrictions on the importation of foreign eggs was rejected by the Government on the recommendation of the Import Duties Advisory Committee. The Potato Marketing Board, however, had another successful year.

Overseas Trade

OVERSEAS trade in 1937 showed the sharpest expansion, so far as the figures of value are concerned, of any of the recovery years. Both imports and exports were higher, but

the increase of the former was both absolutely and relatively the larger, and the net excess of imports consequently rose to the highest total of the last nine years. The figures are given in the following table:—

FOREIGN TRADE VALUES (£000,000)					
	1929	1934	1935	1936	1937
Imports	1,220.8	731.4	758.0	847.8	1,029.0
British Exports	729.3	396.0	425.8	440.7	521.6
Re-exports	109.7	51.2	55.3	60.8	75.2
Total Exports	839.0	447.2	481.1	501.3	596.8
Excess of Imports over Exports	381.8	284.2	276.9	346.4	432.3

A large part of the increase in values, however, was due to rises in the prices both of imports and of exports. According to the Board of Trade estimates, the volume of imports rose by 6.2 per cent. and that of British exports by 9.5 per cent., while the increases in average values were 14.2 per cent. and 8.1 per cent. respectively. The increase in the volume of imports of the different categories, in comparison with 1936, was 1.6 per cent. in food, drink and tobacco, 8.9 per cent. in raw materials and unmanufactured articles, and 14.1 per cent. in manufactures. The corresponding figures for British exports were 6.0, 9.6 and 10.1 per cent. respectively.

The second table gives figures for 1929 and the last three years of imports and exports in the three main categories of trade:—

(£000,000)							
	1929		1935		1936		1937
	Re- tained Im- ports	British Ex- ports	Re- tained Im- ports	British Ex- ports	Re- tained Im- ports	British Ex- ports	Re- tained Im- ports
Food, drink and tobacco	509.5	55.7	348.4	31.6	371.0	35.6	419.2
Raw materials and articles mainly unmanufactured	285.3	78.9	182.9	52.8	215.2	51.3	278.4
Articles wholly or mainly manufactured	305.5	573.8	171.6	328.8	197.5	340.9	250.3

It will be seen that each one of the six categories shows a large proportionate increase, the smallest being in British exports of food, drink and tobacco. There was an all-round increase in most important categories of imports, especially in the raw materials for the metal-using industries. Thus imports of iron ore and scrap rose from 5.0 million tons in 1935 and 7.0 million tons in 1936 to 7.8 million tons in 1937. Imports of raw textile materials were also substantially higher, and the quantity of crude petroleum imported reached a new high level.

The volume of exports under certain important heads is shown in the following table:—

BRITISH EXPORTS (000's omitted)				
	1929	1935	1936	1937
Coal, Iron and Steel Products				
Coal	60,267	38,714	34,519	40,352
Railway materials	810	161	209	208
Total iron and steel manufactures	4,380	2,312	2,203	2,576
Machinery	562	384	380	438
Locomotives (complete and parts)	40*	16	18	17
Motor vehicles and chassis..number	42	72	89	105
Textile Goods				
Cotton yarns	166,638	141,675	150,935	159,099
Cotton piece goods..thous. sq. yds.	3,672	1,949	1,917	1,922
Wool tops	32,737	55,830	52,133	40,162
Woolen and worsted yarns .. lbs.	46,696	40,816	37,149	32,311
Woolen and worsted tissues sq. yds.	155,467	109,665	117,920	122,835
Linen piece goods	71,540	77,163	88,728	83,143

* Complete only.

Coal exports have more than recovered the losses due to the cessation of trade with Italy during the Sanctions period, and the exports of metal products show a gratifying expansion. Some of the textile categories, however, have not done so well. In general, there was an apparent ten-

dency towards decline in the volume of British exports in the closing months of the year, and this may have been due, at least in part, to the fact that the average prices of British exports were rising at the end of the year at a faster rate than the prices of imports.

During the year assistance has continued to be given to the export trades by the Export Credits Guarantee Department. The aggregate value of contracts and policies issued by the Department in the period April 1st to December 31st reached an amount of £26,177,906, as compared with £18,243,932 for the corresponding period of 1936-37. During the year the Department has been placed on a permanent basis. The scope of its facilities has been considerably extended and the limit of the guarantees which may be outstanding has been increased from £26 millions to £50 millions.

Industrial Profits

THAT industrial profits would rise was a foregone conclusion in a year when *The Economist's* Business Activity Index reached the highest level since its computation first began. But the extent of the increase in earnings actually achieved in 1937 was surprising and significant, seeing that recovery began as long ago as in 1933, and that some slackening of tempo might have been expected in its later phases. The following table summarises the results of our analysis of the reports of a large sample of British companies, published in the course of every calendar year since 1925:—

COMPANY REPORTS PUBLISHED IN CALENDAR YEARS 1925-37†				
Reports Published in Calendar Year	No. of Companies	Total Profits*		"Chain" Index (1928=100)
		Current Year's Reports	Same Companies, Preceding Year	
		£ Mn.	£ Mn.	
1925	1,490	155.0	142.6	90.4
1926	1,572	174.9	164.5	96.1
1927	1,669	169.4	174.7	93.3
1928	1,709	179.6	167.6	100.0
1929	1,770	194.7	194.6	100.0
1930	1,932	197.5	198.9	99.4
1931	2,009	160.1	206.8	77.1
1932	1,989	143.3	175.0	63.1
1933	1,945	141.4	140.8	63.4
1934	1,975	168.8	144.8	73.9
1935	2,116	203.2	175.3	85.7
1936	2,186	239.1	212.2	96.6
1937	2,279	281.4	240.3	113.2

* After debenture interest.

There is a considerable time lag in these figures. Nearly 70 per cent. of the profits in last year's sample were reported before June 30th and were largely earned before March 31st last. A more useful idea of the trend of profits attributable mainly to operations within the calendar year may be obtained by detailed examination of the companies whose reports were issued in the last quarter of 1937. The following table shows that the profits of these "Fourth Quarter Companies" have risen from 3.2 per cent. of their total share capital in 1931 to 13.2 per cent. in 1937, and that the rate of increase, both absolute and relative, was greater last year than in either 1935 or 1936:—

PROFITS OF "FOURTH QUARTER" COMPANIES, 1929-37					
Reports Issued during Fourth Quarter	No. of Companies	Total Profits (after deb. interest)	Change since preceding year (same companies)	Total Preference and Ordinary Capital	Ratio of Profits to Capital
		£	%	£	%
1929	420	33,404,593	+ 1.4	323,129,885	10.3
1930	509	32,174,677	- 18.1	392,547,000	8.2
1931	474	12,292,859	- 53.9	383,451,625	3.2
1932	472	17,443,104	+ 2.9	425,066,892	4.1
1933	464	21,116,780	+ 30.5	410,816,381	5.1
1934	468	28,611,449	+ 32.9	401,504,146	7.1
1935	485	33,561,979	+ 16.9	377,470,062	8.9
1936	496	42,134,767	+ 15.2	395,408,899	10.6
1937	549	57,436,059	+ 20.2	434,622,726	13.2

Our next table discloses that although the average rate of dividend paid by "fourth quarter" companies on their ordinary capital was higher in 1937 than in 1929, the pre-

depression year, the proportion of total earnings distributed in dividends of all kinds was much lower than in 1929:—

DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)							
Reports issued during Fourth Quarter	Proportion of Total Profits* (= 100)			Rate of Payment on Each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or "Carried Forward"	Debenture	Preference	Earned for Ordinary	Paid on Ordinary
1929	16.0	66.0	18.0	5.29	4.7	13.5	10.6
1930	21.9	60.2	17.9	5.19	4.5	10.3	8.4
1931	43.1	76.9	Dr. 20.0	5.18	3.8	2.9	3.9
1932	32.4	75.4	Dr. 7.8	5.16	3.6	4.4	4.9
1933	23.4	64.3	Dr. 12.3	5.04	3.2	6.2	5.2
1934	19.6	59.9	20.5	4.95	3.7	9.9	6.8
1935	19.0	55.2	25.8	4.84	4.5	11.6	7.9
1936	17.5	53.5	29.0	4.75	4.9	14.2	9.2
1937	15.7	51.6	32.7	4.59	5.4	18.2	11.2

* After debenture interest.

These companies held back about one-third of their entire profits in 1937. For every £100 paid out in debenture interest and preference dividend they put £130 back into their reserves. The sums ploughed back last year were equal almost to the entire profits of the depressed year, 1931.

The tendency of finance towards increasing self-sufficiency is one whose implications need careful thought by economists and investors alike. In America recent taxation has sought deliberately to hamper it; in Great Britain no difficulties have been put in its way and its latter-day development has been significantly rapid. For the capital market its repercussions may be far-reaching.

Commodity Prices

THE striking advance in commodity prices in the second half of 1936, due to world recovery, currency devaluation and re-armament, continued apace in 1937 until March. Speculation and fear of shortages combined with rising civil and defence demand to raise some prices to record levels; and the complete *Economist* index of wholesale prices neared the level of 1929. After March, however, there was an accelerating downward trend; production was clearly keeping pace with demand, and stocks were slowly rising. Business recession developed in the United States; and after March commodity prices fell even faster than they had risen in the first part of the year, actually closing in December below the level of December, 1936. The movement of our indices has been as follows:—

1927 = 100						
Date	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index
Average, 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	60.1	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
" 1937	90.6	67.4	67.9	103.7	84.0	82.5
End 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	63.1	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
" Dec. 1936	86.4	65.6	67.5	95.4	81.2	79.3
" Jan. 1937	88.3	67.8	69.2	97.2	82.2	81.0
" Feb. "	87.5	68.6	68.9	105.4	82.9	82.3
" Mar. "	93.0	70.4	74.2	113.2	87.0	87.2
" Apr. "	92.2	69.7	74.3	105.5	87.1	85.7
" May "	93.6	68.6	73.2	110.0	86.7	86.2
" June "	91.2	67.5	70.7	106.5	86.1	84.3
" July "	92.6	67.2	70.7	108.6	85.6	84.7
" Aug. "	90.8	66.1	68.2	107.1	85.2	83.2
" Sept. "	88.8	67.6	65.3	103.5	84.1	81.6
" Oct. "	90.6	67.5	62.0	97.5	81.7	79.7
" Nov. "	87.8	64.3	58.9	95.9	79.3	77.0
" Dec. "	90.7	63.0	59.7	93.5	79.7	77.2

During the year, there was a decline of some two points in the complete index and in the component indices for minerals, other foods and miscellaneous commodities. Up to March the complete index gained eight points and afterwards lost ten. The movement of the other component indices differed in degree from the general pattern: textiles, after advancing nearly seven points up to April, receded fifteen in eight months; but cereals and meat lost only three of the seven points gained up to May. When the year closed, although stocks had generally risen, they were still comparatively low, and only in cotton and coffee was output distinctly ahead of demand.

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	Textiles	Minerals	Miscellaneous	Complete Index
Average, 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	96.1	104.1	77.0	88.9	85.3	89.3
" 1932	95.4	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
" 1937	126.8	107.3	104.6	126.0	104.5	113.5
End 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
" June 1937	127.6	107.6	108.9	129.5	107.1	116.0
" Dec. "	126.9	100.4	91.9	113.6	99.2	106.2

The component indices for textiles and miscellaneous commodities have again fallen below the 1913 level. Cereals and meat and minerals in December were still markedly above the pre-war figure, while the complete index stood over six points above the 1913 average.

The next table shows the quarterly movements of our index of the sterling wholesale prices of certain primary products, together with the quarterly changes in our index of dollar wholesale prices of the same products (i.e. gold prices up to March, 1933, and thereafter dollar prices):—

(September 18, 1931 = 100)			
	Sterling Prices (Primary Products)	Dollar Prices	
1931			
December 30	117.1	94.4	
1932			
December 28	109.3	76.9	
1933			
December 27	113.9	119.8	
1934			
March 28	121.4	127.5	
June 20	123.4	133.9	
September 26	125.7	149.0	
1935			
January 2	123.7	154.5	
March 27	123.3	147.6	
June 19	125.6	144.2	
September 25	131.3	148.6	
1936			
January 1	131.2	143.3	
March 25	133.9	144.3	
June 24	133.2	147.0	
September 30	144.5	159.6	
December 30	163.9	187.3	
1937			
March 31	181.9	199.7	
June 30	165.9	176.8	
September 22	164.0	166.3	
December 29	144.3	135.3	

In 1936 sterling prices fell further behind dollar prices. Last year, however, after remaining substantially in arrears in the first six months, sterling prices fell much less than

dollar prices in the last two quarters, and in December took the lead for the first time since 1933.

The following table shows the annual movement in each group of *The Economist* index since 1930:—

YEARLY AVERAGE (1924 = 100)								
	1930	1931	1932	1933	1934	1935	1936	1937
Cereals and meat	70.9	60.1	59.7	56.3	60.4	61.2	67.3	79.4
Other foods	72.3	61.2	58.6	55.0	55.3	56.8	57.3	63.2
Textiles	47.1	36.6	35.9	37.2	39.5	41.7	45.2	49.7
Minerals	70.0	61.2	61.0	64.7	64.3	66.8	70.9	86.9
Miscellaneous	77.3	64.8	58.6	62.1	65.2	70.8	74.0	79.5
Complete index	67.0	56.1	54.0	54.5	56.7	59.2	62.9	71.3

Only minerals have recovered and exceeded the price level of 1930.

MONEY AND BANKING

The Money Market

THE history of the Money Market during 1937 can almost be summed up in a single sentence. Money continued to be cheap, and the authorities wished it to remain so. While the fall in gilt-edged prices in the early part of the year indicated a further slight rise in the long-term rate of interest, short-term rates were steadily kept low. Nor was the slightest difficulty experienced in maintaining the cheap money policy. Ample gold reserves, the relief of the Bank of England from any liability to sell gold on demand, and the powers of varying the fiduciary note issue and switching gold at will between the Bank of England and the Exchange Equalisation Account, have all given the authorities control over the internal credit base and monetary system.

The Money Market equally maintained its new voluntary rules of procedure. The clearing banks continued to lend at fixed rates— $\frac{1}{2}$ per cent. against bills eligible for rediscount at the Bank, $\frac{3}{4}$ per cent. against 1 per cent. Treasury bonds and equivalent collateral, and 1 per cent. against other bonds. The banks similarly refrained from buying "hot" Treasury bills, but, except in June and December, were free buyers of all other Treasury bills at $\frac{1}{2}$ per cent. This set the pace for other phases of the market's activity. Outside lenders, viz. those other than the clearing banks, lent at $\frac{1}{2}$ per cent. against bills and 1 per cent. against bonds. Three months' bank bills were dealt in usually at $\frac{1}{2}$ to $\frac{3}{4}$ per cent. with the emphasis often on the lower rate. The climax came in December, when, contrary to their normal practice, several clearing banks continued buying bills right through the month and, for the first time since the War, the market passed the turn of the year without any borrowing at the Bank of England.

Interest, indeed, attached less to the efficacy of the machinery for maintaining cheap money than in the method of its operation. The year's chief monetary features were the further growth in the note circulation, the gold scare, the April issue of National Defence Bonds, and the flight of capital from France which persisted during most of the year.

The increase in the note circulation was met mainly by a policy of neutralisation. As notes pass into the hands of the public, two direct consequences follow. First the Bank of England's reserve is depleted, and next the clearing banks lose cash. The latter is remedied by the Bank acquiring fresh securities, which are placed in the banking department. The aim here is to keep the total resources of the banking department constant, by offsetting changes in securities against changes in the reserve. This aim was successfully achieved last year. If, however, the reserve itself needs replenishing, the only remedies are either fresh gold purchases by the Bank or an increase in the fiduciary note issue. Thus a temporary seasonal increase of £20 millions was made in the fiduciary note issue between mid-November, 1937, and mid-January, 1938, to take care of the Christmas currency withdrawals.

During 1937 the Bank only bought some £13 millions of gold—mainly during the gold scare of the late spring,

when, for a relatively short period, there was talk of a "surfeit" of gold in the world, and a temporary flight from gold was started. At that time the authorities had to support the London bullion market. At the end of 1937 the Exchange Equalisation Account had relieved itself by selling £65 millions of gold to the Bank, while at mid-summer the Account was enlarged by £200 millions. Thus most of the gold bought by the authorities, both during the gold scare and on the many occasions when support had to be given to the franc, passed into the Exchange Equalisation Account. During the six months to September 30th, the Account acquired £92.6 millions of gold, against only £20.7 millions by the Bank. These accounts are based on a valuation at 140s. per ounce, whereas the increase shown in the Bank return is based on a price of 85s. per ounce.

Defence borrowing had no noticeable effect upon the market. Most of the £100 millions of National Defence Bonds were initially taken up by the public departments, which for a time at least thrust part of the onus of defence borrowing upon the money market. On the other hand, actual defence expenditure has so far been covered mainly out of revenue, for the financial year's deficit to December 31st last was only £33 millions greater than the comparable deficit of the previous year. Thus only £33 millions of last April's Defence Bond issue has had to be taken up by the general body of investors, to relieve the money market of any share in the financing of the new defence expenditure through an increase in the floating debt. Actually tender issues of Treasury bills increased only by £13 millions during the calendar year 1937. That relatively insignificant movement may be due to half-a-dozen different causes, including notably the operation of the Exchange Equalisation Account. There is no evidence that defence expenditure thrust any new burden upon the money market.

Thus 1938 was another year of cheap money, maintained by efficient machinery and helped by the reversal of the movement towards higher commodity prices, which early in the year threatened to have far-reaching repercussions.

Bank Clearings

THE 1937 returns of London and Provincial bank clearings show a higher aggregate degree of activity than in the previous years, but if they are analysed quarter by quarter they illustrate very clearly the downward trend of business during the closing months of the year.

	1935	1936	1937
	(£ million)		
Town clearings	32,444	35,039	36,719
Metropolitan clearings	1,887	2,040	2,162
Country clearings	3,229	3,538	3,805
Total, London clearings	37,560	40,617	42,686
Provincial clearings	1,283	1,394	1,472

London clearings for the first quarter of 1937 were 14.8 per cent. greater than in 1936. The second quarter was nearly as good, but the third quarter showed definite signs of hesitancy, while the fourth quarter's total registered a drop of 7.9 per cent. below the previous year. This decrease was mainly in town clearings, which are largely governed by the degree of activity on the Stock Exchange. Still the fourth quarter's totals for metropolitan and country clearings did not compare at all favourably with those of the earlier quarters. Provincial clearings for the final quarter of the year were also disappointing, except in Sheffield, Hull and Newcastle-upon-Tyne.

The Foreign Exchanges

THE year 1937 opened so quietly in the London market that early in February brokerage charges were reduced, on the ground that business was being lost to Paris and other centres. The franc was still firmly pegged at Frs. 105.15, though it presented an obvious attraction to the bears at that rate, and in February France obtained further aid in the form of the French railways' £40 millions

sterling credit. The New York rate stood at about \$4.90, and guilders and Swiss francs were firm.

In March came the first of the year's series of French changes. The penal taxation on repatriation exchange profits was repealed, the French Exchange Control was overhauled, the franc was unpegged, and a new exchange-guaranteed Defence Loan was issued. The franc at once slipped to Frs. 108, and during the gold scare, which began a few weeks later, the new French Control quietly allowed the franc to slip again to Frs. 111, this being the bottom limit of the 1936 devaluation.

Meanwhile, the rise in commodity prices during the early part of the year had reached the point where it began to threaten the stability of the sterling area. The firmness of the Argentine peso, due to Argentina's enhanced exports, was a move in the right direction. On the other hand, Sweden became restive at the rise in sterling prices, and a movement developed in favour of an appreciation of the krona against the pound. As matters turned out, the commodity boom broke before the movement gained much force, and all that happened was that those who had speculated on its success were badly nipped.

In April came the gold scare, the break in commodities and securities on both sides of the Atlantic, and the beginning of the downward slide from the peak of the trade cycle. The gold scare itself caused the dollar to strengthen to \$4.89, as hoarders were moving out of gold and into dollars, while the authorities were having to support the bullion market. Later in the year, however, weakness in Wall Street caused a flight from American securities with a corresponding weakness of the dollar.

At the end of June, M. Blum's Government fell, and with it the "Auriol" franc. A fresh devaluation took place, which sent sterling up to Frs. 132. The Banque de France's gold was also revalued for a second time, and the resulting profit was used to constitute a fund for supporting the Rentes market. August was a good month for the franc, while the dollar weakened to \$4.99 under the influence of Japanese sales of gold for dollars, the dollar afterwards being spent all over the world. In September, however, came yet another break in the franc, sterling this time rising to Frs. 147.

October and November were good months for the franc and bad months for the dollar. The first Chautemps Government was then commanding some measure of confidence, while the weakness of Wall Street and the autumn business recession inspired no confidence in the United States. There was, in fact, during early November, a new scare that the American price of gold was going to be raised as a cure for the business setback, and this caused a flight of funds from dollars into gold. Meanwhile, France arranged new credits in Holland and Switzerland, and so was able to repay the sterling credit of £40 millions arranged early in the year. There was also a firm repatriation movement of capital back to France. The result was that the French Control replenished their gold and foreign exchange resources to some extent, though—unwisely as it turned out in 1938—they handed over Frs. 3,000 millions of gold to the Banque de France. December was a fairly quiet month, but the franc developed new signs of weakness, which were a forecast of the new crisis of January, 1938.

During the autumn, guilders were firm and Swiss francs steady. Belgas weakened at the time of M. van Zeeland's resignation. Portugal removed the last vestige of her exchange restrictions. On the other hand, in November Brazil abandoned her previous coffee regulation policy, and for the moment appeared to be freeing exchange dealings. A new series of regulations were issued, however, at the end of the year, which involved the blocking of foreign-owned milreis balances.

Sterling itself preserved an even tenor, any possible consequences of the year's adverse trade balance being completely masked by international capital movements. Owing to such events as the gold scare, the American setback, and above all the weakness of the franc, there was a further large influx of funds into England. To enable the authorities to cope with this, the Exchange Equalisation Account had to be enlarged at midsummer by a further £200 millions. It was simultaneously decided to publish twice a year, with a time-lag of three months,

the total gold holdings of the Exchange Accounts. Two such statements have so far been issued:—

Quantity (million fine ounces)—	Mar. 31	Sept. 30	Intervening Change
Bank of England	73.8	76.8	+ 3.0
Exchange Account.....	26.7	39.9	+13.2
Total	100.5	116.7	+16.2
Value (£ millions : at 140s. per fine ounce)—			
Bank of England	516.9	537.6	+20.7
Exchange Account.....	186.7	279.3	+92.6
Total	703.6	816.9	+113.3
Bank of England (£ millions : valued at statutory price)...	313.7	326.4	+ 12.7

The increase in British gold stocks during the intervening six months is marked, and the total size of those stocks on September 30th was very great.

Gold Output and Movements

THE following table shows world gold production during each of the past two years. The returns of South Africa, Canada and Australia are substantially accurate, but the American and miscellaneous returns are estimates, and the Russian returns are based on something closely resembling guesswork:—

	Thousand fine ounces	
	1936	1937
South Africa	11,339	11,741
U.S.S.R.	5,400	5,950
Canada.....	3,735	4,055
U.S.A.	3,714	4,000
Australia	1,160	1,290
Other Countries	7,650	8,200
Total	32,998	35,236

In round figures these totals agree closely with the Union Corporation's revised estimates of 32,960,000 and 35,400,000 ounces for the two years. The increase in total production was 6.8 per cent. of the 1936 total.

Gold movements during 1937 were very complex. There was the dishoarding movement during the gold scare of the late spring and a counter-movement during the dollar scare of November. Another important factor was the increased Russian output and export, much of which suddenly came on the market at the time of the gold scare. Meanwhile, the flight of funds from France continued during most of the year, but was partially reversed in October and November. Thus substantial changes occurred in ownership of gold, either by transfers of earmark or physical movements. The United States continued to sell gold to China in exchange for silver, while Japan lost gold heavily to the United States as part of her efforts to finance the war. Finally, Argentina repatriated from London that portion of her gold reserves which previously had been lodged there.

The next table gives movements of gold bullion into and out of Great Britain, according to countries of origin and destination:—

	1936			1937		
	Imports From	Exports To	Net Exports (+) or Imports (-)	Imports From	Exports To	Net Exports (+) or Imports (-)
India	24.6	...	- 24.6	13.3	...	- 13.3
South Africa	84.7	...	- 84.7	79.9	...	- 79.9
Australia	5.3	...	- 5.3	4.3	...	- 4.3
Canada	0.5	...	- 0.5	0.5	...	- 0.5
Germany.....	5.2	0.5	- 4.7	10.0	0.8	- 9.2
Holland	2.6	6.7	+ 4.1	1.5	5.1	+ 3.6
France	156.3	4.1	-152.2	115.9	3.6	-112.3
Belgium	2.4	5.5	+ 3.1	2.4	7.3	+ 4.9
Switzerland	2.9	3.8	+ 0.9	1.5	4.8	+ 3.3
Russia.....	...	...	...	40.4	...	- 40.4
United States.....	1.3	56.1	+ 54.8	1.0	168.8	+167.8

Movements of gold, so far as they affected Great Britain, are shown in the following tables:—

	Bullion		Foreign Coin		Specie	
	1936	1937	1936	1937	1936	1937
	£ millions		£ millions		£ millions	
Imports	304.6	290.2	6.2	2.8	3.6	2.2
Exports	80.1	210.7	3.8	2.4	2.7	2.4
Import surplus	224.5	79.5	2.4	0.4	0.9	-0.2

The main changes between 1935 and 1936 were: first, the advent of Russian gold to London, and then the much greater outflow to the United States. This latter movement was concentrated in the four months March to June, inclusive, that is, in the period covering the gold scare. During the whole of the year, official support was given to the London bullion market, the authorities buying at the time of the gold scare and supplying the market with its needs at other times. The price, whether premium or discount against the American shipping price, was fixed in such a way as to keep the market on an even keel and to discourage any rush either into or out of gold. Probably most of the countries adhering to the Tripartite Agreement co-operated in giving this support, as an obvious way of preventing gold movements from upsetting the exchanges. The United States' heavy acquisitions during the gold scare may indicate the extent of the American share in this support.

The final table shows the gold holdings of central banks and Governments, so far as they are disclosed every month. Less frequent disclosures, such as those of the British Exchange Equalisation Account, are excluded from the tables. The British Exchange Account holdings amounted to \$910 millions on March 31st and to \$1,396 millions on September 30th. No returns of Italian gold holdings have been issued since March, 1937, and so the March return is repeated for the later months:—

GOLD HOLDINGS OF CENTRAL BANKS AND GOVERNMENTS (\$ millions)

1937 (end of Month)	January	March	June	September	November
England	2,584	2,584	2,689	2,689	2,689
United States.....	11,358	11,574	12,318	12,741	12,774
France.....	2,846	2,846	2,722	2,428	2,564
Germany.....	27	27	28	28	28
Holland	558	626	848	862	940
Belgium	625	619	625	590	570
Switzerland.....	657	657	635	612	644
Italy	208	208	208	208	208
Sweden.....	240	241	242	243	244
Norway	98	98	88	86	86
China	9	12	16	55	55*
Japan	466	456	443	261	261*

* October.

The causes of many of the changes shown in the table have already been discussed. On balance, the maldistribution of the world's monetary gold remains as pronounced as it was a year ago. England, the United States and Holland have gained, while France, Belgium, Switzerland, Norway and Japan have lost gold. The preponderance of the American gold stocks is even more marked than before.

INVESTMENT

New Capital Issues

THE pace of new issue business became less active in 1937 compared with the previous year. The total of new money involved in the year's public issues declined from £255.7 millions in 1936 to £251.6 millions in 1937, representing 68 per cent. of the £369.1 millions raised in 1928, compared with 69 per cent. in 1936. The year's public offers are analysed, according to the status of the borrowers, in the table at the head of the next column.

It will be seen that Government borrowing has again stepped into first place among British issues. The figures include the £100 millions of National Defence bonds issued in April. Home corporation issue activity was rather higher than the public offer figures suggest, for the

latter take no account of the numerous conversion operations on behalf of British corporations made during the year. These are covered in a later table. During the first

Calendar Years	British				Empire	Foreign	Total Issues	Index 1928 = 100
	Government	Home Corporations*	Others	Total Home				
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	35.3	54.5	38.5	9.1	102.1	28
1932	102.7	28.8	31.6	163.1	25.5	0.3	188.9	51
1933	150.8	24.5	34.9	210.2	29.2	5.4	244.8	66
1934	44.1	36.1	57.5	137.7	29.9	1.5	169.1	46
1935	88.0	51.1	81.8	220.7	15.2	0.2	236.1	64
1936	60.2	79.5	80.8	220.3	24.7	0.7	255.7	69
1937	95.8	43.7	84.7	224.2	21.1	6.3	261.6	69

* Including county and public board loans.

part of the year a considerable number of small industrial prospectuses appeared, but it is significant that the total for "other British issues," in which they are included, was lower than in 1936. Direct issues by Empire countries show a small reduction, but the Foreign Transactions Advisory Committee allowed a slightly larger amount of foreign borrowing to pass the barrier.

In our second table we give our new computation of total borrowing by both public and private offers, including issues in respect of which permission to deal has been obtained. Under this heading, for instance, is included the £46½ millions of Redemption Stock in which dealings began last August. The increase under home corporations is small, since permission to deal cannot be sought in respect of issues totalling more than £250,000. The very substantial amount of new capital which is raised, particularly by established companies, without appeal to the public capital market is illustrated by the total of £199.1 millions under non-Government British borrowing, though this figure was one-third lower than in 1936. Details are given below:—

TOTAL BORROWING, INCLUDING STOCK EXCHANGE "PERMISSION TO DEAL" (Million £)

Calendar Years	British				Empire	Foreign	Total Issues
	Government	Home Corporations*	Others	Total Home			
1936	60.2	82.1	306.1	448.4	33.8	11.7	493.9
1937	143.1	45.3	199.1	387.5	63.4	7.1	458.0

* Including county and public board loans.

In the third table we show the amount involved in conversion issues in recent years. It is clear that the big wave of conversion operations which followed the War Loan conversion in 1932 has considerably abated.

	1932	1933	1934	1935	1936	1937
British Govt.	2,478.9	50.7	105.0	204.0	37.2	Nil
Other	31.8	172.4	130.9	108.2	109.7	58.5
Total	2,510.7	223.1	241.9	312.2	146.9	58.5

The proportion of ordinary capital raised on company prospectuses last year was almost identical with that of 1936, at slightly over 62 per cent. Of the total of £100.2 millions so raised, some £62.7 millions took the form of equity capital.

The Stock Exchange

ALTHOUGH 1937 opened in promising style for the London Stock Exchange, the year closed on a despondent note. Leading industrial shares, as measured by *The Financial News* index, fell by 23 per cent., but the trend in the gilt-edged market is not accurately reflected in a fall of 12 per cent. in 2½ per cent. Consols, since this fall mainly occurred in the first quarter of the year.

The prospective benefits of the re-armament programme prompted early buying of industrial equities and commodity shares. In January, *The Financial News* index almost regained the high level recorded in November, 1936. But calculations of the cost of re-armament soon caused a flurry, and this was followed in March by the gold scare, with its deflationary consequences for commodity prices, and in April by the announcement of the first National Defence Contribution proposals.

The second version of N.D.C. was presented after several weeks of uncertainty, in which equity prices slumped and new issue activity became paralysed, but it failed to stimulate any recovery. From midsummer, Wall Street's collapse and business recession in America, coupled with war in the Far East, caused a sharp reduction in the volume of business in London, entailed much weeding-out of weak speculative positions, and in turn promoted an irresponsible "whispering campaign" from which the best names were not immune.

In the following table, based on *The Actuaries' Index*, the course of representative fixed-interest and equity securities may be traced:—

End of	Fixed Interest Securities			Ordinary Shares		
	2½% Consols.	Miscell. Indus. Debts.	Miscell. Indus. Pref.	Home Rails	Iron and Steel	Miscell.
December, 1932	131.8	113.1	97.8	68.2	43.2	47.9
" 1933	131.8	111.6	97.8	68.2	43.2	47.9
" 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
" 1936	150.9	125.6	122.5	66.6	63.0	81.3
January, 1937	147.3	124.8	120.4	84.3	81.1	82.1
February	133.4	122.4	115.6	75.1	82.8	78.2
March	136.3	120.5	114.2	78.0	79.3	77.5
April	136.6	120.8	115.8	76.9	72.2	75.8
May	135.9	121.7	118.9	80.7	74.6	76.4
June	133.2	121.7	118.1	78.9	74.1	74.4
July	132.2	121.3	117.2	83.7	75.7	74.4
August	131.4	121.3	117.1	78.6	77.8	74.4
September	131.8	121.2	116.5	78.8	75.6	71.0
October	131.7	121.0	116.1	72.6	71.6	68.8
November	133.6	121.2	115.6	69.1	64.9	65.5
December	132.7	121.5	115.6	70.6	65.9	66.4

In the gilt-edged market, the outstanding features of the year were the friendless reception accorded to the National Defence Bond issue in April, and its subsequent recovery towards the original issue price as the year closed. This fall and subsequent improvement were symptomatic of the course of gilt-edged. Foreign bonds began well, and the rise in commodity prices stimulated Brazilian and Chinese issues in particular. The Brazilian default and Sino-Japanese war, however, caused heavy losses, even in the best issues.

Despite the high level of industrial activity, particularly in the constructional sections, steel and building material shares showed substantial falls. Coal shares, however, improved, and the rapid rise in freight rates stimulated a boom in shipping issues. Motor shares were severely marked down, and aircraft issues were depressed by fears regarding profit margins. Dealers adopted caution towards electricity shares after the publication of the Government's draft scheme. Investment industrials in the tobacco and brewery sections failed to respond to record consumption and satisfactory profits.

The past year proved bitter for mining and commodity shareholders. The series of deflationary gold and commodity crises took their toll in heavy share losses, though there were signs of partial recovery in the dividend-paying Kaffir shares towards the end of the year. Base metal and rubber shares, however, remained deflated, owing to the collapse in prices after the speculative boom earlier in the year.

LABOUR CONDITIONS

EMPLOYMENT continued to rise until September, when the number of insured persons in work was 11,706,000, a new high record*. The average for the year was 11,496,000,† compared with 10,896,000 in 1936. Similarly

* A revised procedure for counting the unemployed increased the figure for employment in September by 44,000.
† Or, more comparably, 11,480,000 on the old basis of counting the unemployed.

unemployment fell until September, when the percentage unemployed among insured workers was 9.7, the lowest post-depression figure. The average percentage of unemployment during the year was between 10 and 11 per cent. compared with 13.0 in 1936. The following table shows monthly figures of employment and unemployment:—

EMPLOYMENT IN 1936 AND 1937

	Insured Employed (a)		Insured Unemployed (b)		Insured Unemployed (c)	
	1936	1937	1936	1937	1936	1937
January	10,391	11,106	2,063	1,604	16.1	12.9
February	10,525	11,187	1,949	1,532	15.3	11.9
March	10,689	11,242	1,814	1,505	14.2	11.5
April	10,785	11,394	1,745	1,368	13.7	10.5
May	10,918	11,387	1,635	1,360	12.8	10.7
June	10,933	11,613	1,645	1,306	12.6	10.0
July	11,006	11,623	1,595	1,321	12.2	10.1
August	11,072	11,672	1,548	1,294	11.9	9.9
September*	11,082	11,706	1,556	1,271	11.9	9.7
October	11,103	11,659	1,549	1,328	11.9	9.9
November	11,120	11,573	1,553	1,432	11.9	10.7
December	11,132	11,437	1,552	1,584	11.9	11.8
Average	10,896	11,496	1,684	1,413	13.0	10.75

(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.

* Revised procedure for counting unemployed introduced.

The decline in unemployment was most marked in the Northern division and Wales, but local percentages still varied from under 7 in London and the South-Eastern divisions to 14.0 in the North-Western division, 15.9 in Scotland, 17.9 in the Northern division, and 22.3 in Wales. There was a very marked improvement in employment in coal-mining, and the figure for December 25th was the highest since March, 1933. Shortages of labour were noticed in engineering, and employment in all major industries, except wool, increased during the year, though there was a marked downward movement in the later months of the year in the tinplate, cotton and building industries.

The general level of wage rates rose 4 per cent. compared with a rise of 3 per cent. in 1936. Some 5,110,000 work-people received a net increase of about £780,000 in weekly full-time rates of wages. The increases were widespread, but largest in coal mining, clothing, engineering and transport. The table below gives details of wages, cost of living and trade disputes:—

WAGES, PRICES AND TRADE DISPUTES, 1936 AND 1937

	Wages (a)		Cost of Living (b)		Trade Disputes (c)	
	1936	1937	1936	1937	1936	1937
January	96	98½	147	151	000's	000's
February	97	99½	147	151	114	306
March	97	99½	146	151	212	84
April	97	100	144	151	195	220
May	97	100	144	152	141	480
June	97½	100	144	152	133	814
July	98	100	146	155	191	111
August	98	100½	146	155	83	512
September	98	101½	147	155	76	228
October	98	101½	148	158	168	238
November	98	102½	151	160	148	285
December	98	102½	151	160	156	152
Average	97½	100½	147	154	154	350

(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.

A marked feature of the year was the rise in the cost of living, which was not arrested until December. The advance was largely due to increases in the price of foods. The number of trade disputes was 1,122 compared with 818 in 1936, of which two-fifths were in the coal-mining industry. On the whole, however, in view of the great industrial activity, strikes were not surprisingly frequent, and conciliation machinery worked well, conspicuous examples being the new wage agreements negotiated in the coal districts. The major disputes were the Yorkshire coal strike in July over the status of rival unions, a series of strikes among engineering and shipbuilding apprentices, in which recognition of the unions' right to represent the apprentices was secured, and the strike among the London omnibus workers.

Overseas Countries

British Empire

Canada

DURING three-quarters of the year recovery continued, and the setback, caused by events in the United States in the last quarter, was checked in December. During the year, there was an estimated increase of 9.3 per cent. in the physical volume of business, and the tables given below show the chief economic activities of the Dominion in 1936 and 1937:—

General Economic Situation (1928 = 100)	Twelve months of		Increase + Decrease —
	1936	1937	
Index of physical volume of business.....	112.2	122.6	+ 9.3
Wholesale prices	74.6	84.5	+ 13.3
Production and general business—			
Copper exports	401,694,700	432,118,000	+ 7.6
Nickel exports	173,637,500	222,770,000	+ 28.3
Lead production (11 mos.)	342,807,477	387,822,225	+ 13.1
Zinc exports	319,554,900	334,073,800	+ 4.5
Raw cotton imports	150,288,295	158,192,013	+ 5.3
Paper and Lumber—			
Newsprint production	3,179,914	3,638,244	+ 14.4
Export of planks and boards	1,749,860,000	1,858,352,000	+ 6.2
Iron and steel—			
Steel ingot production	1,114,550	1,401,011	+ 25.7
Pig iron production	678,672	897,355	+ 32.3
Automobile production	162,322	207,000	+ 27.5
Building permits	41,325,693	55,634,610	+ 34.6
Electrical Power prod.	25,394,292	27,574,926	+ 8.6
External trade, exports	1,027,901,934	1,114,492,512	+ 8.4
External trade, imports	635,190,844	808,896,325	+ 27.0
Carloadings	2,494,369	2,635,382	+ 5.7

Industry.—This increase in business was achieved in face of another disaster to the Western grain crop. The total value of Canada's field crops was reduced to \$556,382,000, a decline of 10 per cent. compared with the figure for 1936. The chief factors in the maintenance of Canadian prosperity were improvement of the export trade; increased activity in mining; and the advent of almost a boom in the heavy industries, accompanied by a substantial improvement in the building industry, which, however, still lags behind. The purchasing power of the public was augmented by increases in both wages and dividends. The textile industries suffered from strikes during the summer, but on the whole labour troubles were few. Except in the drought-stricken areas of the prairie provinces, the farmers had a satisfactory year. The forestry industries also fared well, but the fishermen on the Atlantic coast continued to experience hard times. The summer tourist business realised about 300 million dollars, and the volume of retail trade is estimated to have been about 8 per cent. above the level for 1936. There was a gratifying improvement in employment which reached a level only exceeded in the boom year of 1929. Between March and October the employment index showed a rise of 22 per cent., more than double the average gain recorded for this period since 1920; and for the whole year it averaged 114.1 compared with 103.7 in 1936.

Public Finance and Banking.—For the first nine months of the current fiscal year ended December 31st, Federal revenues totalled 402½ million dollars, a gain of 63 millions. Total expenditure, at 362 million dollars, showed an increase of only 1½ million dollars, and at the end of the fiscal year the aggregate deficit should be at least 10 million dollars below the forecast of 35 million dollars. During the year the Federal Government successfully conducted refunding and other operations involving new issues totalling 338½ million dollars, at rates ranging from 3½ to 1 per cent. The financial embarrassments of certain Western provinces still persist. The banking position remained strong, there was an abundant supply of easy money, and the banks still retained a very large proportion of their funds in Government securities. The total of demand and time deposits reached a maximum in April, and showed a recession towards the close of the year, but the monthly average was well above that for the preceding year.

Foreign Trade and Prices.—The total value of Canada's foreign trade was \$1,923,388,837, compared with \$1,663,092,798 in 1936, an increase of 260½ million dollars. There was a greater relative expansion of trade with foreign

countries than with countries of the British Commonwealth, and the export surplus of 492½ million dollars in 1936 was reduced to 305½ millions. Commodity prices followed an irregular course. After the wholesale index of the Bureau of Statistics had risen in the first quarter from 80.9 to 86.9, there was a downward movement, which was checked in June, and the high point for the year, 87.7, was reached in the third week of July. In August there was begun a gradual decline, not checked until December, when there was a slight recovery. The average of the index for the year, 84.5, was nearly 10 points above the parallel figure for 1936, 74.6. The Bureau's cost-of-living index rose slowly from 81.8 for January to 84.3 for December.

Stock Markets.—The stock markets continued the upward movement of 1936 during the first quarter, but thereafter pursued a downward course with few interruptions until the close of the year. For the last week of 1937, the Bureau's "Investors" index for common stocks was 102.3, compared with 133.2 in the parallel week of 1936, a fall of about 25 per cent. The bond market remained relatively firm throughout the year.

Australia

THE past financial year ended June 30, 1937, was marked by a continued substantial improvement in the general economic situation. More prosperous conditions have been widely diffused, as the result of higher prices received for most primary products, the rise in company profits, and increases in employment and wage rates. The volume of agricultural production was well maintained, and high prices meant substantial increases in farmers' income and a further increase in the export surplus. Unemployment continued to decline, and the percentage of trade union members unemployed fell from the already low level of 12.8 per cent. in June, 1936, to 9.7 per cent. in June, 1937. An additional stimulus to industrial activity during the current year is to be expected from the increased expenditure on defence, since the Commonwealth Government will spend £A.3.4 millions more in the current financial year than in the previous year ended June, 1937.

Agriculture and Mining.—The wool clip totalled 975,000 lbs. in the 1936-37 season, compared with 971,000 lbs. in 1935-36. The value of wool per lb. in 1936-37 averaged 1s. 5.4d. for greasy and 2s. 0.0d. for scoured, compared with 1s. 2.8d. and 1s. 7.6d., respectively, in the previous season. The current season's clip is expected to be 944 million lbs. The area under wheat in the 1936-37 season was 12,342,000 acres, compared with 11,924,000 acres last year, and the yield was estimated at 150,468,000 bushels in 1936-37, compared with 144,217,000 bushels in the previous year. The average export price of wheat rose from 3s. 7d. per bushel in 1935-36 to the high level of 5s. 2.7d. in 1936-37. The revival of gold mining in Australia has continued, and further increases in the output of gold were recorded, the State of Western Australia still supplying about three-quarters of the total. The number of people directly employed in gold mining was 40,000, compared with only 6,000 in 1929, and in 1936 the output was valued at £A.10,123,000, compared with £A.8,008,000 in the previous year.

Overseas Trade.—The value of both imports and exports was higher than last year. Imports of merchandise in the year 1936-37 amounted in sterling to £90,484,000, an increase of £6,963,000 over the previous year. The principal groups of imports for which increases were recorded were machines and machinery, crude rubber, and paper. Exports of merchandise were valued at £116,658,000 sterling in 1936-37, an

Exports	1935-36		1936-37		Per cent. exported to Great Britain 1936-37
	Quantities	Values (a)	Quantities	Values (a)	
Wool, greasy	Lbs. Mn.	£'000	Lbs. Mn.	£'000	%
Wool, scoured	751	46,168	759	55,177	36.5
Wheat	74	6,135	72	7,348	47.4
Wheat	4,819	14,198	4,367	16,765	44.9
Flour	1,241	4,545	1,129	5,598	31.4
Butter	213	9,027	174	7,716	92.2
Frozen mutton and lamb ..	178	4,465	208	5,239	97.0
Beef	166	2,481	183	3,027	91.5
Chilled	23		42		

(a) Recorded values in Australian currency.

increase during the year of £18,595,000 sterling. There was an export surplus of £26,173,000 sterling, compared with £13,826,000 sterling last year; and the excess of exports of bullion and specie was valued at £9,483,000 sterling, compared with £8,694,000 sterling in 1935-36.

Finance.—The accounts for the Commonwealth and States for the year ended June 30, 1937, were as follows:—

State	Revenue	Ordinary Expenditure	Net Loan Expenditure	Gross Public Debt
		(Value in £'000)		
New South Wales	55,186	55,051	6,336	346,576
Victoria	27,219	27,198	3,303	175,058
Queensland	16,535	16,815	3,760	122,647
South Australia	11,739	11,600	3,015	105,699
Western Australia	10,185	10,556	2,070	90,344
Tasmania	3,489	3,444	814	24,418
Six States	124,353	124,664	19,298	864,742
Commonwealth	83,090	81,813	2,710	389,971
Total	196,923	195,962	22,008	1,254,714

The Commonwealth consolidated revenue accounts for the financial year 1936-37 show an excess of receipts over ordinary expenditure of £1,276,558. The Commonwealth Treasurer, in the Budget speech on August 27, 1937, estimated that in the current financial year ended June 30, 1938, receipts would amount to £85,190,000 and expenditure to £85,160,000, giving a surplus of £30,000. No further reductions in taxation were provided for in the Budget. The total financial provision for defence purposes from all sources is expected to increase from £8,067,000 in 1936-37 to £11,531,000 in 1937-38. The loans raised by the Commonwealth during the past financial year were as follows:—

(1) London (Conversion):—		£	Price
June, 1936	2½%	16,551,402	99
April, 1937	3½%	53,200	100
June, 1937	3½%	12,360,958	96½
(2) Australia:—			
November, 1936	3½%	7,516,320	97½
April, 1937	3½%	7,870,670	99½
For States over the counter...	...	1,946,510	...

The total public debt (Commonwealth and States) per head of the population was £184 18s. 10d. at June 30, 1937, compared with £185 2s. 10d. in 1936.

New Zealand

In many respects, 1937 was a year of boom. An increase of £NZ10 millions in the value of exports, compared with the previous year, raised export income to £NZ66 millions, nearly double the lowest depression level, and about 20 per cent. higher than the levels of good years before the depression. Consequently, demand and internal trade expanded, and imports, expressed in local currency, reached very high levels. Expressed in sterling, both exports and imports are now back to about the pre-depression averages. Heavy Government borrowing and increased expenditure on public works gave an additional stimulus to internal trade. On the other hand, rising labour costs, due to increased wages, the 40-hour week, and State control of industrial relations, have increased costs of production substantially, the cost of living has steadily advanced, and local manufacturers complain that, without further protection, they are unable to compete with imports.

Trade.—External trade returns for years ended in September (including 1929), are as follows:—

Year ending Sept. 30th	In N.Z. Currency		In Sterling.	
	Exports	Imports	Exports	Imports
1929	56.20	44.10	58.20	44.10
1933	39.77	25.34	32.71	20.97
1934	49.34	28.97	39.51	23.30
1935	43.36	35.39	38.40	28.39
1936	56.69	41.67	45.53	33.47
1937	65.99	54.36	53.00	43.66

Compared with the levels ruling in 1929, both export and import prices are lower, by 13 and 9 per cent. respectively, while the index of the volume of exports has risen 34 per cent., and of imports 13 per cent. Though production continues to expand, the fall in wool prices that marked the opening of the 1937-38 export season indicates that export values are likely to be lower. If so, income will be contracted and the demand for imports may fall somewhat in 1938. Most external trade is with the Empire. For the first nine months of

1937, Great Britain took 74 per cent. of exports (some for re-export) and supplied 50 per cent. of imports, while Empire countries took 80 per cent. of exports and supplied 74 per cent. of imports.

The expansion in domestic trade is indicated by increases of 23 per cent. in the yield of sales tax and 21 per cent. in total bank debits in the first nine months of 1937, compared with the same period in 1936. Higher wage payments have stimulated retail trade, and there is a noticeable increase in cash trading. The note circulation, which was about £NZ6½ millions in 1928 and 1929, averaged about £NZ9 millions in 1937. Unemployment continued to fall, particularly in the rural centres, and farmers, finding it difficult to secure suitable labour, complained of the competition of the higher rates paid on public works.

Banking and Finance.—Comparing September figures, trading bank deposits were £NZ65.13 millions in 1937 against £NZ62.74 millions in 1936, while advances were £NZ50.55 millions against £NZ45.88 millions a year earlier. Net overseas funds held by all the banks fell from £NZ34.03 millions in September, 1936, to £NZ29.99 millions in September, 1937. The Reserve Bank's deposits and advances have changed little from last year, and its proportion of cash is maintained at a high level. The Budget for 1937 showed a surplus of £NZ472,000, revenue amounting to £NZ31.14 millions and expenditure to £NZ30.67 millions. For 1937-38 revenue is estimated to reach £NZ34.78 millions and expenditure £NZ34.73 millions. The first half-year's returns show that the yield of taxation is increasing, and it is expected that the Budget will be balanced comfortably. It is estimated, however, that £NZ17.37 millions will be spent on public works this year, and though a good deal of this will come from revenue, internal borrowing, mainly from departmental sources, is likely to be heavy.

South Africa

THERE is abundant evidence that the year has in many important respects established new records, even eclipsing those for 1936. The gold-mining industry is primarily responsible for this achievement. The following figures illustrate the recent expansion of the industry:—

	1932	1936	1937
Tons milled	35,209,650	48,610,620	51,129,650
Yield (fine oz.)	11,553,564	11,339,411	11,740,891
Yield (per tons dwts.)	6.471	4.568	4.460
Working revenue	£48,587,782	£77,829,915	£80,177,687
Working costs (per ton)	19/3	18/10	18/11
Working profit (per ton)	8/4	13/2	12/5
Dividends paid	£8,993,294	£17,296,439	£17,070,714

The Gold Industry and the Budget.—Although it is not yet possible to assess the exact amount the Union Government will receive in taxation from the gold mines in respect of 1937, this sum will certainly exceed the £14 millions which has been annually provided from this source since the country's departure from the old gold standard, when the amount averaged little more than £4 millions per annum. The additional £10 millions have greatly eased the task of the Minister of Finance and, according to authoritative forecasts, Mr Havenga will again have a surplus of well over £3 millions in his Budget next March.

Foreign Trade.—The Union's foreign trade has generally reflected the country's continued and unprecedented prosperity. Final figures for the year disclose an export surplus of just under £22 millions. Imports for the twelve months were valued at £103,189,598, which represents an increase compared with the previous year of £17,139,600, while exports were valued at £125,161,000, an increase of £11,148,770. As the result of buoyant imports, Customs duties yielded the record sum of £12,839,038, an increase compared with 1936 of nearly £1,000,000. Gold was exported to the value of £82,780,910, an increase of nearly £800,000 compared with 1936; wool exports were valued at £12,643,664, an increase of £2,816,698. General merchandise exported reached a value of £7,568,355, an increase of just under £2,400,000; and maize was exported to a value of £3,194,455, compared with only £55,668 in the previous year.

New Companies and Building.—Nominal capital of over £25 millions is represented by the registration of 1,600 companies at the Companies Office during 1937. The number of registrations is a record, but the capital is slightly below the 1936 total; a comparison with the slump year of 1932 shows that the 613 companies registered that year represented a capital of only £3,680,000. Building statistics also reflect a

record year of prosperity. Johannesburg leads with plans passed to a total of over £11 millions, representing an increase over the 1936 record of more than £1.2 millions.

Public Debt.—According to the annual report of the Public Debt Commissioners for the financial year ended March 31, 1937, the Union's gross debt totals £254,936,935, which represents a sum per head of European population of £125 5s. 6d., and an annual debt charge per head of £5 9s. 5d. These figures compare favourably with those of some other British Dominions; the Commonwealth and States of Australia, for example, return a total gross indebtedness of £1,255,782,106, equal to £185 6s. per head and an annual charge of £6 12s. 8d. Canada has a total indebtedness of £738,026,330, representing a debt per head of the Canadian population of only £67 1s. 10d. and an annual charge per head of £2 12s. 9d.; but New Zealand, with a total debt of £287,670,200, has a *per capita* indebtedness of £182 4s. 3d. and an annual charge of £6 6s. 9d. per head. The Union's total public debt shows an increase, compared with the previous year, of £3,850,240. The share of the public debt held abroad fell during the year from 48.85 per cent. to 40.78 per cent. The report of the Auditor-General contains details of the revenue derived from taxation since the date of Union (1910). The figure in 1910 was £7,344,948; in 1936-37 it amounted to £32,827,215, a record figure representing an increase on the previous year of 7.48 per cent.

India

INDIA made steady progress during 1937 until the recession of business in the United States. The outstanding event of the year was the inauguration of Provincial autonomy and the decision of Congress to take office in July. There are now Congress Governments in seven out of the eleven Provinces of India.

Public Finance.—The Budget showed a deficit of Rs. 197 lakhs, due to smaller receipts from customs, income tax and currency. For the year it was necessary to fill up a gap of Rs. 158 lakhs, which would have been Rs. 342 lakhs, but for the amount available in the revenue reserve fund specially established to meet expenses involved in the constitutional transition. The Budget proposals included the raising of the silver duty from two to three annas and an increase in the sugar excise duty from one rupee five annas to two rupees.

PRINCIPAL HEADS OF REVENUE (In crores, lakhs and thousands of rupees)

	Accounts, 1935-36	Revised Estimate, 1936-37	Budget Estimate, 1937-38
	Rs.	Rs.	Rs.
Customs	52,24.87	44,78.50	42,60.50
Central excise duties		6,44.00	7,16.00
Corporation tax			1,44.94
Taxes on income (other than Corporation tax)	17,07.39	15,30.00	12,85.06
Salt	8,42.80	8,85.00	8,25.00
Opium	61.10	47.31	49.52
Other heads	1,05.98	96.65	94.04
Total	79,42.14	76,81.46	73,75.06

PRINCIPAL HEADS OF EXPENDITURE (In crores, lakhs and thousands of rupees)

	Accounts, 1935-36	Revised Estimate, 1936-37	Budget Estimate, 1937-38
	Rs.	Rs.	Rs.
Debt services	13,49.85	12,66.03	14,12.22
Civil administration	10,58.92	11,05.73	10,42.79
Civil works and miscellaneous public improvements	2,18.83	2,50.97	2,87.23
Miscellaneous	4,18.66	3,94.83	3,83.14
Defence services	50,18.53	50,57.10	49,83.92
Total (with other items)	122,01.09	120,90.28	119,41.88

The Reserve Bank rate continued at 3 per cent. throughout the year, having been reduced to that figure on November 28, 1935.

Foreign Trade.—The total value of India's exports during 1936-37 amounted to Rs. 196 crores, which was Rs. 36 crores more than in the preceding year and Rs. 64 crores more than the lowest point reached in 1932-33. Compared with 1928-29, the pre-depression year, exports in the year 1936-37 still showed a decline of Rs. 134 crores, or 41 per cent. This is almost entirely due to the 41 per cent. decline in the

prices of exports since 1928-29. The volume of exports was in all probability slightly higher than that in 1928-29. Imports into India were valued at Rs. 125 crores in 1936-37 compared with Rs. 134 crores in the preceding year and Rs. 115 crores in 1933-34. Compared with 1928-29, when the value of imports was Rs. 253 crores, the fall amounts to 51 per cent. Compared with 1928-29, the decrease in import prices was only about 35 per cent., and there is little doubt therefore that the volume of imports has been reduced considerably since 1928-29.

CHIEF EXPORTS (In crores, lakhs and thousands of rupees)

	1936-37	Percentage of Total Exports of merchandise in 1936-37
Cotton, raw and waste	45,17.38	23.03
Cotton manufactures	3,78.43	1.93
Jute, raw	14,77.10	7.53
Jute manufactures	27,94.75	14.25
Tea	20,03.81	10.22
Seeds	18,46.93	9.42
Grain, pulse and flour	15,37.92	7.84
Metals and ores	8,01.92	4.09
Leather	7,36.37	3.75
Hides and skins, raw	4,43.40	2.26
Total value of all exports	196,12.46	100.00

CHIEF IMPORTS (In crores, lakhs and thousands of rupees)

	1936-37	Percentage of Total Imports of merchandise in 1936-37
Cotton and cotton goods	23,33.02	18.63
Machinery and millwork	14,13.94	11.29
Metals and ores	9,68.70	7.73
Oils	7,25.27	5.79
Vehicles	6,57.78	5.25
Instruments, apparatus and appliances	5,19.14	4.15
Artificial silk	3,85.60	3.08
Provisions and oilman's stores	3,20.22	2.56
Dyes	3,01.34	2.41
Hardware	2,89.35	2.31
Wool, raw and manufactured	2,86.94	2.29
Paper and pasteboard	2,81.68	2.25
Chemicals	2,72.19	2.17
Silk, raw and manufactured	2,41.87	1.93
Total of all imports	125,24.28	100.00

The main feature of India's foreign trade during 1936-37 was a remarkable growth in the export trade, the advance compared with the preceding year being nearly Rs. 36 crores. The largest increase occurred in the case of raw cotton amounting to Rs. 10½ crores. Oil-seeds accounted for a rise of Rs. 8½ crores, and jute (raw and manufactured) for Rs. 5½ crores. Most imports recorded decreases during the year compared with the previous year, the fall in the case of cotton yarns and manufactures amounting to nearly Rs. 3½ crores. Imports of iron and steel manufactures shrank in value by over Rs. 1½ crores and those of motor cars and other vehicles by Rs. ¼ crore. The export surplus, over Rs. 86 crores in 1928-29, dwindled to Rs. 3 crores in 1932-33, but in 1936-37 increased to nearly Rs. 71 crores compared with Rs. 31 crores in the preceding year.

Eire

(Formerly the Irish Free State)

THE outstanding feature of the economic life of the Free State is the continuous and growing decline in the size of the population caused by emigration to Great Britain. The movement has in recent years attained dimensions which more than neutralise the natural increase in Eire's population, and everything points to its further increase in the future. This emigration entails a very severe drain on the resources of the country, since it is frequently the ablest and most enterprising people who depart. Moreover, the cost of rearing and educating each emigrant is considerable, and Irish parents and taxpayers are in effect subsidising the production of part of the supply of labour in Great Britain.

Agriculture.—The British trade recovery, which has led to an increased demand for all classes of labour, is the principal cause of Irish emigration. The movement would not, however, be so extensive if agricultural conditions in the Free State were more satisfactory. It is true that agricultural prices rose

substantially during the year, but farmers' profits did not increase proportionately owing to the widespread rise in costs. Feeding stuffs have increased in price, and wages have been fixed at a level which many farmers cannot afford to pay. The result is that both the area under crops and the numbers of livestock are declining, many rural dwellers are seeking employment in the towns either of Ireland or Great Britain, and the countryside is being slowly depopulated. This in turn leads to a shortage of labour when it is required. One prominent farmer stated recently that the dearth of labour was a more important obstacle to tillage than the level of wages. It would appear that a vicious circle has developed, tending to reduce agricultural output, the principal constituent of Eire's national income.

Economic Policy.—Unsatisfactory agricultural conditions are partly the result of the so-called "economic war" with Great Britain and the consequent difficulties of Irish export trade, but are also caused to a large extent by the Government's general economic policy, which has tended to favour urban rather than rural interests. A legitimate and laudable desire to promote the industrial development of Eire has led to the introduction of measures which have produced in some cases inconvenient adverse reactions. The rise in the price of many protected articles has reduced the purchasing power of farmers' incomes at a time when the size of their incomes is also reduced by other causes. The new industries, which must rely solely on the domestic market, are embarrassed by the inadequate demand for their products, while their customers are embarrassed by the high prices which the industrial producers are forced to charge. It is becoming clear that the only hope for healthy industrial development in Eire lies in the existence of a prosperous agriculture, which in its turn depends mainly upon a large and profitable export trade.

Industry.—Recent pronouncements by responsible members of the Government reveal that the new industries are not giving unmixed satisfaction. The rise in prices, which is the natural result of protective measures, is attributed to profiteering and other malpractices. On the other hand, the trade unions are blamed for demanding increased wages when the cost of living is rising, partly, no doubt, as a result of the general rise of wholesale prices, but partly also as a result of the Government's own policy. While the trade unions complain of the increase in the cost of living, employers complain of the increase in costs of production caused not only by protection but also by a number of socially desirable interferences by the State in labour conditions, such as the Conditions of Employment Act. Organised labour is far from satisfied with recent developments, and several serious strikes have disturbed the smooth working of the industrial programme. These strikes have further embarrassed employers, and production for export has become exceedingly difficult. While employment in the protected and otherwise favoured industries has increased, employment in agriculture and industry as a whole has decreased as a result of emigration. The amount of unemployment is only partially revealed by the statistics of the numbers of registered unemployed, because many workers when out of a job, instead of registering, simply emigrate to Great Britain.

Foreign Trade.—The following table shows the recent trend in external trade:—

Year ended	Imports	Exports	Import surplus
December, 1936	£ 39,912,560	£ 22,514,515	£ 17,398,045
December, 1937	£ 44,126,363	£ 22,857,760	£ 21,268,603

The excess of imports is paid for to a very large extent by invisible exports, but also to some extent by the liquidation of external investments. The consolidated balance sheet of the Irish banks shows that the banks' net sterling assets decreased during the year, and it is probable that the sterling resources held outside the banks have also been drawn upon to pay for imports. The problems arising out of these developments will, it is expected, be fully discussed in the forthcoming report of the Commission on Banking, Currency and Credit which has been sitting for over three years. It is obvious that Eire has been experiencing an internal expansion without any corresponding expansion in export markets.

Northern Ireland

The year opened with brighter prospects for the three principal industries of Northern Ireland: agriculture, linen manufacture and shipbuilding. This promise was not fully maintained, particularly in the case of linen; but the output of the Belfast shipyards was materially higher than in 1936.

Linen.—In linen, the year opened with a strong demand from overseas buyers, while the forthcoming Coronation also stimulated home buying. The rise in flax prices throughout the spring and early summer provided a disconcerting feature, however, especially in view of the general fall in the prices of raw materials, including American cotton. In August the outbreak of hostilities in China crippled shipments to that market. The linen trade also suffered from the general recession in business activity, and the year closed with business well below the level at the end of 1936. This is reflected in the unemployment returns. The percentage of linen workers unemployed was 18.8 per cent. in November, 1936, but increased to 27.2 per cent. in November, 1937. Nevertheless, taking the year as a whole, employment in the trade was better than in 1935 and 1936.

Agriculture.—The main feature in Northern Irish agriculture is the production of livestock. Here the industry was undoubtedly affected by the increased cost of feeding-stuffs, particularly of maize meal, which is extensively used for feeding. The output of pigs continued to increase, although at a slower rate than in recent years. The output for 1937 was 750,000, compared with 684,000 in 1936 and under 300,000 in 1932.

Industry.—One of the main features of 1937 was the effort to encourage the establishment of new industries in Northern Ireland. Under the provisions of the New Industries (Development) Act (Northern Ireland), 1937, a number of valuable concessions are offered to any new industrial undertaking likely to provide and maintain additional employment in Northern Ireland. These advantages include loans, free of interest for five years, towards the cost of the erection or purchase of the premises; loans towards other capital costs; grants equivalent to the annual value of the site of the premises for a maximum period of twenty years; contributions towards income tax, payable during the first five years; and, at the discretion of the local authority, complete exemption from rates for a maximum period of twenty years.

Palestine

THE outstanding political event of the year in Palestine was the publication of the Report of the Royal Commission. The British Government adopted in principle its recommendations for the termination of the existing Mandate and the setting up of two independent States, Arab and Jewish, with a British Corridor to remain under permanent British Mandate between them. The immediate reception of the Report in Palestine was unfavourable; and Arab opinion was particularly hostile. During the latter part of the year there were serious disturbances and acts of terrorism, and the Government took strong measures against the Arab Higher Committee. Uncertainty about the political future of the country affected its economic recovery after the strike and rebellion of 1936.

Foreign Trade.—The figures of trade in the first eleven months showed a remarkable increase in exports; the total value was about £P5 millions, which was a rise of 80 per cent. compared with the corresponding period of 1936, and was mainly due to the great increase in the citrus crop. Imports for the same period showed a steady rise compared with 1936, from £P12.6 millions to £P14.6 millions. The value of transit trade, excluding crude oil pumped through the pipeline of the Iraq Petroleum Company, increased by £P307,000 to £P764,000.

Agriculture, Industry and Commerce.—The export of citrus fruit for the season 1936-37 showed a remarkable rise in quantity compared with the previous year, from six million cases to nearly 11 millions; but prices were very low, partly because a portion of the crop was not good. Results during the first months of the winter 1937-38 have been more satisfactory. The new capital invested in local companies up to the end of October was over £P3.5 millions, compared with less than £P2 millions in the whole of 1936. The check to Jewish immigration after the publication of the Royal Commission's Report led to a decline in building in the four principal towns. Unemployment, which had been negligible for some years before 1936, was continuous throughout 1937, affecting some 5,000 or 6,000 men. On the other hand, banks and credit co-operative societies increased their advances and discounts to £P14 millions during the first ten months, against £P13 millions in the same period of the previous year.

Currency, Prices and Finance.—The currency circulation at the end of November, 1937, was £P4,844,000, or £P27,000 less than at the end of November, 1936. During the year there was a decline in wage-rates for both Jewish and

Arab labour. The decline in wages since the autumn of 1934 has been 12 per cent. for Arab labour and for Jewish labour 11 per cent. The index number of the cost of living showed a decline during the first half of 1937 of 7½ per cent., but remained stationary during the second half of the year. The Government surplus, which had fallen at the end of the fiscal year 1936-37 to £P4,835,000, showed a further slight decrease of £P134,000 by the end of November. The Government has found it necessary, in view of the continuing military expenditure, to check increases in ordinary social services.

Western Europe

France

1936 was the year of the French New Deal, the reaction of the new elected Popular Front against the effects of deflation, and the year of the devaluation of the franc and the Tripartite Agreement. 1937 was the year of the "pause," the adaptation of the new social laws to economic necessities, and the year of a further devaluation which brought the franc exchange to 150 to the £. In June the Blum Popular Front Government with a Socialist character fell. The Chautemps' Popular Front Government followed, with a Radical-Socialist character. Recovery in finance was enforced by decrees and the creation of the National Railway Company. The principal characteristics of 1937 were the persistent rise in the cost of living; and the increase in the import surplus, only partially balanced by receipts from the Paris Exhibition and tourists, the return of capital stimulated by the slump in Wall Street, a slight increase in production which had been slowed down by the 40-hour week, and an increase in fiscal receipts.

Money and Finance.—The Auriol-franc of October, 1936, disappeared on July 1st. The law creating the Bonnet-franc laid down that the gold value of the franc should be fixed later by decree. The "floating franc" fell successively from 122 to the £1 at the beginning of July to 150 on October 9th, before being stabilised by the Exchange Equalisation Fund at 147, corresponding to a gold value of 32 milligrams. The gold stock of the Bank of France declined from 60,358 million Auriol-francs to 48,859 millions, before being re-valued at 55,717 million Bonnet-francs at the end of July. It was raised in December to 58,932 millions by the sale of 3,000 million francs by the Equalisation Fund, after a return of capital which aided the repayment of the £40 millions English loan. The 6,000 million francs produced by the re-valuation of the gold stock in July were placed in an Equalisation Fund for the support of public funds. The 1937 Budget was "balanced" except for 4,361 million francs, which has now become 7,000 millions. Treasury needs were actually only covered by loans amounting to 20,000 million francs and 10,000 millions of new advances by the Bank of France, in spite of a desperate financial effort to make ends meet by increasing taxes and charges. The 1938 ordinary Budget has been balanced at a level of nearly 54,800 millions for income and expenditure. But the total sums to be borrowed by the Treasury in 1938 will be at least 28,000 millions, and the official estimates are generally considered too optimistic. As a result of borrowing, the public debt at the end of September reached the new record of 384,000 millions, against 263,000 millions in 1936. At the end of December, 1937, the whole French public debt should be 500,000 million francs.

Money and Banking.—The Treasury continued to be the principal borrower in the money market, taking 90 per cent. of the total borrowings, and the scarcity of funds maintained high rates of interest. Renewed monetary crises led to six changes of the rediscount rate of the Bank from 2 in January to 4 in February, 6 in May, 5 in July, 4 in August, 3½ in September and 3 at the end of the year. The deposits of the big banks were reduced, a great part of them representing the equivalent in francs of deposits in strong currencies:—

	Nov. 30, 1936	Nov. 30, 1937
Crédit Lyonnais	10,614	11,303
Société Générale	8,867	9,149
Comptoir National d'Escompte	7,024	7,666
Crédit Ind. et Commercial	1,507	2,022
	28,015	30,142

Short-term rates of interest were more stable, and long-term rates were consistently high. The average yield of debentures was 6.21 per cent. in December, against 5.61 in

December, 1936, and the yield of the 3 per cent. Rentes at the same date was 4.31 per cent., compared with 3.60 per cent.

Transport and Agriculture.—The number of loaded cars on the railways was 15,191,720 during the year, against 14,964,398 in 1936; receipts increased to 12,319 million francs from 10,037 millions in 1936, that is, by 22.69 per cent. The market for cereals was improved by the fixing of prices. The wheat crop of 67 million quintals, against 69 millions in 1936 and an average of 83 millions in 1930-35, was again small. The price of wheat was fixed by the Wheat Office at 180 francs, compared with 140 francs in 1936. The production of wine was 51 million hectolitres, against 39 millions in 1936. Prices of livestock and cereals other than wheat rose.

Production and Prices.—Devaluation and social charges produced a new sharp increase in prices, which was partially counterbalanced in the second half of the year by the fall in import prices:—

	End of 1936	End of 1937
	(1914 = 100)	
Wholesale prices	496	601
National products	522	650
Imported products	448	515
Foodstuffs	511	615
Retail prices	550	676
Cost of living	540 (2nd quarter)	630 (3rd quarter)

The output of coal mines declined from 46,147,000 tons to 45,326,000 tons, while coal consumption increased from 69,629,000 to 76,168,000 tons, and imports of foreign coal from 23 million tons to 30 millions. The production of pig iron was 7,916,000 tons, against 6,230,000 tons in 1936; that of steel was 7,902,000 tons, compared with 6,708,000 tons in 1936.

Foreign Trade.—The value of imports rose to 42,316 million francs from 25,414 millions in 1936, and the value of exports was 23,935 millions, against 15,492 millions in 1936. Thus the import surplus rose from 9,922 millions to 18,381 millions. The volume of imports increased considerably, from 47,960 million tons to 57,388 million tons, and the volume of exports slightly, from 28,957 millions to 30,368 millions. The import surplus was 28 per cent. of the value of total trade, compared with 24 per cent. in 1936 and 13 per cent. in 1934. Imports of foodstuffs and raw materials increased appreciably. Exports of manufactured goods also increased, but less rapidly.

Germany

INDUSTRY and trade continued active throughout the year; and in most branches, including communications, the highest records of the pre-depression years were exceeded. Unemployment almost disappeared; and the shortage of labour in certain trades, which was first visible in 1936, became marked. In the regulation of prices, the control of capital, the prohibition of industrial expansion, and the rationing of raw materials, State policy became more stringent. The Four-Year Plan for self-sufficiency in raw materials dominated national business; and with the retirement of Dr Schacht from the Ministry of Economy, all economic departments of State were virtually subordinated to the Plan, responsibility passing to the Commissioner for the Plan, General Goering. The preliminary Plan works involved a serious strain; shortage of materials and foodstuffs was followed by shortage of some manufactured necessities; and on the railways and internal waterways congestion was observed.

Credit and Capital.—Money was in general plentiful. Commercial bank deposits increased, and loans to business declined, both somewhat irregularly; and the banks increasingly invested in bills. The Reichsbank's total credits and investments rose from Rm. 6,108 millions to Rm. 6,584 millions, rediscounts (without Treasury bills) from Rm. 5,447 millions to Rm. 6,013 millions, the note circulation from Rm. 4,980 millions to Rm. 5,493 millions, and the circulation of all currencies from Rm. 6,967 millions to Rm. 7,478 millions. The rediscount and advance rates remained unchanged at 4 and 5 per cent., respectively. The capital market continued to be a preserve of the Reich. Issues of private debenture and of shares were mostly small, and, in general, industry, in so far as it was allowed, or for Four-Year Plan purposes compelled, to expand its plant, was required to draw on its own reserves and accumulations. Investments of all kinds in national business and communications were officially estimated at Rm. 15.5-16,000 millions, against Rm. 13,500 millions in 1936. The national income was put

at Rm. 68,500 millions, against Rm. 62,500 millions in 1936, of which Rm. 39,000 millions and Rm. 35,000 millions were derived from wages and salaries, respectively. Savings bank deposits (savings accounts only) rose from Rm. 14,303 millions to Rm. 15,741 millions; and bankruptcies fell from 2,577 to 2,263. The control of foreign exchange remained in force. The early months witnessed a substantial net import of gold, which was later lost. The Reichsbank's gold reserve increased from Rm. 66 to Rm. 71 millions, and exchange reserve remained unchanged.

Public Finance.—The Reich Budget for 1937-38 was not published, and no return of total revenue or expenditure was made. The returns of revenue from taxation were satisfactory. In the financial year ended March, 1937, Reich taxes brought in Rm. 11,553 millions gross, against Rm. 9,705 millions in the preceding year, of which Rm. 7,839 millions and Rm. 6,176 millions, respectively, came from direct taxes and taxes on business. In the first eight months of the financial year 1937-38 the gross yield of taxation was Rm. 8,956 millions, against Rm. 7,369 millions in the same period of 1936-37. The yield for the whole financial year is estimated at Rm. 14,000 millions, and the combined yield of Reich, State, and municipal taxes at Rm. 18,000-18,500 millions, compared with Rm. 15,500 millions in 1936-37. No changes of importance were made in the revenue system. Total Reich debt in October, 1937, was returned at Rm. 17,574 millions, against Rm. 15,017 millions in October, 1936, and the foreign debt at Rm. 1,362 millions, compared with Rm. 1,458 millions. The increase in the returned debt was largely in the category of long- and middle-term loans, and was the consequence of continued borrowing for the consolidation of short-term debt. During the year the Reich floated three such loans, bringing the total borrowed on middle term in the three years 1935-37 to Rm. 7,111 millions; and a further loan for Rm. 1,000 millions was announced in December. Borrowing continued to be at 4½ per cent. No new light was thrown on the bill debt contracted for re-armament and public works.

Prices and Wages.—The official index of wholesale prices in December was 105.5, against 105.0 in December, 1936. The only considerable advance was in manufactured consumption goods, the index for which rose from 130.5 to 135.8. The index of the cost of living rose from 124.3 to 124.8, the main change being in the clothing component, which advanced from 124.2 to 127.9. Owing to changes, and in general to deterioration, in the quality of goods, the cost-of-living index is misleading. The shortage of foodstuffs continued; and at times certain necessities and semi-necessaries were not to be had. The new ration-card system for butter and fats worked smoothly. Wage rates remained stable, but average weekly earnings, it is claimed, increased, being in the middle of the year about 3½ per cent. higher than in 1936.

Agriculture and Industry.—For the fourth year in succession the cereal crops were unsatisfactory. The provisional total of bread cereals was 11,252,000 tons, against 11,909,000 tons in 1936, and a highest of 14,492,000 tons in 1933; of this total, wheat accounted for 4,490,000 tons, compared with 4,523,000 tons in 1936 and 5,765,000 tons in 1933. The yield of fodder cereals increased considerably. The potato crop was 53,600,000 tons, against only 46,324,000 tons in 1936. The sugar-beet crop increased by 12 per cent. to 15,700,000 tons. The fodder situation was slightly improved. Net imports of wheat totalled 1,219,000 tons, compared with 26,000 tons in 1936. The value of agricultural output in the crop year ended July, 1937, was Rm. 11,900 millions, of which three-fifths were animal products.

The number of unemployed fell from 1,478,000 to 995,000, and reached a seasonal lowest of 469,000 in September. The number of occupied persons in November, including clerical and technical employees, was 18,960,000, against 17,620,000 in November, 1936. Shortage of labour was marked in agriculture and in some skilled trades, including building. The most active of the production goods trades was the manufacture of machinery, which increased 21.8 per cent. The average daily time worked in all industry rose from 7.81 to 7.87 hours, and the time worked was longest in the heavy metals and shortest in the clothing trades. The increase in the output of capital goods continued, but at a slackened pace. The volume of such production was 31.3 per cent. higher than in the pre-depression year 1928; in 1936 it was 19.3 per cent. higher, and in 1932 61.5 per cent. lower. Production figures were:—

Industrial Output	1936	1937
	Metric tons	
Coal	158,380,000	184,512,000
Pig iron	15,300,000	15,957,400
Ingot steel	19,207,900	19,848,800

The shortage of iron and steel was acute; and rationing to all consumers on a basis of priorities was enforced. The value of machinery production was estimated at Rm. 4,000 millions, compared with Rm. 3,100 millions in 1936. Exports of machinery rose from 335,600 tons to 404,000 tons (estimated for December); the estimated value of exports was about Rm. 800 millions, against Rm. 661 millions. The automobile and shipbuilding trades were well employed, but late in the year tonnage under construction declined. All industries producing substitutes were active; output of cell-wool was some 100,000 tons, compared with 45,000 tons in 1936, and of rayon 55,000 tons, compared with 46,000 tons. Activity in the consumption goods trades was less marked.

Foreign Trade.—The system of foreign trade regulation underwent no material change. Statistically, the chief difference compared with 1936 was the large increase in imports, which was not fully covered by the increase in exports, with the consequence that the export surplus declined from Rm. 550 millions to Rm. 443 millions. Imports were 32 per cent. above the recent lowest in 1935, and exports 42 per cent. above the recent lowest in 1934.

Italy

AN additional number of figures to illustrate economic activity has become available this year, and it is now possible to indicate Italy's progress in the main branches during the last few years. In 1937 there was a marked recovery, and in many instances pre-depression levels were exceeded. The year was notable for an improvement in crops, except in vine cultivation, which still lagged behind 1935. Wheat, rice, hemp and cocoons are State monopolies, and the advance in wheat output was most marked.

Industry.—The Corporations Department has published indices of industrial production (1928=100).

	Textiles	Metallurgical and Engineering	Building	Electricity and Gas	General Index
1929	101.7	104.6	139.6	106.5	109.2
1932	67.4	70.7	78.9	110.3	73.0
1933	76.3	72.8	93.4	119.2	80.5
1935	76.8	102.6	162.3	135.8	102.4
1936	70.1	118.7	91.9	140.5	95.5
1937					
May	76.9	134.1	101.2	154.6	116.7
July	48.9	133.3	102.0	157.9	93.8
November ..	99.7	131.3	88.8	164.5	115.2

The textile and building industries were the only ones which did not exceed the highest levels of production in 1928 and 1929, largely because armament activity is not seriously felt in these trades.

Foreign Trade.—Owing to the new importance of the Empire, the figures of trade with the colonies are now separated from those of trade with the rest of the world:—

	(In million lire)		Import (—) or Export (+)	
	Imports from Colonies	Exports to Colonies	Surplus in Trade with Colonies	Foreign Countries
1933	78	7,354	212	5,779 + 134 = 1,575
1934	93	7,582	259	4,965 + 166 = 2,617
1935	128	7,662	750	4,488 + 622 = 3,174
1936	156	5,883	1,717	3,830 + 1,561 = 2,053
1937	348	13,489	2,580	7,849 + 2,232 = 5,640
1937*	209	8,093	1,548	4,709 + 1,339 = 3,384

* Converted into pre-October-6-1936 lire at the legal rate.

The colonial trade consists mainly of supplies sent to military and civil corps operating in Oriental Africa. Among the items which covered the import surplus in the balance of payments the most important were tourists' expenditure and the sale of State-owned foreign securities. Imports fell slightly, but their value increased by more than 90 per cent.; while exports increased by almost 25 per cent. in volume, but only 37.4 per cent. in value.

Prices, Cost of Living and Wages.—The year's movements in the index of wholesale prices and its components were as follows (1928 = 100):—

	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
1936	76.2	89.7	72.8	76.4
1937 June	91.6	100.2	82.9	89.6
December ..	93.9	109.4	91.3	96.4

After the alignment (devaluation by 41 per cent.) of the lira, wholesale prices only increased by 25.3 per cent. Foodstuffs went up 22.3 per cent. in price, and the general cost of living rose by 17.6 per cent.; but, since wages per hour, the number of persons employed and the hours of work per man also increased, the average working family, working rather more strenuously, is probably better off than before devaluation.

Money Market and Stock Exchange.—There was only very slight increase in bank deposits, and a very small transference of deposits from ordinary saving banks to other banks.

Average prices of 153 leading joint-stock companies' variable dividend shares increased from 100 in 1932 to 104.1 in 1933, 118.9 in 1934, 132.2 in 1935, 142.3 in 1936 and to a maximum of 183.3 in August, 1937. A decline to 167.5 in October then took place with a recovery to 174.8 in November. If we take as a basis prices for September, 1936, the month before the alignment of the lira, the index rose to 114.1 in December, 1936, and 128.9 in August, 1937, and then fell to 122.9 in November.

Public Finance.—On the basis of Budget statements by the Finance Minister, official papers and authorised communiqués, the results of the last two fiscal years can be summed up as follows:—

	Million lire
1935-36 :—	
Expenditure	33,057
Revenue (including 401 millions for first quota of gold offered by citizens)	20,371
Deficit*	12,686

* Of which expenditure in East Africa accounted for 11,136 millions.

	Million lire
1936-37 :—	
Expenditure : Ordinary	23,413
Revenue	24,702

Including—

- (i) Revaluation of the gold reserves of the Bank of Italy—1,649.
- (ii) Redemption by taxpayers of the extraordinary land and house tax—1,117.
- (iii) Third quota of gold offered by citizens ?

Surplus	1,289
but extraordinary expenditure was	17,519
and there was thus an actual deficit of	16,230

The ways and means used to cover deficits of 30,946 million lire in the last three years have been as follows:—

	(Million lire)
Nine years Treasury Bonds (1943)	2,000
Treasury Bills	7,800
Reconversion payment from 3.50 to 5 per cent.	6,805
Land and houses compulsory 5 per cent. loan (to April 30, 1937) (exclusive of 1,117 millions redemption as above)	4,260
Current Ways and Means Account :—	
From the Deposits and Loans Bank	2,442
„ Bank of Naples	1,285
„ Bank of Italy	448
State 10 lire notes	1,350
	5,525
Foreign and foreign domiciled Italian securities (to April 30, 1937)	2,207
	28,597

The difference between this total and the total deficits was easily raised by the Treasury by various means not yet published. After the revaluation of the gold reserves of the Bank of Italy, the results of which (1,649 million lire) were appropriated by the State, the gold reserve of the Bank of Italy stood in December, 1937, at 4,022 million lire, the same as in October, 1936.

Belgium

THE year ended less favourably than it began. The downfall of the van Zeeland Government was the main political event; in November a Government was formed by a coalition of the three big parties. The Rexist party, which perhaps favours

dictatorship, was beaten in the partial elections of April, which were a great success for M. van Zeeland. Socially, 1937 was quiet. Wages increased gradually; and the working time in coal mines was reduced from 48 hours to 45 hours a week.

The Budget and Finance.—The Belgian public finances were in an excellent position. An important reduction in the tax burden was introduced in the course of the year by de-rating; but the Minister of Finance has declared that expenditure will be fully met. It has also been stated that the accounts of the fiscal years 1935 and 1936 will show an appreciable surplus, though a slight deficit was expected. When economic activity slowed down at the end of the year, a slight reduction in taxation receipts was experienced. And supplementary expenditure has been included in the 1938 Budget. New taxes will probably be voted very soon. The Government is determined to balance the Budget. Quotations for Government securities fell slightly in the course of the year as the result of events in international markets. During the year the Government made several issues, including a 2,500 million franc Consolidated Loan at 3½ per cent., issued at 92. Banks improved their financial position during the year. The holding companies were able to repay the loans from their subsidiary banks, which in future will have a more independent existence.

Economic Activity and Employment.—Industrial production increased considerably in 1937. Coal output was 29,680,000 tons, or about 2 million tons more than in the previous year. The daily output per man fell from 820 to 780 kilos on account of the reduction in the working day. Metallurgical production was 3,777,000 tons, or 672,000 tons more than in 1936, but did not reach the level of 1929. At the end of the year sales of coal were not proceeding as easily as previously, while the steel industry was reducing production. Until the middle of 1937 unemployment declined at a fair rate. There were 105,000 wholly unemployed persons during the summer of 1936, and only 84,000 in July, 1937. But, since the textile industry experienced a marked setback towards the end of the year, the trend changed and some of the improvement of previous months was lost. There are now probably about 100,000 wholly unemployed, exclusive of the normal complement of seasonal unemployed. The maximum during the crisis was 200,000. The situation in agriculture improved slightly.

Foreign Trade.—Belgium benefited from the revival in world trade.

	Foreign Trade in millions of francs	
	Imports	Exports
1935	17,450	16,125
1936	21,700	19,750
1937	27,660	25,700

The value of the import surplus during the year was 1,940 million francs. This was compensated in a large measure by the export surplus in the Congo trade; and invisible exports produced a net credit balance of the balance of payments.

Exchange and Currency.—The balance-sheet of the National Bank showed a gold reserve hitherto kept secret. Besides the gold reserve proper, amounting to 17,500 million francs, the National Bank also has gold ingots to the value of 5,000 million francs. Thus the cover of the sight liabilities of the Central Bank is not 69 per cent., but 89 per cent. In addition, the Belgian State has still 2,000 million francs of gold, representing the surplus value of the gold reserve after the devaluation. In effect, the gold cover of the sight liabilities is 100 per cent. During the year the Belga was less firm in the exchange market, and some gold exports took place. In all, the gold reserve of the National Bank declined by 1,800 million francs, and of this amount 800 millions correspond to repayments of the foreign debt. The remaining 1,000 million francs represent withdrawals of foreign capital, repayments of private debts, and some export of Belgian capital. The weakness of the French franc had a certain influence on the Belgian exchange; but it was only slight.

The Belgian Congo.—The first information available about 1937 shows general activity in the Belgian Congo increased. Copper output rose from 98,000 tons to 150,000 tons; the production of tin, cement, sugar, cotton and wood also made a notable advance. But the fall in the prices of colonial produce does not suggest that the excellent results registered in 1937 will be repeated in 1938.

Spain

AFTER eighteen months of fratricidal war in Spain, there are still unfortunately no prospects of an early peace. The whole of Northern Spain is now under Insurgent control. The Government still holds Madrid and, roughly speaking, the area between Madrid and the Mediterranean Coast, from the French frontier to Almeria. Since the outbreak of the revolution there have been three principal autonomous authorities in Spain, viz. the Republican Government, the Government of Catalonia, and the Insurgents, whose civil headquarters are at Burgos. The seat of the Government was transferred in November, 1936, from Madrid to Valencia, and again in October, 1937, to Barcelona, so that the latter city, besides being the capital of Catalonia, is now also the administrative headquarters of the Republic. The old capital has still resisted Insurgent capture.

Mining.—Owing to the catastrophic interruption to the normal economic life of the Republic, little data is available about the various branches of commercial and industrial activity. Production of iron ore in Vizcaya suffered a sharp contraction when the outbreak of the Civil War depleted the supply of labour, but, since June last—when the area was occupied by the Insurgents—output has been on the up-grade. Of the normal Spanish production of iron ore, more than one-half comes from the Bilbao zone. The United Kingdom obtains a large proportion of its requirements of iron ore from Spain, and the supply of ore from that source was suspended last July for some weeks, owing, it was stated, to transport difficulties. During recent months, arrivals from Spain have reached quite large dimensions. A feature of Spain's mining industry last year was the greatly increased quantities taken by both Italy and Germany of iron, copper, and pyrites from the territory held by the Insurgents under General Franco.

Foreign Trade.—There are few Spanish statistics of foreign trade available, but it is known that the Government territory has very considerably augmented its commercial interchange with Russia, and the Insurgents with Italy and Germany. In certain cases the Insurgent authorities are permitting trade on a barter basis, provision having been made in a Trade Agreement concluded with Italy early in 1937, while in December an agreement was concluded with Denmark providing for the exchange of oranges for dried codfish. On the Government side, an agreement was signed with France in January, 1937, which stipulated that part of the proceeds of Spanish exports to France should be available for the payment for French goods purchased by Spain, and that a percentage should be reserved for the liquidation of frozen trade debts owing to France. United Kingdom trade statistics relating to the first nine months of 1937 show that British purchases of Spanish oranges in that period were valued at £1,579,246, compared with £1,776,178 in the same period of 1936, and with £1,230,799 in 1935. Imports of iron ore and scrap were fairly well maintained at £660,557, against £751,857 and £698,401, respectively, but shipments of copper to Great Britain have been in suspense since 1936. Great Britain has increased its purchases of wines, iron pyrites and non-ferrous metals. The aggregate value of British imports from Spain in the first nine months of 1937 was £6,562,000, a figure which is not very much lower than the £8,050,000 recorded in the corresponding months of 1936 and £7,396,000 in 1935. Over the same period, however, British exports to Spain, including re-exports, have fallen to £2,497,000 in January-September, 1937, from £2,827,000 in 1936 and £4,210,000 in 1935. These figures indicate an import surplus for Great Britain of £4,065,000 in 1937, against £5,223,000 in 1936 and £3,186,000 in 1935. Considerable weight therefore attaches to the claims of British exporters for prompt payment in sterling, and it is understood that both the Central Government and the Burgos authorities have engaged that payment for goods from Great Britain would be effected out of the foreign exchange which becomes available from British payments for Spanish goods. Full diplomatic recognition of the Franco regime has not been accorded by the United Kingdom Government, but extensive trade interests in Insurgent territory call for official contact, and, accordingly, towards the end of the year, it was announced that British trade agents would be appointed and that a corresponding agent of General Franco would operate in London. Both the Government and the Nationalist authorities exercise a rigid control over foreign trade, while a diversity of regulations has been issued affecting industry, banking, currency, securities, gold and jewellery, etc.—the greater part of which are undoubtedly transitional in character, their necessity being dictated by present circumstances.

Holland

THE year 1937, which made such a promising start, proved a disappointment. The vigorous revival which followed the depreciation of the guilder in September, 1936, was maintained and even intensified in the first six months. The general recovery in world markets was particularly favourable to activity in the export industries, in shipping and in shipbuilding. Industries catering for the home market lagged somewhat behind, because domestic purchasing power had not been stimulated by an all-round increase in wages, but, on the contrary, had been retarded by a gradual rise in home prices. In the second half of the year, the steep fall in world prices and signs of recession, especially in America, had a noticeable effect on the economic life of the Netherlands. Once again wholesale prices declined, share values fell, industrial activity slowed down, and unemployment rose. The Budget is still unbalanced, and the Government is faced with greatly increased expenditure for defence.

Industry and Prices.—The recession in industrial activity in the middle of 1937 is clearly shown by the quotations on the Amsterdam Bourse for industrial shares and by the course of commodity prices.

The general index of wholesale prices for December, 1937, was, nevertheless, 20.8 per cent. higher than in September, 1936, when the gold standard was abandoned. The post-devaluation rise in food prices has been 19.8 per cent. The unemployment returns reflect the recession, as will be evident from the following table, showing the number of unemployed in the Netherlands:—

	1935	1936	1937	Decrease in 1937
January	432,400	475,900	466,200	— 9,700
February	417,600	465,500	439,600	— 25,900
March	384,200	429,000	403,400	— 25,600
April	368,200	415,700	359,700	— 56,000
May	355,200	392,900	328,500	— 64,400
June	333,600	378,800	310,600	— 68,200
July	336,900	375,700	312,900	— 62,800
August	353,100	381,400	317,800	— 63,600
September	366,000	390,100	324,300	— 65,800
October	381,900	394,400	340,400	— 54,000
November	415,200	419,500	386,000	— 33,500
December	471,900	455,200	437,400	— 17,800

In the second half of 1937 the number of unemployed grew month by month.

Foreign Trade.—On the other hand, foreign trade was fairly well maintained throughout the year. The values of imports and exports have been larger every month compared with the corresponding month of 1936:—

	Imports				Exports			
	1934	1935	1936	1937	1934	1935	1936	1937
January	100	76	79	106	56	55	50	73
February	81	70	74	105	51	51	50	79
March	94	80	79	125	61	54	55	94
April	85	78	81	142	54	50	57	101
May	87	78	76	128	57	58	53	90
June	89	73	77	140	59	51	53	95
July	86	76	80	146	58	54	60	102
August	87	76	82	123	69	61	63	99
September	78	76	82	130	69	59	72	113
October	87	85	82	149	62	70	75	106
November	88	86	101	130	60	60	77	98
December	75	73	114	128	56	62	79	98

The upward movement after the devaluation of the guilder in September, 1936, is striking.

Agriculture and Finance.—Government relief for agriculture could not be dispensed with entirely in 1937, because export prices for agricultural produce were not yet remunerative. By reducing the levies on agricultural produce, the Government were able to counteract the rising tendency of the cost of living subsequent to the depreciation of the guilder.

Throughout the year a superabundance of liquid funds characterised the Amsterdam money and capital markets, involving lower and lower rates of interest. A succession of conversions of State, provincial and municipal loans was the result. Considerable activity was accordingly displayed in the new issues market, which registered a total of 2,595 million guilders' worth of new issues (compared with 288 millions in 1936), and no less than 2,448 million guilders of this year's total were for conversions (compared with 87 millions in 1936). The 3 per cent. type of loan has gradually invaded the market. The official discount rate of the Netherlands Bank remained unchanged throughout the year at

2 per cent., while the prolongation rate closed at $\frac{1}{2}$ per cent. and call money yielded $\frac{1}{4}$ per cent. The stock of gold in the Netherlands Bank rose owing to the firm tendency of the guilder, to almost 1,400 million guilders, with a bank note circulation of about 900 million guilders.

Switzerland

THE economic situation improved greatly during the year, and the revival in trade and industry was attributable partly to devaluation and partly to world recovery. Devaluation was in particular responsible for recovery in the export trade and tourist traffic; the earnings of all transport undertakings were higher than in 1936, and unemployment showed a marked decrease. The year would have been wholly satisfactory, if banking had not been adversely affected by the United States slump.

Money and Finance.—The official discount rate was unchanged at $1\frac{1}{2}$ per cent. Interest on long-term deposits ranged from $1\frac{1}{2}$ to 2 per cent., while on short-term deposits it barely reached 1 per cent., and was sometimes reduced to nil. The situation of the National Bank remains strong. The gold reserve, which was 1,553 million francs in September, 1936, was raised to 2,408 millions by devaluation, and reached 2,662 millions at the end of the year, when the note circulation was 1,453 million francs. The sterling exchange ranged between 21.45 and 21.62 francs to the pound. Money was abundant and cheap. Switzerland became the refuge for foreign capital (mostly French), and the influx was so great that the National Bank was compelled to take measures to prevent an excessive increase in foreign short-term deposits. The Federal finances reflected the general improvement. The estimated deficit of 77 million francs for 1936 was reduced to 23 millions, and the estimated deficit of 42 million francs for 1937 is likely to be reduced by about 7 millions. Expenditure for 1938 is estimated at 542.8 million francs and receipts at 519.8 millions, with an estimated deficit of 23 million francs. An improvement was recorded in the receipts of the Federal post, telegraph and telephone services, the aggregate surplus of which was about 76 million francs in 11 months, compared with 66 millions during the corresponding period of 1936. The receipts of the Federal railways reached 335 million francs in the year, compared with 290 millions in 1936, and their surplus was 124 millions, against 78 millions in 1935.

Tourists, Employment and Agriculture.—During the period January to November, 15 million tourists, of whom 7,448,000 were foreigners, visited the Swiss hotels, against 13,316,000 and 5,682,000, respectively, in the whole of 1936. The level of unemployment was lower than in 1936 throughout the year. The number of registered unemployed was 110,754 in January, 49,244 in July and 87,311 in December, compared with 104,842 in December, 1936. The seasonal rise between September and December, however, was 35,435, compared with 21,980 in 1936, the increase being mostly due to the rise in unemployment in the building industry. The value of agriculture produce was about 1,200 million francs, compared with 1,150 millions in 1936. Agriculture suffered great losses from the epidemic of foot-and-mouth disease.

Foreign Trade.—Imports in 1937 were valued at 1,807 million francs, compared with 1,266 millions in 1936, and exports at 1,286 millions, against 881 millions in 1936. In trade with Great Britain, imports were valued at 112,730,933 francs, compared with 78,291,811 francs in 1936, and exports at 143,782,717 francs, against 97,869,485 francs in 1936. The outstanding feature of foreign trade was the recovery of the watchmaking industry, exports of which reached 239 million francs, against 150 millions in 1936, and of the machinery industry, the sales of which totalled 188 million francs in value, compared with 109 millions in 1936.

Eastern Europe

Austria

HANDICAPPED by currency regulations, import prohibitions and clearing agreements, Austria followed at a modest distance the general trend of world economic activity; economic conditions decidedly improved during the first half of the year, and then slowly declined. Two items of outstanding importance showed marked improvement, i.e. foreign trade and employment. Greater industrial activity was responsible for larger imports of raw materials and semi-

finished goods, and finished goods represented 60 per cent. of the increased exports. Unemployment was considerably reduced.

Finance.—The actual accounts for 1937 are expected to close with a surplus, owing to improved economic conditions and to strict economy—although increased expenditure on re-armament continues to put a heavy strain on public resources. Gold and foreign currency in the holding of the Nationalbank at the end of 1937 amounted to 400 million schillings, against 348 million schillings at the same date in 1936. Foreign debts have been regularly and progressively repaid. All legitimate requirements of foreign currency have been met by the Nationalbank. The schilling remained stable during the whole year.

Stock Exchange.—The index of bond values (January 1935 = 100) stood at 110.3 at the end of 1937, against 110.6 at the end of 1936; the index of Austrian share values was 161.2, and of foreign shares at 150.2, compared with 168.7 and 154.6 respectively. Thus, the Viennese stock exchange followed the downward movement of the Western bourses and lost the high levels reached and maintained during the first half year of 1937. Private savings in banks and in saving and mortgage institutions increased by about 7 per cent. during the year, and are now estimated at about 3,200 million schillings.

Industry.—The year was the best since 1918 for Austrian industry. Production exceeded by 10 per cent. the record of 1929. Industrial enterprise was favoured by general armament activity and by increased home orders, financed by the Government's investment loan in the spring. Although only a few new plants were built, many of the already existing factories had to be enlarged in order to meet larger export orders. The upward trend of industrial activity came to a premature halt, however, and slowed down after the middle of the year. The production of soft coal increased and reached 2.6 million tons, against 2.37 million tons in the first ten months. Timber, of which about 70 per cent. is exported, remained one of the most important items in Austrian trade; and timber exports improved by 40 per cent. But the prospects of the timber trade are impaired by difficulties of payment in Germany and Italy. Cotton spinning started the year fairly active, but conditions became difficult, when Roumania, where the Austrian mills used to sell 90 per cent. of their export quota, ceased to buy. Cotton weaving also relapsed after July because of a decline in home consumption, retail prices being still disproportionate compared with the fall in the world price of cotton; and the same applies to the wool industry. The production of iron ore and of pig iron for home consumption and export increased considerably. The orders of the iron industry, after reaching normal in March, slowly declined. The metal industry was favourably affected by general re-armament. The motor car industry maintained the level of production reached in 1936. The building industry, the most important source of industrial activity, is still dependent on orders based on public financial help, and very few private orders are forthcoming. The brewing industry, roughly indicative of popular purchasing power, was not working to capacity.

Foreign Trade and Tourism.—The increase in exports of finished goods was the most favourable item in the year's trade. The import surplus was reduced, and was covered by tourist receipts and invisible exports. The favourable trend of exports to Germany and Italy is threatened by the inability of prompt payment in both countries, and the unliquidated Austrian claims amount to about 200 million schillings. Several schemes are being devised in order to mobilise the frozen claims. Attracted by winter sports, by the annual festivals in Vienna and Salzburg and the new picturesque Alpine roads, an increasing number of tourists from abroad (some 10 per cent. more than in 1936), coming especially from England, Holland, France and America, visited and toured Austria. The active balance on tourist traffic, deducting from the sums spent by foreigners in Austria the expenditure of Austrians abroad, is estimated at about 150 million schillings. Foreign currency was kept flowing into the country from July until December, and contributed in an important measure to the favourable situation of the Nationalbank mentioned above.

Hungary

THE outstanding events in 1937 were a balanced Budget for the first time since 1929; an impressive export surplus; and a favourable balance of payments which enabled the country, in agreement with the creditors, to resume its foreign debt service on a moderate scale. A good harvest and better

marketing conditions improved agriculture, and increased industrial production and expanding trade brought relative prosperity to the urban population. Against these favourable symptoms it was apparent that the Government would have to devote more money to public works and social improvements, to counteract political agitation among the less fortunate, both in the rural districts and in the towns among the lower middle classes, who have not so far benefited by the recovery.

The Budget.—The budgetary year 1936–37 produced a surplus of 12 million pengő. Ordinary budgetary expenditure amounted to 788.9 million pengő; and extraordinary expenses, covering the deficit on the State undertakings and providing for public works to relieve unemployment, totalled 80.4 million pengő—in all 869.3 million pengő. Ordinary receipts amounted to 871.6 millions, and extraordinary revenues to 9.7 millions, a total of 881.3 million pengő. In the first five months of the financial year 1937–38 budgetary receipts amounted to 468.3 millions, and expenditure to 419.7 millions, leaving a surplus of 48.5 million pengő.

Currency and Credit.—The pengő remained remarkably stable throughout the year, and its purchasing power suffered less from the erratic movement of world prices than those of the freely convertible currencies. The bank rate was 4 per cent. throughout the year. The balance sheet of the National Bank suggests that credit conditions have greatly improved, because, in spite of the increasing note circulation caused by economic recovery, the bills portfolio of the bank decreased. This is proof that accumulated savings enabled the commercial banks to finance expanding business without availing themselves of the discounting facilities of the Central Bank. At the end of 1936 rediscounts of the National Bank amounted to 535 millions, and by the end of 1937 they had fallen to 449.7 millions, while the note circulation expanded from 436.4 millions, to 466.2 million pengő in the year. Savings and deposits in commercial and saving banks increased by about 100 million pengő during the year. The bullion reserve of the National Bank increased from 132.6 million pengő to 149.4 millions; and the improved budgetary condition is revealed in the bank's balance sheet by the reassuring figure of 203 million pengő, representing public deposits, the highest since 1929.

Foreign Trade.—Both the value and volume of foreign trade were larger in 1937 than in any year since 1930, and the export surplus was the largest in any post-war year. Comparative figures are as follows:—

(In million pengő)		
	1936	1937
Exports	504.4	601.1
Imports	436.5	476.0
Surplus	67.9	125.1

The bulk of Hungary's foreign trade is done with Austria, Germany and Italy, none of which has a convertible currency. An active trade balance, therefore, however impressive, does not necessarily prove a corresponding ability to transfer exchange in convertible currency. Hungary has, however, undertaken to effect transfers in the next three years in convertible exchanges, amounting in all to £2½ millions per annum (45 million gold pengő) for her foreign debt service. To meet this obligation, additional exports form an integral part of her foreign trade policy, and most of the convertible exchange for debt service in 1937 was derived from this source. It should be emphasised that the large export surplus in 1937 was due to the succession of two good harvests and to a world price structure which particularly favoured Hungary, but these factors cannot be considered permanent. Domestic trade developed satisfactorily. Industrial production was higher than in any previous year; and the recession in the last quarter was very moderate.

Czechoslovakia

The economic position has been influenced by international uneasiness about Spain and China. In August diplomatic relations between Czechoslovakia and Portugal were severed. Close relations have been maintained with the Little Entente countries, and relations with Austria and Hungary improved materially. The Prime Minister's plans to organise Central European co-operation have gradually met with a favourable response. In internal politics an agreement was reached in February with the activist German minority. At the end of the year the question of co-operation with the Henlein Party was discussed. The international situation has forced upon

the country an extensive armament programme, which requires considerable financial resources, and is expressed in higher taxation.

Economic and Financial Policy.—The year brought about a substantial improvement in economic conditions, both in internal and foreign trade. In the second part of the year, however, some slackening was evident. Difficulties were encountered about corn prices. The Government had to interfere and prices were raised. The Agrarian Party wishes animal production to be organised in a monopoly, and demands the relief of agricultural indebtedness. Czechoslovakia has not formerly been self-sufficing in wheat production; but autarkic policy and the diminution of the beet-root area, owing to lower exports of sugar, caused the production of wheat to rise, and Czechoslovakia has lately been able to export both wheat and wheat flour. To cover the cost of national defence, new taxes have been introduced and others raised. Direct taxes have been supplemented by a national defence contribution and an extraordinary tax on profits. The turnover tax has been raised in special cases, as well as the taxes on mineral waters, beer, wine, artificial fats, sweetening materials, and playing cards.

The Budget.—Expenditure, budgeted and unbudgeted, amounted to 12,371 million Cz.K., and the Budget deficit to 2,315.6 million Cz.K. The State debt rose by 5,603 million Cz.K. to 45,527.4 million Cz.K. The revenue derived from taxation and excise duties amounted to 10,373 million Cz.K., or 1,363 millions more than in 1936, and 840 millions more than estimated. In the Budget for 1938 expenditure amounts to 10,117.4 million Cz.K., or 1,663.6 million Cz.K. more than in 1937. Ordinary expenditure compared with previous years is as follows:—

(Millions of Cz.K.)			
	1934	1937	1938
.....	10,380	11,277	
.....	10,715	12,860	
.....	10,765		

The extraordinary Budget for 1938 is covered by credits, and amounts to 3,508.7 million Cz.K., of which 2,360 million Cz.K. have been earmarked for defence. During the years 1935–37 some 5,838 millions have been spent on defence, apart from the regular Budget of the Ministry of National defence, which in 1937 was 1,359 millions. The new Budget includes for 2,089 millions in the regular statement and 2,360 millions in the extraordinary Budget, making in all 4,458 million Cz.K. The State debt accordingly will reach 47,094.4 million Cz.K.; the external debt is 8,251.6 million Cz.K., and for debt service and amortisation some 1,852.2 million Cz.K. will be required in 1938.

Money Market and Stock Exchange.—The level of deposits has been maintained, and towards the end of the year rose a little. The Stock Exchange at the beginning of the year was firm. On the whole, public securities were quiet throughout the year. Share values at first rose rapidly, but on April 20th a sharp decline in quotations set in and, following a temporary revival, a further fall took place in October, after which the Stock Exchange remained slack. The Stock Exchange index of share values (1927 = 100) rose at the beginning of April to 167.7, but declined in December to 127.5.

Industry and Employment.—There was a substantial improvement in industry in 1937. The home market was active, exports rose, building activity was marked, and the demand for armaments kept certain industries busy. In the second half of the year some branches of industry slowed down. The index of production (1929 = 100) rose between January and October from 92.6 to 99.2. The number of unemployed reached the lowest level in September, but rose considerably in November and December, partly for seasonal reasons.

The output of coal (lignite excepted) and of iron and steel rose above the 1929 level. Compared with preceding years output was as follows:—

('000 tons)					
Year	Coal	Lignite	Coke	Pig Iron	Raw Steel
1935 ...	10,964.6	15,226.4	1,551.1	810.6	1,197.0
1936 ...	12,233.2	15,948.8	1,955.4	1,139.9	1,560.3
1937 ...	16,951.3	18,068.1	3,271.9	1,674.7	2,297.5

Labour relations, with the exception of a few strikes quickly settled, were quiet. The operation of existing collective agreements was prolonged by law to the end of 1938. The index of wholesale prices (1914 = 100) rose to 764 in April, but fell in December to 732. The index of the cost of living rose from 699 to 728 in the year.

Foreign Trade.—Despite obstacles there was a rapid growth in Czechoslovakia's foreign trade. There was an export surplus of 1,006 million Cz.K., against 99 million Cz.K. in 1936. The most important buyer of Czechoslovak

goods was Germany; the second place was taken by the United States; and Great Britain and Austria followed. Exports to those countries, relatively unfettered by trade regulations, are increasing, and diminishing to those which limit imports by quotas, exchange controls and clearing arrangements.

Poland

The economic recovery, which reached Poland about three years after most other countries, made further progress in 1937. The volume of industrial production, which reached the lowest point of the depression in 1932, when it was 53.7 per cent. of the 1928 volume, recovered by the end of 1935 to 68.4 per cent., by the end of 1936 to 77.5 per cent. and in November, 1937, to 86.8 per cent. The population of Poland in the meantime, however, has increased by about 500,000 a year. With the continued growth of "Etatism," and a "directed economy," it is felt that Poland has now made herself largely independent of external trade influences, and that, under the stimulus of re-armament, the recovery will continue. The standard of living, which suffered marked deterioration from 1929 to 1935, has been slightly improved during the last two years, in spite of the fact that the Services and the national defence investment programme are absorbing more and more of the national income.

Finance.—Economic progress in 1937 was helped greatly by the financial windfalls that have come to the Treasury since the critical period in April, 1936, when exchange restrictions were introduced—and when the actual gold in possession of the Bank of Poland was probably much less than the amount then reported. Chief among these windfalls were the military credits arranged in France at the end of 1936; sales to Spain, first of munitions and later of food products and textile goods; similar, but much smaller, sales to the Far East; payment by German (in cash and goods) of past and present indebtedness for railway transit traffic across the Corridor; and agreements with home and foreign holders for reduction of interest on external bond issues. Although these windfalls have not been fully reflected in the returns of the Bank of Poland, its holdings of gold and foreign exchange were shown to have increased during 1937 from 422.6 to 471.0 million zlotys. Net gold imports in 1937, according to the foreign trade returns, were valued at 121 million zlotys. Further payments during 1938 on account of the French military credits will help to strengthen the reserve position, and no doubt is felt that the "battle of the zloty" has been won. Conditions in the private money market improved throughout 1937, the aggregate of bank deposits rising during the year by about 300 million zlotys; and there has recently been a substantial recovery in security prices.

Foreign Trade.—Official figures for the last three years, given below, indicate that the increase in foreign trade has kept pace with the improvement in industrial output:—

(In millions of zlotys)			
	Imports	Exports	Balance
1935	859.6	925.0	+ 65.4
1936	1,003.4	1,026.2	+ 22.8
1937 (prelim.)	1,254.3	1,195.6	— 58.7

+ = Export surplus. — = Import surplus.

The increase in imports is explained by the growing tempo of the re-armament programme, while the increase in exports was brought about in spite of the embargo placed on grain and flour when it was realised that the 1937 crop would be substantially below normal. The loss on grain, however, was much more than offset by larger exports of coal, timber and pork products. Coal exports increased from 8.4 million metric tons in 1936 to 11.0 millions in 1937. The extension, in December, 1937, of the Anglo-Polish Coal Marketing agreement for another two years is expected to increase coal exports in 1938 to beyond 12 million metric tons. Imports are now closely controlled to conform with the available supplies of foreign exchange, and with the needs of the national defence programme. No difficulty is foreseen in financing an import surplus for the next year or two. Some concern is felt, however, about the balance of trade with the United Kingdom. The official figures (for 11 months) show that the value of imports from the United Kingdom increased from 129.8 million zlotys in 1936 to 138.0 millions in 1937, while the value of exports to the United Kingdom declined from 207.5 to 199.6 million zlotys. It is contended that invisible items now much more than offset the reduced balance in Poland's favour.

U.S.S.R.

The Soviet Union's second Five-Year Plan was concluded in 1937, after twelve months in which the economic problems had been subordinated to political problems for the first time since Leon Trotsky's final defeat by Josef Stalin. For nearly nine years, the Communists had concentrated all their energies on the industrialisation of Russia and on the collectivisation of Russian agriculture. In 1937, on the direct signal given by Stalin in his address to the last *plenium* of the party's Central Committee, they turned to a political self-examination which produced one of the most bitter purges in Bolshevik history. This purge was both the result and the cause of falterings in the economic drive of the Communist Party to "build Socialism in one country."

Industry.—It is symptomatic of the purge that the publication of economic statistics has been sharply curtailed. The fear of war, constant in Soviet life, and the spy-mania which has been a feature of the last twelve months have between them materially widened the concept of "military secrets." The official foreign trade reports have not been issued since September, 1937; industrial and agricultural results for the year have been released for the most part indirectly and without statistical detail. Preliminary figures, according to the new president of the State Planning Commission, indicate that 1937 results exceeded those called for by the second Five-Year Plan by 4 per cent. for industry as a whole. Since annual control figures have been consistently higher than the Five-Year Plan called for, it is to be presumed that the 1937 industrial plan was under-fulfilled. He announced that the Five-Year Plan was over-fulfilled in heavy industry and food industry by 10 and 8 per cent., respectively. In many branches of the light and timber industries, and also in the production of non-ferrous metals, he admitted that the plan had not been achieved. The 1937 plan called for industrial production to the value of 78,000 million roubles (on the basis of 1926–27 prices). The Prime Minister, M. Molotov, has stated that the actual achievement would be in the neighbourhood of 73,000 millions. This is 430 per cent. of the figure for 1929, first of the Five-Year Plan years; and Soviet statesmen now claim for their country the first industrial rank in Europe and second in the world. In transport, the 1937 plan of 79,000 daily freight-car loadings was already exceeded in 1936, with a figure of 86,200; and this has been somewhat bettered during 1937. The quality of Soviet industrial production remained low, and its cost, by Western standards, inordinately high. One of the significant industrial developments of the year was the continued eastward shift of Russian economic life. Mines and mills east of the Urals produced during the year 32.2 per cent. of all Soviet coal and 27.5 per cent. of all Soviet iron; while one plant, at Magnitogorsk, opened in 1932, turned out during 1937 more than twice as much iron as all of Poland.

Agriculture.—An exceptional harvest produced more grain in 1937 than in any other year of Russian history. The preliminary estimate of 6,800 million poods (111,384,000 tons) exceeds the 1937 plan (6,600 million poods) and is 8.8 per cent. better than the maximum expectations of the original second Five-Year Plan. The cotton crop is reported to be 25.3 per cent. above plan figures, with sugar beet, flax and sunflowers somewhat less than planned. In spite of industrial increases in the number of horned cattle and pigs, livestock breeding has also failed to fulfil its plan.

Prices and Wages.—For the first time since the elimination of rationing in 1935, prices were somewhat reduced during 1937. Although the reductions are announced officially to have saved consumers 2,000 million roubles during the year, manufactured goods are still high-priced in relation to the average monthly income of 281 roubles. This latter figure compares with 238 roubles in 1936. An increase of more than 4 million wage-earners during the last five years was partly responsible for an unexpected excess over the planned wages fund for 1937, which totalled 80,000 million roubles instead of 50,700 millions as planned. A wide spread in incomes continued to result from piece-work wage schedules, and a continued Communist drive to induce workers to increase their technical qualifications. The socialised trading organisations are announced to have sold goods to the Russian people during the year valued at 125,000 million roubles, compared with 40,300 millions in 1932. This figure includes manufactured goods and food, but excludes direct sales by collective farms and peasants under the more lenient regulations which now permit both to sell freely all produce left after obligations to the Government have been met.

Foreign Trade.—In the first nine months of 1937, the Soviet Union's foreign trade showed an export surplus of

206 million roubles. Exports increased slightly, compared with 1936. Spain was listed as the Soviet's third best customer, after Great Britain and the United States—in the place traditionally held by Germany. Imports remained at approximately the same figure, valued at 1,012 million roubles in the first nine months of 1937, compared with 1,008 millions in the same period of 1936. The United States again sold most goods to the Soviet Union, followed closely by Germany and Great Britain.

Budget.—The 1937 Budget provided for an expenditure of 97,119 million roubles and an income of 98,069 millions. The lion's share of the former figure was allocated, as usual, to capital investment, which absorbed 39,585 million roubles. National defence absorbed 20,102 millions, education 18,269 millions and public health 7,528 millions. The People's Commissariat for Internal Affairs, which maintains the regular police and fire-fighting forces, besides conducting the political house-cleaning which marked the last year in the Soviet Union, cost the Government 2,699 million roubles. The turnover tax again provided the bulk of the Government's revenue, some 76,795 million roubles. Profits of State-owned enterprises accounted for 6,304 millions, and the issue of internal loans was planned to yield 5,975 million roubles. Besides over-subscribing the Government bonds issued during the year, the workers and peasants increased their individual savings bank accounts from 2,461 million roubles on January 1, 1936, to 4,300 million roubles on October 1, 1937.

Roumania

POLITICALLY the year was characterised by a gathering Government crisis; the solution was a surprising re-appointment of M. Tatarescu, followed by the unprecedented defeat of the Cabinet in the general elections. The subsequent appointment of an extreme Right Cabinet under M. Goga can be explained only by the King's statement that Roumania needs a "controlled" democracy. The new Government has yet to win the adhesion of the majority of the population; and its first measures were displeasing to all democratically-minded men and even to the rather Conservative parties, such as the Liberals.

Finance.—The year was very favourable both to State finance and the exchange position of the National Bank. The ordinary Budget was balanced at 25,948 million lei, but, actually, there was a considerable surplus, and the Tatarescu Government took this opportunity to increase the salaries of public employees to their pre-crisis level. The Budget for National Defence remained raised to 2,750 million lei. The trade returns showed record figures: in the first ten months there was an export surplus of 10,700 million lei, and the whole year's surplus may approach 12,000 millions, compared with 8,700 millions during 1936. Payments abroad could accordingly be effected without undue delay, but there are complaints that the existing clearing agreements no longer correspond to the trend of foreign trade, and that important amounts are blocked in clearing accounts without any possibility of using them.

Banking.—Although the upward trend in business was interrupted in the late summer, and the year ended with rather dull business prospects, the banking year was exceptionally good. The big turnover caused increased profits, and there were very few suspensions of payment by debtors. A wholesale reorganisation of provincial banks is becoming urgent, since many small banks are still carrying on a hopeless existence under the protection of the Debt Conversion Law of 1934. Pressure was, and will be, used to accelerate mergers with local branches of big Bucharest banks.

Agriculture.—The year was only good for wheat producers. The other cereals, vines and oilseeds gave disappointing results. Export prices for cereals were, however, distinctly better than during 1936.

	Average 1931-36	Total Yield		Exports		Average Prices* in Lei per metric quintal f.o.b. Constantza	
		1936	1937	1936	1937	1936	1937
		(In metric tons, '000's omitted)					
Wheat	2,630	3,551	3,700	610	1,093	\$	515.8*
Barley	1,110	1,610	870	524	151†	265	368.4*
Maize	5,370	5,610	4,240	17	47‡	227	330*

* First 10 months, during eleven months. † Estimated. ‡ First eight months. § Export prohibited.

Great efforts have been made to introduce new crops, and for this purpose a State-controlled company was established

to foster the cultivation of hemp and flax. The cultivation of soya beans gave promising results, and the area under this crop is increasing annually.

Industry.—All armament plants have been provided with important Government orders, and many had to be enlarged. It is believed that the total output of iron and steel will be equal to that of 1936, as the increased Government orders have compensated the lull in commercial business. The lumber industry was very busy, but oil output declined, despite increased drilling. The provisional figures for 1937 were 7.2 million tons of crude oil output and 390,000 metres of drilling, compared with 8.7 million tons and 328,000 metres, respectively, in 1936. Better export prices have made up for the drop in output, but it has yet to be seen whether the Roumanian oil industry will be able to recover from this slump. The capacity of plants and refineries (the total working capacity is 11 million tons per year) will continue to be exploited only on a low scale, and the higher working expenses per unit prevailing during the year 1937 will continue to make themselves felt.

Jugoslavia

PROGRESS in Yugoslavia was maintained throughout 1937, and the general setback in the autumn did not affect this country, since autumn coincides with the chief export season.

Foreign Trade.—During the year foreign trade showed a most remarkable advance, the total volume increasing by nearly 30 per cent. This was due to the reopening of the Italian frontier after sanctions, to new trade connections, and to the bumper maize harvest. Exports during twelve months amounted to 4,557,000 tons, valued at 6,272 million dinars, an increase of 43.44 per cent. in value and 58.89 per cent. in volume compared with 1936. Imports were 1,105,000 tons, valued at 5,234 million dinars, an increase of 28.37 per cent. in value and 13.76 per cent. in volume. The surplus of exports was 1,038 million dinars.

Agriculture and Industry.—Agriculture was less satisfactory, in spite of a record crop of 53.3 million quintals of maize. Wheat gave only a modest yield of 23.5 million while other grains and fruit were disappointing. The share of agriculture in the national income fell by 945 million dinars, or 4.30 per cent. Industry benefited from better exports, especially timber, which was sold heavily to Italy and Great Britain. Good progress was also recorded in chemicals, vegetable oils, electricity, textiles, milling and bricks. New capital sunk in industry in the course of the year amounted to 1,200 million dinars. The number of insured workers in September reached 718,962, against 646,300 in 1936, with an insured wage of 424.1 million dinars, against 357.7 millions. The daily wage has also increased from an average of 22.14 to 23.45 dinars, although this is hardly enough to balance the rise in the cost of living. The index of prices has risen from 69.8 in November 1936 to 79.5 in 1937. The index, however, seems to have reached its high-water mark, having fallen back from 80, where it stood in October.

Finance.—Favourable exports have resulted in a greater abundance of devisen, and the amount of devisen from export which has to be handed to the National Bank has been reduced from 33.33 per cent., at which it has stood since February, 1936, to 25 per cent. This is the fourth reduction of the percentage, and marks, therefore, a further step towards a restoration of free exchange. Private capital has also benefited from better business conditions, savings deposits having risen from 10,644 millions to 11,807 million dinars between November, 1936 and 1937. This has much eased the position of private banks, and although 298 out of a total of 610 still enjoy protection in some form or other, frozen credits have greatly diminished. For the first time for several years Government receipts exceeded the estimates. Receipts during the first eight months of the 1937-38 budgetary year were 7,836 million dinars, or 589 millions more than the estimate. With an expenditure of 7,032 millions, the Government has achieved a surplus of over 800 millions, which is being devoted to extraordinary expenditure, purchases of materials and public works. The new Budget is 12,180 million dinars, against 10,959 millions in the previous Budget, and supplementary expenditure of 424 millions has been added. The increase in spending is accounted for by the Army (313 millions), railway construction (308 millions), mining (142 millions) and education (68 millions).

Bulgaria

THE past year was the second full year since the depression of gradual recovery in all branches of economic activity. The revival which began slowly in the second half of 1935 continued more rapidly in 1937 without interruption. The index of wholesale prices during the year showed a rise from 71.5 (1926 = 100) at the end of 1936 to 78.9 in December, or more than 10 per cent. The increase of 15 per cent. in export prices produced a higher income for the agricultural population. An abundant harvest of cereals of good quality, amounting to 3,159 thousand tons, against 3,207 thousand tons in 1936, and increased production of tobacco, industrial plants and cattle encouraged exports and industrial output. The index of industrial production rose 25 per cent.

Money and Banking.—The deposits of all banks at the end of September were 8 per cent. higher than in the corresponding month in 1936. The private banks were busy financing foreign trade and industry, and advances and discounts were substantially increased. The National Bank, for the first time since the depression, had rediscounts greater in value than in 1929, reaching a figure of 1,300 million levas in October. The average monetary circulation was 8 per cent. above that of 1936, while bank clearings increased 20 per cent. The improvement was most marked in the gold reserves of the Bank, which reached 1,994 million levas at the end of the year, against 1,652 millions in 1936, or more than 20 per cent. At the same time the foreign exchange holdings were 694 million levas, compared with 772 millions at the end of 1936.

Foreign Trade.—Exports amounted in value to 5,019 million levas, compared with 3,910 millions for 1936, an increase of 26 per cent. Imports reached the highest level since 1930—4,926 million levas, or 55 per cent. above the value of imports in 1936. The surplus of exports was only 93 million levas, against 729 millions in 1936. There was a substantial increase in exports to countries with free exchanges: the share of Germany in Bulgarian trade fell from 45 per cent. to 41 per cent., while exports to Great Britain increased from 11 to 14 per cent.

Public Finance.—Ordinary Budget receipts (including railway revenue) were 8,348 millions, against 7,787 millions a year earlier. Though revenue has risen, it seems that the Budget is not balanced, and the deficit is estimated at about 150 million levas.

Greece

THE outstanding economic events in Greece during the past year were the inauguration of a social insurance system for all workers and salaried persons; the enactment of a compulsory law to regulate the settlement of agrarian debts; and the drawing up of a ten-year programme of productive public works at an estimated cost of Drs. 1,700 millions, to be raised through internal loans.

Agriculture, Industry and Commerce.—Apart from debt relief and other assistance from the Government, farmers benefited from exceptionally good harvests, coupled with comparatively high prices for most produce. While demand for internal consumption was satisfactory, sales for export—particularly of tobacco and currants—were, however, sluggish. The prices of exportable products tended to ease somewhat; a certain monetary stringency made itself felt; and home trade did not quite come up to expectations during the last three months of the year. Industrial activity, on the other hand, was brisk, all branches—notably those executing Government contracts—being fully occupied.

Foreign Trade.—Official returns for 11 months show an increase, both in volume and value, in imports and exports, and a larger import surplus than in the corresponding period of last year.

	1936 (January to November)		1937 (January to November)	
	(In tons and millions of drachmas)		(In tons and millions of drachmas)	
Imports	Volume	Value	Volume	Value
Exports	2,328,755	10,783	2,474,534	13,849
	867,990	5,852	1,253,035	7,767
Surplus of imports	1,460,765	4,931	1,221,499	6,082

The increase in the volume of exports is due chiefly to larger shipments of mineral ores of comparatively small value. Most imports, as well as exports, show increases compared with 1936. Wheat, the principal imported commodity, increased from 411,295 tons, valued at Drs. 1,689 millions, to 481,251 tons, valued at Drs. 2,644 millions. Consequent upon the good harvest, however, wheat imports declined after Sep-

tember. Trade with most countries was again conducted under the barter and exchange clearing system. In trade with Germany, the new agreement signed in the course of the year provides for a balancing of imports and exports between the two countries. The credit balance in favour of Greece, which at the close of 1936 was Rm. 18,705,764, rose to Rm. 26,490,067 at the end of May and declined to Rm. 8,475,835 on November 30th.

Currency.—The external value of the drachma, linked to that of sterling, fluctuated only slightly in relation to gold. There was an improvement in the exchange position, and the gold and exchange reserves of the Bank of Greece (notwithstanding larger payments abroad, and with allowance made for the unpaid service of the foreign debt) showed a net gain of £595,000 at the end of the year. No relaxation of exchange restrictions is, however, at present possible. The note circulation rose from Drs. 6,202 millions to Drs. 6,776 millions; the index of wholesale prices, after rising to 2,323 in May, stood in December at 2,286, compared with 2,113 in December, 1936; and the cost-of-living index increased during the year by about 6 per cent.

Public Finance.—Rising economic activity, tax reforms and tax increases led to an increase in ordinary revenue during the first eight months of the current financial year.

	Financial Year	
	1936-1937	1937-1938
	April-Nov., 1936	April-Nov., 1937
I. Revenue:	(In millions of drachmas)	
(a) Estimated (for the whole year)	12,833	16,094
(b) Assessed	7,891	10,102
(c) Collected	7,006	8,960
II. Expenditure:		
(a) Estimated (for the whole year)	13,908	17,030
(b) Liabilities incurred	12,308	15,017
(c) Payments effected	6,489	8,509

The above figures include both ordinary and extraordinary revenue and expenditure. The Budget accounts for 1936-37 are expected to show a deficit of 80 million drachmas, while the deficit in the current financial year is estimated at some 200 million drachmas. Negotiations during July last in London for a permanent settlement of the service of the foreign debt has so far been unsuccessful.

Northern Europe

Denmark

IN foreign policy the year has been quiet. Trade agreements were made with Czechoslovakia, France, Germany, Yugoslavia, Italy and Roumania; and, on May 28th, a multilateral agreement in furtherance of trade between the signatories to the Oslo treaty (Belgium, Denmark, Finland, Luxembourg, Netherlands, Norway and Sweden) was ratified. The Stauning Cabinet remained in power, but the political implications of rising unemployment, especially towards the end of the year, were hardly viewed with equanimity by the Government. Comparative unemployment percentages are:—

December, 1935	31.7 per cent.
December, 1936	30.3 "
December, 1937	34.6 "

the last-mentioned figure being equal to 153,384 persons out of work, though a certain seasonal unemployment has to be allowed for.

Finance and Credit Policy.—The finances of the State are sound, as the following figures show:—

	Accounts, (In million kroner)	Budget, 1937-38	Budget Estimates, 1938-39
	1936-37	1937-38	1938-39
Total revenue	469.0	443.4	453.3
of which taxation	144.5	131	133.4
duties	292	285.8	292.6
Total expenditure	441.6	439.3	451.8
of which			
Social purposes (sick benefit, old age benefit, etc.)	144.6	149.3	152.8
Furtherance of trade and industry	37.5	39.8	31.4
Defence	48.2	48	58.8
Surplus	27.4	4.1	1.5

At the opening of 1937 Denmark faced two problems: insufficient stocks of grain and feeding stuffs as a consequence of the poor harvest of 1936; and a disparity between import and export prices. The situation during the early months became so aggravated that the National Bank had to adopt a policy of credit restriction, which was reflected in declining bond prices. In the course of the year three factors contributed to improve the situation: the high earnings of the mercantile marine; the better prices realised from the early autumn by agricultural exports; and falling prices in the world commodity markets.

Consequently, the National Bank reversed its policy of credit restriction; supported the bond market; and endeavoured to give impetus to the stagnant building trades. The official discount rate remained unchanged at 4 per cent. throughout the year. The krone remained pegged to sterling at 22.40, and the average gold value of the krone was 48.76 per cent. over the year.

Agriculture, Trade and Industry.—The total harvest of grain, potatoes, turnips, sugar beet and hay was 73.1 million crop units, compared with 68.5 million units in 1936, each unit representing the fodder value of 100 kilogrammes of barley. The yield on capital invested in farms is estimated to have declined from 4.4 per cent. in 1935-36 to 2.7 per cent. in 1936-37. Foreign trade, which is still subject to the rigid control of the Exchange Control Office, further increased. Comparative figures for the last three years are as follows:—

	Total Imports	Total Exports	Import Surplus
(In million kroner)			
1935	1,330	1,267	63
1936	1,486	1,380	106
1937 (preliminary figures).....	1,697	1,606	91

Trade with Great Britain and Germany was as follows:—

	Imports from	Exports to
(In million kroner)		
1936—		
Great Britain	542	744
Germany	376	280
1937—		
Great Britain	640	825
Germany	406	298

The index of industrial production was 132 at the beginning of the year, rose to 138 in May, and gradually declined to 130 in December.

Sweden

THOUGH business activity slackened off during the fourth quarter of the year after an almost uninterrupted expansion ever since the summer of 1933, the year will be remembered in Sweden as one of marked prosperity. Three things upset the normal course of economic progress: discussions around the currency policy of the Government in view of the inflation threat at the beginning of the year; a labour conflict in the building industry in May; and, finally, the slump on Wall Street whose influence became noticeable in August.

Budget and Public Finance.—Actual State revenue for the financial year 1937-38 exceeded the estimates by Kr. 60 millions. Budget estimates for the financial year 1938-39 provided for revenue of Kr. 1,228 millions and expenditure of Kr. 1,209 millions. On account of changes in the classification of the Swedish Budget in 1938 these figures are not comparable to those of the present Budget. The National Debt, which at the end of the previous year totalled Kr. 2,364 millions, was reduced during 1937 to Kr. 2,342 millions. Outstanding State bonds totalled at the close of 1937 Kr. 1,841 millions, or Kr. 104 millions less than a year ago. The sterling rate in Stockholm was maintained by the Bank of Sweden practically unchanged at 19.40, in spite of the criticism of noted Swedish economists who advocated an appreciation of the krona in terms of sterling.

Production and Employment.—Industrial production in Sweden steadily rose until November. The main adverse factors in November and December were the psychological effect of the recession in U.S.A.; the slackening of activity in the iron and steel industry; and unfavourable prospects for the timber and pulp market. The index of general industrial production advanced from 113 in January to 123 in November (100 = 1935). The progress was greatest in engineering and least in the textile industry. Steel and iron production ran high throughout the year, though after August there was a marked decline in orders. Housebuilding

was active; employment was satisfactory, and the number of registered unemployed fell during the year from 33,500 to 19,000. Demand for skilled labour and for agricultural workers was in excess of supply. New wage agreements at the end of the year provided for general increases in wages.

Foreign Trade and Prices.—The value of foreign trade in 1937 showed a marked rise compared with 1936, owing to increases in volume as well as to higher prices. Imports were valued at Kr. 2,111 millions and exports at Kr. 1,994 millions, compared with Kr. 1,633 millions and Kr. 1,514 millions in 1936. The import surplus was Kr. 117 millions, or Kr. 2 millions less than in 1936. Among exports the outstanding item was pulp and paper valued at Kr. 591 millions. Among imports, coal and coke amounted to 8,927,000 tons, and petrol to 664 million litres. Wholesale prices rose until August, when, under the influence of declining world prices for raw materials, a recession set in. The index of wholesale prices prepared by Professor Silverstolpe rose from 113 in January to 143 in August, and then a gradual decline brought the index down to 136 at the end of the year (100 = 1913). The cost of living was steady, and the Riksbank's index of the prices of consumption goods advanced during the year from 103.4 to 105.7 (100 = September, 1931).

Stock Exchange, Money and Banking.—Share values were subject to rather violent fluctuations. At the beginning of the year the general stock index stood at 178 (100 = par value). It reached its highest point of 187 in April. Under the influence of Wall Street it gradually weakened and reached 156 in November. At the close of the year the index was up again to 172. The outstanding feature of the Swedish money market was constantly increasing easiness, mainly due to absence of foreign lending, to an active balance of payments, and to comparatively meagre capital investment. The yield on gilt-edged securities has fallen below the 3 per cent. level. The aggregate cash and holdings at the Bank of Sweden held by the joint-stock banks averaged Kr. 752 millions, compared with Kr. 372 millions in 1936, an increase of more than 100 per cent. Bank profits from interest and dividends on the whole declined, but there was a marked increase in profits deriving from commissions, credit fees and, chiefly, from the recovery of already written-off assets.

Norway

REFLECTING the improvement in international economic conditions, the year began under exceptionally bright auspices. Although a sharp setback occurred in April and, after a partial recovery, again in September, the final results of trade and industry were satisfactory and compared favourably with those of the preceding year.

Finance.—The Budget estimates for 1937-38 showed expenditure and revenue of 532 million kroner, against 484 millions in the preceding Budget year. No new direct taxes were introduced, in spite of increased appropriations for the Army and for agriculture. The money market was easy, and the bank rate remained unchanged at 3½ per cent. Gold, foreign securities and balances maintained abroad by the Norges Bank rose by 91 million kroner, while loans and discounts decreased by nearly 100 million kroner. Bank deposits rose by about 120 million kroner, while there was a reduction of 70 millions in 1936. Several loan conversions were negotiated by the Government and a few municipalities on easy terms, and by the end of the year other conversions were announced for 1938. Prices rose steadily, although this tendency was less evident in the last quarter of the year.

Foreign Trade.—The expansion of foreign trade, already strongly in evidence in 1936, continued during 1937 in a marked degree:—

	Kroner (000's omitted)	
	1936	1937
Imports	927.0	1,286.1
Exports	685.0	823.3

Among imports ships came first to the value of 142 million kroner against 65 millions in 1936, while the chief export items, paper and wood-pulp, represented a value of 200 million kroner compared with 152 millions. Unemployment fell 7 per cent., and the index of industrial production in November was 136 against 119 in 1936. The average for 11 months was 122.5.

Shipping.—At the end of 1937, Norway's merchant fleet aggregated 4,438,000 gross tons, the net increase during the year being 318,000 gross tons. Freight rates soared to record heights during the first nine months of the year, and in

spite of the subsequent reaction were still exceptionally high at the end of the year. Net freights, which were about 495 million kroner in 1936, will amount to nearly 800 million kroner. After covering the import surplus of about 465 million kroner, there will still be a margin of some 300 million kroner. The whaling catch in the Antarctic showed some improvement, the total quantity being 1.2 million barrels against 1.1 millions in 1936. International complications and wages disputes caused some uneasiness, but an agreement ultimately ensured peace during the fishing season commencing in December. Untoward weather conditions hampered the fisheries, and considerably reduced the total quantity landed, but higher prices increased the value from 73 million kroner to 82 millions. Government subsidies were granted to the fisheries.

Agriculture.—Although less influenced by the general improvement than trade and industry, agricultural conditions were favourable. Crops were above the average, and with rising prices for nearly all products, it is computed that the value in 1937 will amount to about 500 million kroner. Similar conditions prevailed in the timber industry, prices being higher in 1937 than in any year since 1924.

Stock Exchange.—Operations on the Bourse, especially during the first quarter of the year, were exceptionally brisk; and the value of the turnover increased by 18 million kroner, compared with 1936. During the last quarter of the year a sharp reaction set in, and the business done in shares was almost negligible. Bonds, on the other hand, attracted considerable interest on account of the abundance of idle capital, and in spite of steadily rising prices, sellers have been very reluctant.

Finland

In many respects 1937 was a record year. Recovery continued; but the late recession in world markets was reflected in Finland, though its influence attained no general importance.

Public Finance.—Owing to the improvement in economic conditions, State revenue flowed in more abundantly than in previous years and exceeded calculations. During January-November, 1937, current revenue amounted to 3,578 million marks, compared with 3,089 millions in 1936. Expenditure also increased, but the financial position of the State was a strong one. One foreign loan was redeemed and replaced by an internal loan at a lower rate of interest.

Prices and Production.—Prices also rose considerably in the first half of the year, but a downward tendency subsequently set in. The wholesale price index for the whole year was 103 (1926 = 100) compared with 92 in 1936, while the index of the average cost of living was 106 against 100. There was continued expansion in most branches of industry. The volume of industrial production rose up to November about 12 per cent. above the 1936 level, and the index at 176 (1926 = 100) was about 44 per cent. above the highest point in the previous boom (1928). The value of production increased even more and exceeded the figure for 1936 by 37 per cent. and surpassed 1928 by 57 per cent. The timber, cellulose and paper industries yielded record results, but, owing to the international setback, the state of the market was uncertain at the end of the year and the tendency of prices was weak. There was no unemployment worth mentioning, and a shortage of skilled workmen in some spheres. Wages uniformly rose. There was a satisfactory harvest, both in quality and quantity; the value was larger than in any previous year.

Foreign trade.—Foreign trade was larger than in any previous year both in volume and value. The volume of exports increased by 5 per cent., and their value (9,368 million marks) by 30 per cent. Imports increased even more, by 24 per cent. in volume and in value (9,277 million marks) by 46 per cent. In 1931-36 there was a total surplus of exports of about 1,000 million marks; last year there was a surplus of exports of only 91 millions; but the balance of payments remained satisfactory.

The Money Market.—In spite of great economic activity, the money market was very easy throughout the year. Credits granted by the joint stock banks, which had been falling off for several years, increased by 1,236 million marks to 8,609 millions, but their deposits grew simultaneously by 1,432 million marks to 10,030 millions. Their cash therefore attained fresh record figures; and in general their liquidity was greater than ever before. No bills were rediscounted. The credits granted by the Bank of Finland recorded a rise of 130 million marks to 1,080 millions, and its reserve of foreign currency reached the record figure of 2,056 million marks against 1,492 and 1,267 millions respectively in 1936 and

1935. The easy state of the money market was reflected by numerous issues of new shares and bond loans and by the falling trend in interest rates. The Stock Exchange was particularly lively at the beginning of the year, but then experienced a setback that caused a slow fall in share prices.

Latvia

THE revival in world trade was especially marked in agrarian countries by a rise in agricultural prices, and was therefore beneficial to Latvia. In addition, as a result of the 1936 devaluation, there were a number of internal influences conducing to national economic recovery.

Industry and Agriculture.—The Government undertook further regulation of the entire industrial life of the country, assuming control over private undertakings and establishing new enterprises. At the end of the year there was scarcely a single branch of industry where the State was not active. Industrialisation made great strides and there was some shortage of skilled labour. The number of occupied persons in all trades was 209,168 in October, compared with 190,250 in October, 1936. Crops were satisfactory and, compared with 1936, showed a general increase. The head of cattle rose by 50,000 to 1,261,000, and of pigs by 60,000 to 739,000. The food, fodder and livestock positions were assured.

Foreign Trade.—Exports were stimulated by the rise in world prices and by devaluation, and the export surplus increased. The value of foreign trade, compared with 1936, was as follows:—

	1936	1937
	(Millions of Lats)	
Imports	122	231
Exports	138	261
Export surplus	16	30

Trade reached record levels in certain months of the year.

Finance and Prices.—The amount of money in circulation rose from 115 million lat to 142 millions in November, and the stock of gold and foreign exchange from 82 million lat to 94 millions. Bank deposits rose from 60 million lat in January to 390 millions in October, and loans from 558 millions to 620 millions. State revenue, between April and October, was 101 million lat, against 90 millions in the same period of 1936 and expenditure was 100 millions compared with 88 millions. The index of wholesale prices rose from 102 in November, 1936, to 116 in November, 1937, and in the same period the cost of living (1930 = 100) rose from 76 to 86.

Lithuania

LITHUANIA'S economic development in 1937 was favourably affected by the rise in the price of agricultural products. The rate of advance, however, was slower than in Lithuania's two Northern neighbours because of the prevailing lack of capital. In addition, progress has plainly been hindered by the retention of the old rate of exchange and by the institution of a fairly strict control of currency. The 1937 harvest was in the aggregate better than in the previous year; but the hay crop was poor and, since the total area cultivated had increased, results were no better than average.

Foreign Trade and Industry.—For the first time on record there was a surplus of imports. Exports were valued at 208 million lit compared with 190 millions in 1936, and imports at 212 million lit against 156 millions. Because of the inadequate harvest in 1936, exports last year could not be expanded sufficiently to cover the increased demand for machinery, textiles and means of transport. Of total imports, some 28 per cent. came from the United Kingdom and 22 per cent. from Germany, compared with 38 per cent. and 8 per cent. respectively in 1936. The rise in purchases from Germany was striking. There was a decline in the share of imports provided by Soviet Russia from 10 per cent. to 8 per cent. The trend towards a policy of self-sufficiency was accentuated, and sugar requirements are now almost covered by home production. As the result of increased demand, the alcohol industry has also made progress.

Money and Finance.—The gold value of the lit has not changed, and the sterling exchange moved between 28.85 and 29.67. At the end of the year currency control was made more rigid. The bank rate remained unchanged at 5 per cent., and signs of strain were noticeable on the gold market. Note circulation rose from 113 million lit to 121 millions, and stocks of gold from 71 to 77 millions. The stock of foreign

exchange remained unchanged at 2 million lit. Bank loans and deposits rose markedly, and the wholesale price index (1936 = 100) advanced from 58.4 to 64.9, and the cost of living from 66.4 to 70.9. State revenue in ten months was 242 million lit against 210 millions in the same months of 1936, and expenditure, which is swollen by armament appropriations, rose from 227 millions to 250 millions.

Estonia

THE rate of economic advance quickened, and affected all branches of industry and agriculture. The initial impulse was given by the Government's investment activity and the favourable course of world prices. There was a satisfactory harvest and no imports of corn are likely to be necessary. The value of agricultural production rose 12 per cent. compared with 1936; and industrial activity was 43 per cent. above the average level between 1927 and 1931, compared with 1936, when production was only 24 per cent. above the pre-depression level. A shortage of workers in agriculture and in certain industries was increasingly apparent, and as a result wages continued to rise.

Wholesale prices rose 5 per cent. and the cost of living 9 per cent. Imports rose in value from 87 million kr. in 1936 to 111 millions, and the value of exports from 83 millions to 106 millions. In consequence of the revival in industrial activity the note circulation rose from 44 million kr. to 49 millions; and stocks of gold and foreign exchange from 43 to 51 millions. Currency restrictions are actually still in force, but they have been modified in such a way that they do not have any unduly adverse effect upon industry.

America United States

THE year opened with production close to the highest levels ever recorded, with prices, wages and profits rising, and with business in a high state of confidence. A series of great strikes, especially in the motor and steel industries, innumerable strikes in small concerns, and threats of a railway strike limited production in the first half of the year, but the induced fear of stoppages, combined with rising prices, led to heavy buying which later appeared as burdensome inventories. In midsummer the share market weakened, and in September both the share market and heavy industry were in a state of panic. The year closed with share values at about half the level at the end of 1936; with general production down about 30 per cent.; with unemployment variously estimated at between 7 and 10 millions; and with primary commodity prices about 30 per cent. below their spring peak.

Legislation.—An elaborate programme of legislation was presented to Congress at the regular session convened in January and again at the Special Session which met in November. The proposals providing for six additional justices for the Supreme Court aroused the most attention, and became the centre of a bitter conflict between the President and Senate. The only important item of legislation enacted was the so-called Loophole Tax Act, to restrain by prohibitive taxation the maintenance of personal security corporations. At the end of 1937 the gross public debt was \$37,279 millions, compared with \$34,407 millions at the end of 1936, an increase of \$2,872 millions. Of this about \$1,228 millions was attributable to the net purchase of gold for the Inactive Gold Fund. The increase in the public debt in the hands of the public was comparatively small owing to substantial absorption by Government Trust funds, and especially the Social Security funds.

Banking.—The Central banking operations of the year were active and unusually large. The Federal Reserve authorities increased member bank reserve requirements by 50 per cent. in two steps on March 1st and May 1st, following a similar increase in August, 1936. There was an abrupt contraction in the reserves of the New York banks and a sharp fall in Government bonds, and in April the Federal Reserve banks bought \$96 millions of Government securities. Believing the banks still under pressure, especially in New York City, the Treasury on September 13th released \$300 millions of gold from the Inactive Gold Fund, and a few weeks later the reserve banks bought about \$38 millions more of Government securities. On December 29, 1937, the gold stock was \$12,760 millions, an increase of \$1,509 millions during the year; of this, \$1,228 millions was in the Inactive Gold Fund, created on December 21, 1936. Not-

withstanding the increase in required reserves, the excess reserves at the end of the year amounted to \$1,160 millions; at no time in the year were they lower than \$700 millions; and member bank reserves for the year showed an increase of \$411 millions, approximately equal to the sum of the gold released from the Inactive Fund plus the open market purchases. Currency in circulation showed little net change during the year at \$6,571 millions, an increase of only \$21 millions. The member banks showed a considerable contraction during the year, total loans and investments falling by \$1,529 millions to \$21,402 millions. The principal declines were in brokers' loans (\$400 millions), United States Government securities (\$1,223 millions), and corporate securities (\$382 millions). Demand deposits declined \$1,140 millions, but time deposits increased slightly.

The Money Market.—Except for Government paper there is no money market in New York. What was left of the call market was reduced by a third by the decline in the stock market, but the call rate never fluctuated from 1 per cent. throughout the year, with 90-day brokers' loans at 1½ per cent. Rates on commercial paper and bankers' acceptances (both scarcely more than nominal markets) were respectively about 1 per cent. and under ½ per cent. The largest short-term market in New York is now that on 3-5 year Treasury notes. These ranged from 1.18 per cent. (average) in January to 1.54 per cent. in August, and closed the year with the longest maturities standing at about 1½ per cent. The shorter Treasury bills (91 day-dealers' quotations) were 0.22 per cent. in January, 0.60 per cent. in April, and closed the year at about 0.12 per cent. Long Governments, which are now essentially part of the money market, were about 2½-3 per cent. early in the year, touched 2½ per cent., and closed the year at about 2½ per cent. The discount rate of the New York Reserve Bank was reduced from 1½ per cent. to 1 per cent. on August 27th.

Capital Market.—The new issue market in the first two months of the year was strong, with the emphasis on convertible bond issues. Thereafter the market for new corporate issues of any kind was unresponsive; but there was a strong demand for Government (federal or local) issues at low yields, and in large volume. New capital issues for the year are reported by the *Commercial and Financial Chronicle* as follows: municipal, \$727 millions; corporate bonds, \$750 millions; corporate stocks, \$400 millions. These tabulations are understood to omit a considerable volume of securities placed privately with institutional investors. At no time during the year was new equity capital obtainable in any considerable supply. The year was marked, as usual, by a large inflow of foreign capital, on short-term and investment account. The Treasury figures for three quarters of the year showed an increase of \$600 millions in foreign bank funds and about \$400 millions on investment account—the aggregate being not far from the sum of all new issues in our market for corporate account. The share market was firm to strong in the first quarter; declined 10-15 per cent. in the second quarter; rallied substantially in July; collapsed in the third quarter, dropping 40 per cent. or more; and in the final quarter was stabilised round about the lowest levels of the year. Gilt-edged corporate bonds conformed to the movements of long Governments; but second grade issues followed the course of the share market.

Commodity Prices.—The price index of the Bureau of Labour Statistics shows only faint reflections of the year's extreme price fluctuations. From about 82 in September, 1936, it reached 86 in January, 1937, and 88 in April, from which it fell to about 82 in December. The other official indices were equally inert; retail food prices were 85 in January, 87 in May and 83 in December. The cost of living index (quarterly) was 82 in December, 1936, and 85 in September, 1937. Moody's index of primary commodities opened the year at just over 200, rose to 230 in April, and closed the year near 150. Notwithstanding the inertia of the official indices, the rise in retail prices was a source of continual comment throughout the year, and in the closing weeks the great rise in the price of finished goods was often cited by official commentators as one of the causes of the decline in trade and production.

Industry.—By the end of 1936 the index of production had reached a level approximating to that of 1928, which was the highest point yet attained during recovery. In the first eight months of 1937 the seasonally adjusted index of manufactures fluctuated only between 114 and 118—a period of remarkable stability. From 118 in August it dropped precipitately below 85 in December, at which level it was close to the average rate of the years 1931 and 1934. Residential building (seasonally adjusted) declined almost from the beginning of the year; the index had reached 46 in August, 1936; in February, 1937, it was 47, and from the point it fell gradually to 32 in November. Other building was 77 in January, 87 in July and 74 in November. Retail

trade measured by department store sales scarcely fluctuated during the year. The index of employment was 99 in January, 102 in April, 101 in September, and 94 in November. At the end of the year estimates of unemployment ranged between 8 and 12 millions.

Agriculture.—The year was a good year for American agriculture. After a long succession of droughts (that of 1936 being unusually severe) the weather of 1937 was favourable. Large crops were marketed at prices which, although lower than early in the year, were high enough to increase estimated agricultural income 7 per cent. above the \$7,920 millions estimated for 1936; for 1937 the estimate was \$8,500 millions. One noteworthy feature was the cotton crop of 18,746,000 bales, the largest on record and the largest yield per acre yet produced.

Foreign Trade.—The year showed a remarkable improvement in foreign trade.

FOREIGN TRADE OF U.S. (\$000,000)			
	Merchandise Exports	Merchandise Imports	Export Surplus
1933	1,675	1,450	+ 225
1934	2,133	1,655	+ 478
1935	2,283	2,047	+ 236
1936	2,456	2,423	+ 33
1937*	3,027	2,875	+ 152

*11 months only.

Both imports and exports were substantially larger than in 1936, but the increase in imports occurred early in the year, and they declined steadily after March. Exports, on the other hand, showed a rising trend throughout the year. Net gold imports for eleven months were approximately \$1,561 millions, compared with \$1,117 millions in 1936, and slightly smaller than the \$1,739 millions of 1935.

Argentina

DOCTOR ORTIZ and Doctor Castillo were elected President and Vice-President of the Republic in elections held on September 5th. Doctor Ortiz, a man of moderate views, is a Right-wing Radical. No Parliamentary business of importance was transacted in 1937, because the Government were without a working majority in the Chamber of Deputies after the elections of March, 1936. Also, the election campaign was an unsettling factor, many legislators being away in their constituencies during the ordinary sessions of Congress. Many important bills, including the Budget, which were awaiting Congressional sanction, had to be held over until 1938. Politically 1937 would doubtless have been a more tumultuous year had not the Parliamentary deadlock and the excitement of the election been overshadowed by an unexpected wave of prosperity. The economic recovery which began in the second half of 1936 became much more marked early in 1937. Argentine exports in the first four months of the year were considerably more than double the value of those in the same period of 1936. By the middle of the year Argentina was enjoying the first boom since the depression began in 1929. There was a sharp decline in cereal shipments in the second half of the year, because Argentina had little left to export. Nevertheless, in the twelve months of 1937 the volume of exports was higher than in any of the last ten years except 1931, while the value was only exceeded in 1928. Imports gradually followed the upward movement of exports, and in the closing months of the year were some 50 per cent. higher than in the same period of 1936. There has been a big rise in the volume and value of cheque clearings as well as in revenue. The Government redeemed a large part of its foreign debt in dollars, and converted the balance to a lower rate of interest. There was a large increase in public works; 1937 was one of the most successful years in Argentine economic history.

Agriculture.—The winter months—June, July and August—were favourable for crops, but the spring and summer were marked by cold weather and drought. Heavy frosts occurred in the cereal zone as late as the middle of November, and considerable harm was done to the growing wheat and to a lesser degree to the linseed. Wheat production in the 1937-38 season is estimated at only 5,225,000 tons, against 6,782,000 tons last season, while the linseed crop is calculated to be reduced by about 150,000 tons. December, the critical month for maize, was unusually dry, and the production of this cereal also is expected to show a big fall. In the Northern Provinces and Territories the drought has been disastrous. The Chaco Territory, the chief cotton zone, has, however, fared rather better than last year. The outlook for 1938 is much less promising than was that of its predecessor. At the beginning of the year the Argentine Government

granted a subsidy to stockbreeders to help them to meet the British tax on chilled beef. Later, owing to the rise of meat prices in the United Kingdom, the subsidy became unnecessary and was discontinued. The prices of chilled beef for export are now fixed by arrangement between the foreign packing companies and the National Meat Board. Despite the recovery, most of the measures introduced since 1931 to help producers to face the depression remained in force. These include the various Boards of Production, the Exchange Control, and the 10 per cent. additional duty on all imports. These appear now to be a permanent part of the national economy.

Railways.—The Government presented to Congress Bills for the purchase by the State of the Córdoba Central and the Argentine Transandine Railways, but these have not yet received Congressional consideration. In the message accompanying the Bill for the purchase of the Córdoba Central Railway the Government announced its intention of gradually buying all the privately-owned railways. The two Bills for the co-ordination of transport passed the Senate and became law early in the year.

Foreign Trade.—The export rate of exchange and the official import rate remained at 15 and 16 pesos to the £, respectively. The free market rate was a little over 16 to the £, until just after the middle of the year, when exports began to decline, whereupon it fell gradually, finishing the year at 17.02. The 20 per cent. surcharge on goods from countries who sell to Argentina more than they buy from her was maintained throughout 1937. The value of imports and exports in eleven months of 1937 and 1936 were as follows:—

	(In pesos)		
	Imports	Exports	Export Surplus
1936	1,012,384,555	1,448,096,863	435,712,308
1937	1,413,946,686	2,165,455,404	751,508,718

The great expansion in exports in 1937 was almost entirely due to higher prices and bigger shipments of cereals and linseed. The chief rises in imports were in machines and vehicles, which increased 67 per cent., and iron and manufactures, which rose 48 per cent. Every branch of the import trade showed an improvement. In 1937 the United Kingdom remained, by a very large margin, both the chief customer and leading supplier of Argentina, accounting for 26.9 per cent. of the exports (against 34.6 per cent. in 1936) and 19 per cent. of Argentina's imports (against 20.7 per cent. in 1936). The United States increased her share of Argentine exports from 12.4 per cent. in 1936 to 13 per cent. in 1937, while her proportion of imports into Argentina rose from 14.6 per cent. to 16.5 per cent.

Brazil

THE political situation has continued calm, and the major change was the dissolution of the Chamber and Senate and the promulgation of a new Constitution in November. The partial loan service under the Oswaldo Aranha scheme was temporarily suspended in the same month, pending a new arrangement with the bondholders. A proportion of the 1938 Budget has, however, been allocated for the service of the foreign debt. For the first time for many years only a small Budget deficit (£500,000) is expected, and even this may be averted by rigid economy.

Foreign Trade.—All foreign exchange transactions have been unified in the Bank of Brazil, and to provide an Exchange Equalisation Fund a 3 per cent. tax is now collected on all remittances abroad. Both imports and exports have increased in volume and value, as the following figures for ten months' trade indicate:—

	1936			1937		
	1,000 Tons	1,000 Contos	£1,000 Gold	1,000 Tons	1,000 Contos	£1,000 Gold
Imports	3,690	3,524	24,732	4,272	4,218	32,951
Exports	2,551	3,965	31,579	2,675	4,282	36,879

The items which showed the largest increase were:—

Imports:—		£ gold
Raw materials—Fuel		998,000
Metal		653,000
Manufactured products—Vehicles		767,000
Metal		1,082,000
Machinery and tools		1,890,000
Exports:		
Animal products—Hides and Furs		964,000
Mineral products		450,000
Vegetable products—Cotton		1,015,000
Coffee		1,110,000
Oil and oil seeds		600,000

Industry and Transport.—A number of power companies have increased their capacity, principally with thermal power, pending adjustment of water legislation. No new mines have been opened, but existing mines have increased their output. Little new railway construction has been carried out, and the chief new item was the opening of the electrified section of the Central Brazilian Railway, the work for which was done by Metropolitan Vickers Export Company, Limited. In 1938 large orders for cars and steam locomotives are likely to be placed. The Navy has contracted for three submarines to be built in Italy and six destroyers in England. Tenders for twelve new ships for Lloyd Brasileiro were opened in October, and orders will be placed early in 1938.

Chile

THE economic picture may, in general, be considered satisfactory, although conditions which were favourable up to the middle of the year reacted, as the consequence of the decline in world prices.

Copper and Nitrate.—The production of bar copper reached the highest recorded level of almost 400,000 tons. Influenced by the high prices received during the early months of the year, production in May amounted to 39,710 tons, the largest monthly figure; a gradual decline then began, and in December output was only 27,555 tons. Nitrate production during the 1936-37 year was 1,310,200 tons, an increase of only 7.5 per cent. compared with that of the previous year. The service on the foreign debt of Chile depends on these two industries. The improvement in commodity markets during the first months of the year gave the Caja de Amortización sums considerably larger than the previous year for this purpose, although not perhaps so large as the bondholders had hoped for. The unfavourable reactions of the later half of the year curtailed the receipts of the Caja somewhat, although, even so, they were almost 50 per cent. greater than in the preceding year.

Mining and Industry.—Coal extracted during 1937 amounted to slightly more than 2 million tons, a figure only a little higher than in 1936. The position of mineral production is reflected clearly in the general index of mining activities, which was 82.8 at the end of 1936, reached 129.4 in May, and declined to 95.8 in November. In manufactures, national production was greater than in 1936. Up to the present, no recession has been noted. Harvests were very good, not only of cereals but also of vegetables. Estimates of this year's harvests are optimistic. Building activity continued to increase; preliminary figures indicate that the year will show an increase of almost 20 per cent. Railway traffic during the first ten months of the past year was almost 10 per cent. greater than in the same period of 1936.

Foreign Trade and Prices.—In foreign commerce (exclusive of precious metals), the value of exports increased from 548.9 million gold pesos in 1936 to 933.3 millions in 1937. There was also an increase of imports which rose in value from 374.4 million gold pesos in 1936 to 428.8 millions during the past year. The export dollar rate was lowered in August from 26 to 25 pesos, corresponding to a decrease in the sterling rate from approximately 129 to 124 pesos. In the free market, at the beginning of the year, the dollar was quoted at 28 pesos and the pound sterling at 137 pesos. By the end of the year, these rates had strengthened to 25.40 and 127.15 pesos, respectively. At present, the prices of both currencies in the free market are slightly below those of the regulated market. Up to August of the past year, prices showed a marked tendency to rise. The index of wholesale prices at the end of 1936 was 405.6, and increased to 472 in August. Only then was the influence of the decline in world prices felt, and the index dropped in November to 447.5. The index of the cost of living, in the first eleven months, showed an increase of 13 per cent. over the previous year.

Stock Exchange and Finance.—In the Stock Exchanges, the rising tendency only lasted until March. In following months, the tendency was towards lowered prices, particularly affecting mining, stock raising and agricultural securities. Between March and November, the general index of share values fell from 176.9 to 142.8, or by 19 per cent. The Office of the Comptroller General of the Republic has just published the 1937 balance sheet. This shows a more favourable result than expected. Total ordinary receipts amounted to 1,522.4 million pesos and total expenditure to 1,478.5 millions, leaving a surplus of 43.9 million pesos.

The balance of the foreign debt (calculated on the basis of the old parities) is 2,180,853,564.79 pesos. If these values are converted at present exchange rates, the balance of the external debt is more than tripled. The balance of the internal debt is 1,524,258,680.49 pesos. Amortisation of the internal debt amounted to 98.6 million pesos during the past year, but new obligations were contracted during that period to a total of 114.5 millions.

Uruguay

PASTORAL products represent some 90 per cent. of Uruguay's exports, and, through an effective Exchange Fund, the Government has regulated the appreciation of the peso to maintain a steady and satisfactory price level for these products, for which there has been good demand. General conditions have improved; the Budget has again shown a surplus, the service of the United States dollar bonds has been regularised; and the renewal of the sinking fund on the sterling bonds is believed to be under consideration. Outstanding amortisable bonds have been redeemed at par more than two years before maturity, Government internal loans have been converted to lower interest bases, whilst additional large internal loans have been approved for extensive public works.

Foreign trade has expanded, with Great Britain at the head of both the import and export list. The balance of payments is preserved by means of a system of exchange quotas, and exchange has been allocated commensurate with British requirements under the benevolent consideration stipulated in the Anglo-Uruguayan Trade Agreement of June, 1935. In December, 1937, the gold content of the peso was reduced to give parity with the £ sterling at the rate of 7.60 pesos, which, in fact, was the current rate at which export exchange had to be sold to the State Bank. Exchange from wool exports, however, is saleable on a preferential sliding scale until February, 1938, and, it is hoped, will give the desired fillip to wool exports, which have been retarded this season by unwillingness on the part of farmers to sell at current European prices.

Colombia

ANTICIPATIONS of increased prosperity in Colombia in 1937 were largely fulfilled during the first half of the year. The Budget was balanced, gold production showed a steady increase, and legislation was introduced in order to foster the gold mining and petroleum industries. Ready markets at good prices were found for the principal exports of coffee, bananas, hides and petroleum. Nevertheless, the year closed on a note of anxiety, due to the fall in world prices for coffee, resulting from Brazil's decision to embark upon a policy of free competition following upon many years of artificial support of prices.

Despite increased production of commodities other than coffee, the latter is still the chief item in Colombia's economy. Colombia's position is fundamentally sound, and she has an abundance of natural resources which have yet scarcely been tapped; but for the time being the fall in coffee prices must inevitably exercise an adverse effect upon her balance of international payments. Measures have been taken to deal with this situation, including the general adjustment of regulations of foreign exchange and imports. Importation on a heavy scale during 1937 made inroads into the Republic's available foreign currency reserves, and a favourable reception was generally accorded to the measures taken to ensure that exchange resources should be promptly available to meet the most pressing requirements. There may be delay for some time to come in the granting of permits to cover new imports, but a generally calm attitude is maintained throughout the country.

Latest trade statistics cover the first ten months of 1937 and show considerable expansion; the value of imports was 135 million pesos, and of exports 128 million pesos, so that there was a surplus of imports amounting to some 7 million pesos. The New Year opened with a rally in Colombian coffee prices, but the preservation of the balance of international payments will probably involve severe restriction of imports during 1938, together with the stimulation of national industries.

Ecuador

GENERAL ALBERTO ENRIQUEZ assumed the Presidency of Ecuador in October, with the support of the military forces. Business has not been affected, and the general situation is

quiet. At the end of July all restrictions on foreign exchange and exports were abolished, and the currency was allowed to fall in value by about 30 per cent., resulting in immediate revival of trade and general release of blocked commercial debts. Imports, however, continue to be controlled, and a Customs surcharge of 50 per cent. is imposed upon goods arriving from any country in trade with which Ecuador has an import surplus. The United Kingdom falls within this category; and it is difficult to obtain permits to import British goods, because preference is given to Germany on account of a surplus of compensation marks in Ecuador.

Latest trade statistics cover the first half of 1937, and give imports into Ecuador at 53 million sucres, compared with 50 millions in the same period of 1936, and exports at 80 million sucres, against 71 millions. The value of exports of crude petroleum was more than doubled, while a further feature of the returns is the increase in trade with Germany. Considerable perturbation was caused by the embarkation of Brazil upon a regime of free competition in the world coffee markets, and local prices in Ecuador have fallen. The present low prices for coffee and cocoa may exercise an adverse effect upon national revenue in 1938 unless expenditure can be curtailed, and the future trend of the exchange value of the sucre is becoming increasingly uncertain. A revision of the Monetary Law and of the Central Bank Law is expected. The year closed with a general feeling of uncertainty in business circles.

Peru

DURING the greater part of 1937 Peru experienced steady prosperity. Government revenues were considerably in excess of Budget estimates, although there may have been a decline in the last quarter of the year. Considerable social reforms were carried out, especially in housing.

The high price of metals stimulated the development of mining areas, and the three-year programme of road building was energetically pursued to this end, and made possible the development of many small mines on a profitable basis. Special attention was given to irrigation, to safeguard the production of cotton and sugar and to foster wheat-growing and the raising of livestock. Loans made to farmers during the year ended September 30, 1937, by the Banco Agrícola del Peru totalled nearly 15 million soles, the highest figure in one season since the Bank was established in 1931. These loans are mainly to small farmers, and further large increases are expected. The Technical Department of the Bank has continued with success the policy of introducing modern farming methods.

Latest figures of Peruvian foreign trade cover the first nine months of 1937, and give imports at 166 million soles, against 149 millions in the same period of 1936, with exports at 280 million soles, against 248 millions. The compensation system has assisted German trade with Peru, whereas the latter's purchases of British goods has declined considerably and are definitely below British purchases of Peruvian products. Peruvian currency was steady during the greater part of 1937, and exchange control was avoided, but the exchange weakened towards the end of the year because of the drop in the price of cotton, metals and other products. Failing a recovery in prices for these commodities, the outlook in Peru is less favourable than last year.

Bolivia

THE economic situation in Bolivia improved during the first half of 1937, and the foreign trade returns compared favourably with those of the corresponding period in 1936. Exchange control was officially abolished in August, and good progress was made in the liquidation of old frozen commercial debts.

Tin, by far the most important item in Bolivia's export trade, has fallen considerably in value, and the decline in revenue derived from this source is a matter of serious concern to the Government. The price of the metal has been under £200 per ton since early November, compared with over £300 in March. In 1937 Bolivia was again unable to produce the full annual quota allotted under the International Tin Control Scheme, and the corresponding arrears have been surrendered for distribution amongst other producing countries. This deficiency in the output of tin was due mainly to the shortage of labour resulting indirectly from the costly war with Paraguay in 1932-35. The reduction from 110 to

70 per cent. in the export quotas for all tin-producing countries under the Control Scheme during the first quarter of 1938 is not, therefore, considered likely to affect Bolivia seriously at the present time.

Among the first indications of the less favourable outlook in Bolivia have been the precautionary reinstatement of restrictions upon the importation of goods not considered as primary necessities, and the tightening up of exchange regulations. Exchange control has not, however, been officially reimposed, and the rate of exchange has been maintained at 100 bolivianos to the £. The future prospects are dependent almost entirely upon the course of metal prices.

Paraguay

PARAGUAY is gradually recovering from the Chaco war, and, despite internal political changes, commerce was not unduly affected. The Acting President has decreed that general elections take place early in 1938, when the country should return to a constitutional Government. The financial situation is improving, efforts are being made to re-establish the country's credit, and the exchange value of the peso has improved. There has been a welcome increase in cattle prices, materially benefiting stockbreeders adversely affected by the Chaco affair. A good cotton crop of some 13,000 tons was obtained in 1937, but the fall in prices was prejudicial to those who did not fix prices ahead. Timber exports have suffered through the continued low level of the River Paraguay. Future prospects depend principally upon good rains.

Trade figures show continued expansion, aggregate imports in the first half of 1937 being worth 6,266,000 Argentine gold pesos, against 5,116,021 pesos in the first half of 1936, whilst exports were worth 6,184,703 pesos, against 4,972,302 pesos. A further increase was noted in imports from Germany, as well as in automobiles from the United States, but British products are not in great evidence. Returning confidence is expected to lead to a substantial influx of foreign capital, particularly for developing cotton and other products.

Venezuela

VENEZUELA was still in transition in 1937. The economic situation is satisfactory, and the continued expansion in output of petroleum should put the Government finances in a sound position. The supply of foreign exchange for legitimate requirements has been sufficient, although at the end of the year more stringency was apparent because of large amounts taken off the market for Government requirements. In any case, purchase of goods from abroad may be reduced in the future in view of the over-stocked position of merchants, on account of which business latterly has already been somewhat restricted. Trade agreements have been made with many countries to secure markets for Venezuelan products. There is no external public debt, and the internal debt is small.

Continued assistance in the form of export bonuses has been given to the producers of export products, such as coffee, cocoa, sugar, timber, etc. The 1937-38 coffee crop is, however, expected to be about 850,000 bags, or some 15 per cent. smaller than in 1936-37, while prices have fallen following upon Brazil's recent decision to compete freely in foreign markets. Added to this is the official appreciation of the exchange value of the bolivar in April last by some 20 per cent. All these factors should result in a lower currency income to the Republic in 1938.

Mexico

THE Six-Year Plan of social reform in Mexico, embarked upon when President Cardenas assumed office, has now been in progress for three years. In consequence of record revenues in 1936, the Government was able to proceed actively with the Plan, and the 1937 Budget was the largest in the history of the country. Large sums were allocated to irrigation, railways, and roads, but negotiations regarding the long-standing default on the Foreign Debt proved unsuccessful, and the outlook for bondholders has not improved.

The production of gold, silver, lead, zinc, etc., was on a

larger scale than in previous years, but the reduced values of base metals and the increased cost of production have been unfavourable to the mining industry during the past few months. It is the Government's declared intention to foster the export trade, to reduce imports to the lowest indispensable limit, and to encourage the development of national industries. The market available for foreign traders is, therefore, restricted largely to raw materials and semi-manufactured goods which cannot be produced locally. High Customs duties are a formidable obstacle to commerce. Nevertheless, the value of imports and exports during the first half of 1937 showed an increase over the corresponding figures for 1936. Trade is conducted principally with the United States, but competition from Germany, on a compensation basis, is keen.

Banks and insurance companies, as well as the largest railway system, are under varying degrees of State control, and legislation affecting foreign enterprises creates serious difficulties for the employment of foreign capital in Mexico where important amounts are invested in the oilfields and railways. A change in the financial situation was brought about by a Decree passed in September last by which the Bank of Mexico became the sole bank of issue and was charged with the regulation of exchange. There are, however, no exchange restrictions in force.

Asia

Turkey

Foreign Trade.—Exports were valued at T£137,983,000, against T£117,733,000 in the preceding year, while the value of imports reached T£114,379,000, against T£92,531,000. The increase in foreign trade represents an advance of 20 per cent. Although certain trade restrictions were removed, the equilibrium of foreign trade was largely obtained by making the Turkish importer pay for the difference between home and export prices. This difference amounts to about 25 per cent. An attempt was made to liberate Turkey from the ascendancy exercised by Germany through the latter's ability to utilise the Turco-German clearing as a means of purchasing and selling goods at often artificial prices. The share taken by Germany in 1936 of total Turkish foreign trade was no less than 49 per cent.; in 1937 it was under 39 per cent. The beneficiaries of this change have been the United States and Great Britain, the value of whose trade with Turkey in 1937 rose from T£22,412,000 and T£12,459,000 to T£36,498,000 and T£16,898,000 respectively.

Industry and Agriculture.—The monopolies and State-owned enterprises continued to be an important source of State revenue, the State monopolies alone representing over one-fifth of the total. It has been decided to reduce the price of all monopolised goods, so as to reduce the cost of living, a general policy. The most important event in industry was the beginning of the Karabuk Steel Works with the aid of British finance and technique. Almost equal in importance, although not in magnitude, was the beginning of naval building in Turkish docks. After 1941 it will be possible for Turkey to build ships of five thousand tons and more. The harvest was generally above normal, and this improvement was reflected by the increase in the value of tobacco exports from T£24,465,000 to T£43,895,000, of wheat exports from T£1,927,000 to T£7,885,000, and of barley exports from T£1,068,000 to T£5,089,000. The crop and export of canary seeds and hazel nuts were excellent but oats and linseed fell below average. A notable advance was recorded in the export of mohair and wool. The project of organising agriculture into units, each comprising several villages, which was to be introduced into Turkey, was abandoned. Instead the principle of primogeniture will be applied to rural property. The year was characterised by the activities of the State-owned Eti Bank which is in possession of mines from which relatively high-grade ore is being extracted.

Public Finance.—The yield of taxation in the fiscal year ending May 31, 1936, was T£264,214,000, an increase of about 10 millions as compared with the preceding year. The figures for subsequent months show a still more remarkable advance in receipts, part of which, however, is due to the improvement of the methods of collection. On May 31 the

total of the public debt was T£508,623,916, or only T£2,900,473 greater than a year earlier. Despite heavy rearmament and intense industrial reconstruction financed by the State, the increase in the total public debt between May 31, 1934, and May 31, 1937, was less than 12 per cent. The devaluation of some of the foreign currencies in which the Turkish foreign debt is expressed brought a windfall of over forty millions, and the increase is mainly due to the rise in internal floating indebtedness from T£43,535,016 in 1934, T£66,109,956 in 1935, and T£79,452,312 in 1936 to T£124,900,768 in 1937.

Japan

JAPAN'S conflict with China developed in 1937 into a major war, and a large measure of war-time control was extended over a wide range of finance and trade. Production was intensified, especially in the heavy industries, and the shortage of labour became increasingly acute. The light industries experienced raw material difficulties in consequence of the restriction of imports, and the textile trade drastically curtailed operations in the closing months of the year. Although exports were fairly well maintained, imports continued excessively high, and the import surplus grew rapidly. Commodity prices were at a considerably higher level than in 1936, but the upward trend was more or less arrested after the late spring. The Government continued to finance the Budget deficit by inflationary borrowing, but no serious currency expansion occurred, and the money market was quiet. The rice harvest was not up to expectations and the late cocoon crop unsatisfactory; but the agricultural situation on the whole improved considerably.

Public Finance.—The Budget for 1937-38 estimated expenditure at 2,872 million yen against estimated revenue of 1,757.5 million yen, revealing an appallingly large deficit of 1,114.5 million yen. One-quarter of this gap was filled by fresh taxation and the rest by a new loan. Compared with the preceding year, expenditure in 1937 increased by 566.5 million yen, while revenue rose by 155.8 million yen. Expenditure on the China campaign, which was separately budgeted for, however, totalled 2,548 million yen, bringing the total national expenditure for the year up to the unprecedented sum of 5,420 million yen. The national accounts for the first six months of the current fiscal year ended September 30th disclose revenue amounting to 591,117,000 yen and expenditure of 1,027,895,000 yen, against 441,414,000 yen and 700,562,000 yen, respectively, in the corresponding period of 1936. The National Debt rose by 1,148.8 million yen to 11,284.6 million yen during the first eleven months of 1937. The Budget estimates for the next fiscal year show expenditure at 2,868.2 million yen against revenue of 2,174.2 million yen. The following table gives Budget estimates for the last three fiscal years:—

	1936-37	1937-38*	1938-39
	(In thousand yen)		
Expenditure	2,305,574	2,872,134	2,868,299
Revenue	1,601,737	1,757,558	2,174,231
Deficit	703,837	1,114,576	694,068

* Estimates of expenditure on the China campaign excluded.

The latest deficit of 694 million yen is to be covered entirely by borrowing.

Money and Investment.—Although a policy of easy money was pursued, conditions in the money market were on the whole firmer in 1937 than in the preceding year. The note circulation expanded rapidly, especially in the closing months of the year, and was some 300 million yen above that of 1936. The yen exchange was subject to the pressure of the growing import surplus, but was pegged at 14d. in terms of the British pound, and the movement of the yen-dollar exchange ranged between 29½c. and 28½c. The new capital market was active in the first half of the year, but since the autumn issues have been greatly restricted by State control over capital expenditure. The new capital raised during the first eleven months of the year was 1,979,743,000 yen, against 4,972,419,000 yen and 2,618,256,000 yen, respectively, in the corresponding periods of 1936 and 1935.

Production, Profits and Prices.—Production in many branches in both the light and heavy industries was at a considerably higher level in 1937 than in preceding years, but

for strategic reasons, figures of the output of iron, coal and steel are not available.

	(In million yen)					
	1935		1936		1937	
	Imports	Exports	Imports	Exports	Imports	Exports
Jan.-Nov., 1935			Jan.-Nov., 1936		Jan.-Nov., 1937	
Bales			Bales		Bales	
Cotton yarn	3,265,660		3,280,812		3,693,833	
(In thousands of square yards)						
Cotton cloth	1,690,515		1,644,662		1,742,455	
Lbs.			Lbs.		Lbs.	
Rayon yarn	182,372,000		236,320,000		244,166,000	
Food, drink and tobacco	169.9	181.0	207.5	183.5	223.2	220.9
Raw materials & articles	1,786.5	725.9	1,993.9	767.7	2,920.8	908.4
Articles wholly or mainly	263.4	1,333.2	269.8	1,399.3	374.9	1,730.9
manufactured						
Total	2,219.9	2,240.2	2,471.2	2,350.6	3,519.1	2,860.3

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 of 1937 amounted to 513,846,000 yen, compared with 419,776,000 yen and 456,743,000 yen, respectively, in the first and second halves of 1936. The Bank of Japan's index number of wholesale prices (July, 1914 = 100) was 188.8 in November, compared with 161.8 a year ago and 154.0 two years ago.

Foreign Trade.—In the first eleven months of the year the total value of imports was 3,525 million yen and of exports 2,902 million yen. Compared with the corresponding period of 1936, imports and exports increased in value by 1,046 million yen and 506 million yen. The import surplus amounted to 622,609,000 yen, against 83,003,000 yen in 1936. The following table gives figures for the first eleven months of each of the past three years:—

	Imports	Exports	Import (-) or Export (+) surplus Yen
	Yen	Yen	
		(000's omitted)	
1935	2,225,698	2,276,277	+ 50,579
1936	2,479,166	2,396,163	- 83,003
1937	3,525,386	2,902,777	- 622,609

Both imports and exports were higher in value each month last year compared with a year ago, although percentage increases declined in closing months. Totals in certain categories are shown in the following table.

China

WHEN the year closed hostilities with Japan had been in progress for nearly six months, and it was likely that much of the progress made in recent years in the reconstruction of China's economic and financial life might be lost. During the first half of the year there were encouraging signs of trade recovery; but the interruption of communications with trading centres such as Shanghai and Tientsin, the ravaging of the hinterland of North and Central China, and the wholesale flight of the rural population in the Yangtse Valley have seriously disturbed the country's economy.

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Foreign Trade.—Until July, it seemed probable that 1937 would be the best year for Chinese trade since the depression. The following tables (extracted from the Maritime Customs returns) show how China's trade and the commerce of Shanghai and Tientsin suffered from the outbreak and development of hostilities in the second half of the year:

	(In millions of \$)			
	January-June		July-November (5 months)	
	1936	1937	1936	1937
<i>China</i>				
Total net exports	332.7	482.9	293.2	300.2
Total net imports	459.0	606.0	390.4	294.8
<i>Shanghai</i>				
Exports	174.5	249.1	153.1	136.9
Imports	277.5	363.8	225.6	132.7
<i>Tientsin</i>				
Exports	54.2	85.3	45.0	35.2
Imports	32.7	56.4	33.8	22.9

In August, Chinese imports fell from \$124 millions in value to \$55.5 millions, and again in September to \$34 millions, the year's lowest figure. Exports, however, recovered somewhat in September to \$67 millions, compared with \$42 millions in August and \$88.8 millions in July, but fell heavily in the last quarter. Trade similarly declined at Shanghai and Tientsin, and at Hankow. Canton and Kowloon, however, benefited from the diversion of trade from other centres. In October, Canton's imports had risen in value from \$2.5 millions in July to over \$6 millions, and exports from \$4.5 millions to over \$6 millions also. Kowloon's imports were doubled and exports trebled in three months. Imports to Hongkong declined after the middle of the year, but the value of exports rose from \$10 millions in July to \$17 millions in October.

The Chinese Dollar.—Despite the war, the exchange value of the dollar has remained stable at 14-14½d. with an improved demand and higher prices for goods exported, and larger total remittances from Chinese residents overseas, the balance of international payments had, when hostilities broke out, considerably improved, and the dollar may even have been undervalued. The banking and exchange restrictions

imposed in August helped to prevent a panic flight from the currency; the recorded trade figures suggest that the task of maintaining the exchange was somewhat eased by import difficulties; and there was an inflow of patriotic and philanthropic contributions from abroad.

Foreign Debt.—Customs revenue in 1937 amounted to \$342.9 millions, compared with \$324.6 millions in 1936. The loan service of the Anglo-German Loan of 1898, the Boxer Indemnity, and the 1913 Reorganisation Loan was fully covered at a total cost of \$76.9 millions, compared with \$76.7 millions in 1936; and a total sum of \$129,141,463 was provided for the service of internal loans secured on the Customs revenue. The Japanese, anxious to prevent Chinese Customs revenue from being used to finance further resistance, are inclined to use their control at the principal ports to secure a larger share in the Customs administration; but a compromise is possible whereby sufficient funds will be released to continue the loan service on the foreign bonds. It is too early to do more than guess the damage done by the war to undertakings in which foreign investors are interested.

Egypt

THE year, first of the post-treaty period, was marked by the abolition of the Capitulations and the entry of Egypt into the League of Nations. These successes failed to consolidate the position of the Wafd. Disappointment over its home policy, and a constitutional conflict with the Crown, caused the dismissal of the Nahas Cabinet at the close of the year. The reversal in world economic trends was reflected in Egypt with great promptitude and force. During the first quarter almost boom conditions prevailed, and cotton prices reached their peak in the last days of March. The recession set in immediately after the gold scare, and by the end of the year values stood at about half the figures ruling nine months earlier.

Agriculture, Industry and Currency.—In the course of 1937 Egypt passed from a state of relative scarcity to unprecedented agricultural over-production. The cotton crop exceeded the previous record by one-fifth, and the Government had to take steps to ensure adequate financial facilities for growers. In expanding wheat production Egypt passed the limit of self-sufficiency, but prices were not affected. Loans were granted on very liberal terms, and an export bounty gave way, in the later months, to a more indirect form of subsidy. The increased dependence of agriculture on foreign markets, coupled with the abolition, in the previous year, of the gold clause in Egyptian State bonds, prompted a few members of Parliament to propose devaluation of the Egyptian pound on the Australian precedent. For a short time in October forward quotations of sterling stood at a slight premium, but the Chamber of Deputies refused to discuss the proposition. Industrial progress followed a more even course than agriculture, as testified by the steadier behaviour of industrial shares in comparison with other sections of the securities market, which was depressed by developments in the Mediterranean and prospects of increased taxation, as well as by the general business recession.

Foreign Trade.—After reaching a peak of £E.6,945,732 in April, against £E.318,881 twelve months earlier, the export surplus in value dwindled to £E.1,664,358 in November, as appears from the following table:—

	(11 months)	
	1936 £E.	1937 £E.
Exports	27,913,935	36,165,385
Imports	28,590,802	34,501,027

The introduction in 1936 of a special super-tax of 40 per cent. on Japanese textiles considerably affected imports. The main beneficiary was Italy, which more than recovered the ground lost during the Sanctions period, and now heads the list of sellers of textiles to Egypt.

Public Finance and Population.—The Budget was balanced at £E.36,116,500, but with the growing needs of national defence an extraordinary Budget has been introduced. Having obtained, however, full freedom of action following the abolition of the Capitulations, the Egyptian Government examined the possibilities of certain new taxes, chief of which is the stamp tax. The 1937 census revealed that the population had increased from 14,217,864 in 1927 to 15,904,525. The rate of increase was slightly higher than in the ten preceding years, and marked a reversion in the long-term tendency to decline. Cairo, with a population of 1,307,422, is the largest city in Africa.

Industry and Trade

Foodstuffs

Wheat

THE main features of the 1936-37 wheat season are summarised as follows in the December issue of *Wheat Studies*, published by the Food Research Institute of Stanford University, California:—

For the third year in succession world wheat crops were short, utilisation considerably exceeded production, and carry-overs were strikingly reduced—in the end to a very low point like that of 1925. Successive advances carried wheat prices up toward or above 1929-30 averages.

The short 1936-37 crop was due primarily to adverse weather. Most of Europe ex-Danube and French North Africa was affected; spring wheat was seriously damaged in North America and the U.S.S.R. Durum wheat was peculiarly scarce. Shortage of feed grains in North America led to heavy imports from Argentina's abundant supplies and liberal feed use of wheat in the United States. Wheat feeding was light elsewhere.

This country was again a substantial net importer of wheat, and urgent purchases by Italy, Germany and Spain more than offset reduced Oriental takings. Despite further shrinkage in world flour exports, international trade in wheat and flour materially exceeded expectations and proved the highest in four years. Canada, Argentina, Australia and the Danube countries were the leading exporters, but India and various minor exporters shipped more than in many a year. Swelled by heavy grain shipments, extensive re-armament purchases, and general expansion accompanying economic recovery, the total international movement of commodities rose well towards the pre-depression level and caused sharp advances in ocean freight rates.

Government intervention played a minor rôle in the United States and in most wheat-exporting countries in 1936-37. Their wheat growers generally fared better than for several years and exceptionally well in Argentina and Australia. Elsewhere, despite temporary adjustments, wheat control policies were commonly maintained or tightened, with war fears a powerful influence. At current restricted levels of wheat utilisation a new surplus problem threatens to emerge when good yields per sown acre are again obtained.

Since the end of the last season, however, the world wheat situation has undergone significant changes. The low level of world production since 1934-35 was due entirely to the fortuitous succession of subnormal yields. The area under wheat has been steadily extended in recent years under the influence of rising prices without calling forth a corresponding increase in output. Sooner or later the extension of the wheat area was bound to have its natural consequence in terms of increased production and lower prices. And, as the following table, compiled from *The Monthly Crop Report* of the International Institute of Agriculture, shows, the 1937-38 harvest showed an increase in both exporting and importing countries:—

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				
1927-28	2,534	1,077	1,063	817	252	11.87
1928-29	2,849	1,077	1,376	888	444	10.20
1929-30	2,242	1,223	1,061	671	434	9.98
1930-31	2,682	1,062	1,324	826	499	6.10
1931-32	2,686	1,189	1,321	809	514	5.76
1932-33	2,451	1,405	1,235	629	609	5.77
1933-34	2,320	1,500	1,109	545	564	5.21
1934-35	2,098	1,404	897	533	371	5.83
1935-36	2,146	1,415	718	502	245	6.65
1936-37	2,304	1,218	693	602	105	9.53
1937-38(c) ...	2,535	1,305	770	535	235	10.20(d)

(a) Excluding U.S.S.R., China, Iran and Iraq.

(b) Including U.S.S.R.

(c) Provisional. (d) August-December, 1937.

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Consequently, the carry-over of wheat in exporting countries at the end of the current season is expected to show an increase—the first since the 1933-34 season. These developments are reflected in the movement of prices shown in the next table. Prices rose almost throughout the 1936-37 season, but the current wheat year opened on a note of hesitancy, and since last August quotations have shown a downward trend:—

AVERAGE PRICE OF ALL WHEAT (C.I.F. BRITISH PORTS)
(In shillings per cwt.)

Period	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38
August	8.32	4.84	6.00	6.06	5.77	5.78	7.47	10.61
September	7.90	4.36	6.00	5.74	6.09	6.23	7.87	10.33
October	7.14	4.68	6.04	5.50	6.03	6.66	8.36	10.23
November	3.38	5.18	6.08	5.10	6.03	6.61	8.60	10.09
December	5.96	5.84	5.98	5.33	5.88	6.48	9.35	9.79
January	5.72	6.06	5.74	4.89	5.63	6.83	9.94	...
February	5.56	6.28	5.48	5.05	5.57	6.97	9.89	...
March	5.24	6.22	5.58	4.89	5.59	6.93	9.88	...
April	5.12	6.32	5.34	4.90	5.71	6.83	10.37	...
May	5.28	6.42	5.54	5.01	5.80	6.81	10.99	...
June	5.46	6.96	5.68	5.11	6.00	6.89	10.74	...
July	5.10	5.96	5.78	4.97	5.83	6.92	10.83	...
Average ...	6.10	5.76	5.77	5.21	5.83	6.65	9.53	...

A table of acreage and production for individual countries, drawn up by the International Institute of Agriculture, is given below. The harvests of Italy and the United States showed a substantial increase between 1936-37 and 1937-38. Australia's production in 1937-38, though higher than in the previous season, remained below the average for 1929-33. Canada's crop was a failure, and Argentina's high yield in 1936-37 was not repeated in the current season.

ACREAGE AND PRODUCTION OF WHEAT

(Excluding countries whose crop in 1929-33 was less than 15 million bushels.)

Countries	Area†			Production†		
	Average 1929-33	1936-37	1937-38	Average 1929-33	1936-37	1937-38
Germany	5,015	5,151	4,879	161,514	162,659	161,192
Poland	2,988	2,955	2,861	51,584	60,350	56,492
Spain*	11,084	10,788	10,772	151,562	121,490	124,270
France	13,278	12,712	12,772	305,064	254,616	247,270
Greece	1,425	1,895	1,836	47,170	55,265	56,186
United Kingdom	1,479	2,085	2,115	15,565	19,537	32,373
Hungary	3,925	4,029	3,784	78,538	87,788	89,894
Italy	12,074	12,093	12,820	258,014	224,588	296,009
Poland	4,108	4,395	4,183	72,151	78,357	67,607
Portugal	1,267	1,157	1,093	15,342	8,651	14,540
Roumania	7,535	8,481	8,618	108,086	128,716	136,001
Sweden	1,000	1,095	725	22,045	21,635	26,495
Czechoslovakia (a)	2,074	2,291	2,088	54,295	55,582	51,296
Yugoslavia	5,141	5,463	5,269	84,828	107,421	86,252
Total Europe†	74,619	67,085	66,418	1,497,163	1,351,769	1,393,025
U.S.S.R.*	24,987	28,086	96,116	101,678	839,800	...
Canada	25,836	25,289	25,570	354,294	219,218	182,410
United States	37,780	37,687	46,946	572,861	519,874	685,102
Total N. America	19,841	11,176	17,514	210,912	106,892	188,891
India	84,815	75,415	91,303	1,150,224	859,590	1,067,619
Japan	32,516	33,639	33,222	350,187	351,680	366,165
Mauritius	1,280	1,688	1,770	33,645	45,194	50,410
Munichina	3,441	2,682	3,095	50,253	30,675	39,653
Turkey	7,231	8,843	8,323	93,165	138,496	140,311
Total Asia†	46,462	48,986	48,508	550,936	589,827	624,790
Algeria	3,839	4,287	4,062	30,526	29,773	33,965
Egypt	1,595	1,484	1,421	44,718	45,701	45,376
French Morocco	2,885	3,194	2,743	27,944	12,234	18,372
Total N. Africa	10,307	10,312	10,806	116,036	96,947	116,821
Argentina	17,459	17,503	18,909	228,312	249,192	191,983
Chile*	1,984	1,918	1,898	27,991	28,702	...
Australia	15,710	12,351	13,735	124,471	150,106	161,781
Grand total†	251,801	234,771	252,689	3,748,685	3,322,754	3,580,779

* Countries not included in the total. † 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. (b) Spring crop. (c) Winter crop. (d) Area provided for in the plan.

In the United Kingdom, both acreage and yield showed a further small increase in 1937-38. But, as the following table shows, a slight reduction in the volume of imports was accompanied by a substantial rise in their value.

BRITISH IMPORTS OF WHEAT AND OTHER CEREALS

	Quantity			Value		
	1929	1936	1937	1929	1936	1937
Wheat from—	Cwts.	Cwts.	Cwts.	£	£	£
U.S.S.R.	...	167,306	8,130,138	...	55,771	3,894,128
Germany	...	...	423,024	...	...	206,943
Roumania ...	...	4,422,427	2,271,830	...	1,624,440	1,028,467
United States ..	22,265,950	45,568	3,474,155	11,742,051	20,645	1,681,320
Argentina	45,378,474	957,157	15,471,538	22,906,500	353,425	7,206,171
British India ..	141,169	3,249,257	6,287,231	78,134	1,453,779	3,201,294
Australia	12,797,402	23,269,529	22,008,211	6,840,517	8,625,335	11,519,435
Canada	27,190,852	57,813,099	34,248,724	14,162,371	22,393,603	19,148,960
Other countries ..	3,993,551	10,848,077	4,168,672	2,054,925	3,423,088	1,957,827
Total wheat	111,767,398	100,772,430	96,883,523	57,784,498	37,950,086	49,844,543
Wheat meal & flour from—						
France	577,593	730,602	404,273	286,646	273,708	220,007
United States	2,536,495	77,586	107,607	1,850,850	49,605	75,306
Argentina	758,779	272,383	409,920	330,846	86,618	161,765
Australia	1,332,439	2,469,558	3,313,629	878,280	1,061,191	1,996,143
Canada	3,723,996	4,103,987	4,043,724	2,563,214	2,132,623	2,861,296
Other countries ..	774,174	712,407	260,759	423,597	239,607	135,028
Total	9,703,446	8,366,523	8,540,892	6,333,433	3,843,352	5,449,997
Barley	11,986,261	18,294,415	18,191,954	5,522,137	5,096,490	7,287,956
Oats	6,929,891	2,161,092	1,207,368	2,747,518	604,685	485,888
Total of grain and flour*	186,294,316	214,003,782	208,590,791	95,914,625	69,536,113	91,411,142

* Including other items not given above.

A sharp reduction in wheat imports last year from Canada was offset by an equally marked increase in purchases from Australia and the U.S.S.R.

Sugar

The year 1937 witnessed an event of major importance in the establishment of the International Sugar Agreement which had a heartening effect upon the world market, as it was hoped to lay the foundations for an adjustment between supply and demand. World production during the year was greater than in 1936, though the beet sugar crop was smaller. The following figures of world production are taken from Messrs Willett and Gray's estimates:—

WORLD PRODUCTION OF SUGAR

(Long tons)

	1933-34	1935-36	1936-37	1937-38
U.S. cane	223,942	341,750	398,938	416,000
U.S. beet	1,496,053	1,052,207	1,167,530	1,140,000
Puerto Rico	988,557	826,817	889,594	890,000
Hawaii	835,998	907,474	860,696	905,000
Virgin Islands	4,722	3,357	7,570	8,000
Philippines	1,411,110	876,983	1,001,293	985,000
Total U.S. Continental and Insular Production	4,930,382	4,008,588	4,316,531	4,344,000
Trinidad	105,342	154,665	154,285	158,000
Barbados	82,934	105,233	105,264	110,000
Jamaica	72,528	91,463	106,601	120,000
Antigua	20,677	21,269	33,025	29,000
St. Kitt's	28,262	28,173	34,272	35,000
Other British West Indies	6,730	13,025	13,115	11,000
British Guiana	132,240	195,944	200,000	190,000
Australia	672,671	651,658	786,592	800,000
Fiji	116,113	131,240	149,300	140,000
Mauritius	261,460	280,700	285,129	315,000
Natal	349,261	372,605	398,578	425,370
Total British Empire, excluding British India	1,848,218	2,045,966	2,269,161	2,333,370
British India (Gur)*	3,491,621	4,089,879	4,692,272	4,400,000
" " (Whites)	740,059	1,112,167	1,242,400	1,300,000
Cuba	2,274,303	2,588,395	3,012,968	3,000,000
Java	636,032	583,028	1,391,653	1,400,000
Sao Domingo	382,374	449,817	446,615	450,000
Peru	389,961	383,290	406,357	400,000
Mexico	177,108	303,348	290,000	280,000
Brazil	638,425	1,013,591	883,730	941,965
Argentina	316,456	390,428	434,361	369,907
Egypt	154,498	131,669	135,819	130,000
Japan/Formosa	803,143	1,089,884	1,192,523	1,318,000
Other cane	442,281	477,108	478,424	469,000
Total cane sugar crops	10,446,261	12,612,554	14,607,122	14,458,872
Total cane sugar crops	15,758,898	17,614,901	20,025,284	19,996,242
Total beet sugar crops	8,831,455	10,140,118	9,895,458	10,818,928
Total cane and beet crops	24,590,263	27,755,019	29,920,742	30,815,170

* Gur reduced to marketable basis.

The average price of raw sugar in 1937 was considerably higher than that of 1936, the year being the best since 1930. World stocks at the end of the season showed a decline on 1936. 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, 98° c.i.f.)	
	Europe	United States All Ports	Cuba		Java	World		
			Ports	Interior				
							London per cwt.	
1929	671	933	466	480	1,497	4,047	s. d. 9 04	
1930	798	393	1,139	1,310	1,882	5,522	6 7	
1931	1,702	459	1,092	1,225	2,287	6,765	6 31	
1932	1,401	440	806	1,310	3,133	7,090	5 94	
1933	1,021	348	619	1,220	3,056	6,284	5 4	
1934	873	628	627	958	2,328	5,414	4 81	
1935	1,167	545	360	560	1,496	4,128	4 71	
1936	878	334	237	640	894	2,983	4 81	
1937	811	168	315	797	725	2,816	6 44	

(a) Calendar year.

We take the following account of the year's developments from *Weekly Prices Current* published by Messrs Czarnikow, Limited:—

The year 1937 saw the highest c.i.f. prices reached since the beginning of the world depression in 1930. A "peak" of 6s. 10½d. was reached in April, and the average c.i.f. price, at 6s. 4½d. per cwt., was 1s. 7½d. higher than in 1936. Higher freight rates and the news of the calling of a World Conference undoubtedly accentuated the rise in the first three months of the year. Much of the advance in price has been absorbed by increased production costs and freight rates.

The establishment of the International Sugar Agreement last year was an important point in the industry's history. The main object of the scheme is to secure and maintain a reasonable balance between supplies and requirements on the world market. A definite limit is now placed on world market supplies, while the normal development of consumption has been left a free rein, with events favouring rather than hindering expansion. Despite the fact that there has never been any question as to the adequacy of supplies, there has again been no undue selling pressure. Consumption has been encouraging, the most outstanding increase being in Germany. Poland and Czechoslovakia also established records, and Great Britain's steady expansion in off-take has continued during 1936-37, the total being some 80,000 tons greater than in the previous season. Consumption in many other less important areas benefited by the increase in purchasing power of the producers of primary products, but the Sino-Japanese conflict has caused apprehension concerning a decline in consumption.

The trend towards self-sufficiency in the smaller countries

Tea

WORLD demand for tea during 1937 was slightly greater than during the previous year and consumption in Great Britain was also greater than in 1936. Average prices were rather more than 2d. per lb. higher in 1937 than in 1936. The following table gives particulars of prices at the London auctions:—

AVERAGE TEA PRICES (per lb., London Sales)

Year	North India	South India	Ceylon	Java	Sumatra	All Tea
	d.	d.	d.	d.	d.	d.
1930	14.69	14.52	18.61	10.22	11.22	15.23
1931	11.87	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
1934	13.40	12.93	13.96	11.21	10.24	13.27
1935	12.83	12.20	14.39	10.34	9.06	12.90
1936	13.01	12.61	14.08	10.81	10.26	13.07
1937	15.05	14.69	16.00	13.78	12.20	15.18
1937—January	13.30	12.84	15.52	12.16	10.96	13.71
February.....	13.93	14.09	16.10	13.38	11.60	14.45
March	14.09	15.16	16.98	13.89	12.39	15.18
April	14.91	16.15	17.51	14.57	13.00	15.62
May.....	14.97	15.60	16.45	13.46	12.70	15.41
June	14.84	14.53	15.14	13.40	12.29	14.72
July	15.29	14.50	15.25	13.65	12.40	14.93
August	17.22	14.89	15.74	14.16	12.77	16.04
September	17.21	15.22	16.60	15.31	13.17	16.67
October	16.12	15.48	16.87	15.06	13.16	16.19
November	14.69	14.85	15.67	13.59	12.45	14.86
December	13.81	14.15	14.89	12.69	11.59	14.03

half of the season and in November the quota for the season 1938-39 was fixed at 92½ per cent. of standard.

The following account of events in 1937 is taken from the *Chamber of Commerce Journal*:—

The past year was a fairly satisfactory one for producers, and average prices of teas sold at the London auctions were higher than in 1936. During the early months of 1937 demand was very keen and stocks declined rapidly and prices rose. The announcement that the quota for the season 1937-38 had been raised to 87½ per cent. caused a reaction in price and the market remained steady until November, when a 5 per cent. increase in the quota for 1938-39 caused a renewed decline.

The permissible exports from the countries within the control scheme for the season beginning April 1, 1937, were 700,505,798 lb. The quota of 92½ per cent. for the season 1938-39 will permit shipments of about 741,000,000 lb. An unsatisfactory feature is the rising tendency of exports from countries outside the scheme, these now exceeding 170,000,000 lbs. per year. Consumption is being well maintained in most countries, while improved absorption is hoped for in the future from the efforts of the Tea Market Expansion Board.

The following table shows changes in British imports, re-exports and stocks of tea in recent years:—

	1929	1936	1937
Imports:—	Lb.	Lb.	Lb.
British India.....	308,734,835	268,709,635	275,567,385
Ceylon.....	153,985,061	145,192,973	141,117,444
China (including Hongkong and Macao).....	9,209,619	8,662,411	12,999,864
Dutch East Indies.....	85,404,476	36,385,730	24,608,378
Netherlands.....	1,716,189	1,954,928	1,954,928
Other countries.....	4,723,767	20,963,876	31,593,910
Total imports.....	559,167,758	481,630,814	487,841,909
London warehouse stocks at Nov. 30th....	...	235,880,000	196,882,000
Re-exports.....	95,022,790	70,740,138	69,618,057

There was an increase of about 6 million lb. in imports of tea in 1937, accompanied by a slight decrease in re-exports.

Cocoa

THE past year was one of the most outstanding in the history of the trade. The price boom, which had been in progress since the Spring of 1936, reached its peak in mid-January, when Accra futures were quoted in London at 58s. 8½d. per cwt. Prices eased in February, but rallied in March, only to decline to just over 30s. on September 30th. The year's lowest was touched on November 19th, when Accras stood at 23s. 7½d., after which there was some recovery.

The price boom early in the year was due to fears of a world shortage of supplies, aggravated by widespread speculation. But the technical position became so weak that most genuine traders ceased buying, and the subsequent collapse of the market was perfectly natural. Although consumption established a new high record, supplies were more than sufficient, as the following table shows:—

	1934-35	1935-36	1936-37
World.....	635,563	706,906	719,739
of which:—			
Gold Coast.....	245,459	290,044	304,813
Brazil.....	102,597	127,000	108,387
Nigeria.....	83,545	92,691	103,328
Ivory Coast.....	44,259	49,356	51,512

	1934-35	1935-36	1936-37
World.....	626,509	670,126	693,448
of which:—			
U.S.A.....	252,970	254,919	306,954
Great Britain.....	79,911	99,856	99,340
Germany.....	75,211	78,195	71,381
Holland.....	58,787	66,842	54,746
France.....	41,045	47,318	41,260

All figures relate to the cocoa season, i.e. October 1st-September 30th. Source: *Gordian*.

Last season's increase in supplies was traceable to higher West African shipments, Brazilian exports having shown a decline. The increase in net imports into the consuming countries, on the other hand, was due to the growth of consumption in the United States. World stocks, according to *Gordian*, rose from 328,600 metric tons on September 30, 1936, to 361,000 metric tons a year later. The increase occurred in visible supplies and in the "afloat" figure, invisible stocks having shown a decline.

BRITISH TRADE IN COCOA AND COCOA PRODUCTS

	Quantity			Value		
	1929	1936	1937	1929	1936	1937
Raw cocoa—	Cwts.	Cwts.	Cwts.	£	£	£
Imports.....	1,542,076	2,258,046	1,896,495	3,810,844	3,139,545	4,542,816
Home consumption.....	1,070,625†	1,879,339†	1,764,261†	...	...	...
Re-exports.....	213,051	95,178	142,666	524,105	166,161	253,960
Stocks.....	447,000*	835,000*	737,000*	...	...	...
Cocoa products—						
Imports.....	208,417	34,580	35,320	1,410,972	120,245	123,066
Home consumption.....	187,652	80,299†	87,158†	...	...	...
British exports.....	185,775	469,539	476,871	1,136,240	759,059	857,882

* As at November 30th.

† Eleven months ended November 30th.

An agreement to regulate the acquisition of the new Gold Coast cocoa crop by fixed quotas was concluded last autumn by the leading shippers and consumers buying directly in West Africa. The principal object was to eliminate competition between buyers, which had been reflected in the payment of special commissions and advances to the growers and which had helped to force up prices in the preceding season. Gold Coast farmers replied to this agreement by initiating a selling boycott, which was fairly strictly observed until well into 1938. At the time of writing, the buyers are apparently showing no inclination to abandon their agreement, while the growers' lack of funds is beginning to make itself felt. A substantial part of the crop has already deteriorated, owing to lack of adequate storage accommodation, and the rumoured intention of the growers to burn part of the crop will therefore make little difference to the real position. The outcome of the present dispute is likely to exercise an important influence on the course of prices.

Coffee

WORLD production last year was substantially higher than in 1936, the increase being largely accounted for by a heavier Brazilian crop. The total crop, and the proportion attributable to Brazil, were both higher than in any year since 1934. The following statistics have been compiled from *Le Café*:—

WORLD COFFEE PRODUCTION (In thousand bags of 60 kilos.)

Season ended June 30	Brazil	Other Countries	Total	Brazilian Proportion of Total Production
1931.....	15,678	8,633	24,311	64.4
1932.....	27,581	8,287	35,868	76.8
1933.....	14,502	9,239	23,741	61.2
1934.....	30,483	8,335	39,318	77.3
1935.....	18,496	7,699	26,195	70.4
1936.....	21,455	10,028	31,483	68.2
1937.....	26,611	10,889	37,500	71.0

World consumption, according to the same source, showed a slight decline last year, after increasing in 1936; a sharp fall in the Brazilian figure was more than sufficient to counter-balance an improved consumption of other sorts. Meanwhile, average prices on the London market were well above the low level reached in the previous year:—

CONSUMPTION, STOCKS AND PRICE OF COFFEE (In thousands of bags)

Season ended June 30	Consumption		Stocks			Average Price, London (s)	
	Brazilian	All Kinds	Brazilian	All Kinds	Brazilian "Interior" Stocks	Costa Rica	Santos
1931.....	16,546	25,091	4,657	6,384	21,997	155.8	47.9
1932.....	15,589	23,723	4,822	6,702	25,036	139.0	68.2
1933.....	13,356	22,848	4,874	6,501	16,593	131.1	50.1
1934.....	16,062	24,431	6,353	8,528	18,615	126.9	49.0
1935.....	14,859	22,681	5,491	7,541	17,134	83.6	39.2
1936.....	16,128	25,845	5,769	8,130	20,716	80.1	40.8
1937.....	14,010	23,006	5,528	7,911	22,566	87.2	48.6

(a) Calendar years.

(b) Basis altered.

A summary of the principal developments during the year is given in the following extract from *The Chamber of Commerce Journal* for February, 1938:—

The failure of the Pan-American conference to reach agree-

ment on export quotas and prices was followed by a drastic alteration in the coffee policy of Brazil. The export tax was reduced from 45 to 12 milreis per bag, and certain foreign exchange restrictions were removed. Government intervention in the market was discontinued, leaving the way clear for Brazil coffee to compete freely with other growths. While Brazil was artificially supporting the price of the commodity, other countries were increasing sales and production, with the result that Brazil now only supplies 50 per cent. of the world's requirements against 70 per cent. previously. Her policy of destroying surplus coffees will be continued, for there seems little prospect of finding a market for the whole of her annual production, which nearly equals the world's requirements of about 25,000,000 bags.

Livestock and Meat

THE following table, published by courtesy of the Ministry of Agriculture, gives details of the number of livestock on agricultural holdings in the United Kingdom in the month of June in recent years. In contradistinction to developments in the previous year, a slight decline in the dairy herd in 1937 was more than counterbalanced by an increase in the number of other cattle. But, while total cattle increased in number, the long-term decline in horses has continued. There was a further increase in the number of sheep—and the growth in the flock of breeding ewes suggests that this development will continue. The pig population, on the other hand, registered a decline, following the previous year's increase:—

	1932	1935	1936	1937†
Horses—	No.	No.	No.	No.
Horses used for agriculture*.....	857,490	790,239	753,103	743,395
Stallions being used for service.....	3,373	114,714	118,091	125,176
Unbroken horses:—				
One year and above.....	100,147	56,537	61,137	64,707
Under one year.....	46,742	...	...	...
Other horses on agricultural holdings†.....	154,246	161,025	171,248	162,350
Total of horses.....	1,161,998	1,112,515	1,103,579	1,095,628
Cattle—				
Cows and heifers in milk.....	3,118,702	3,293,246	3,306,785	3,270,559
Cows in calf, but not in milk.....	486,187	534,786	539,299	552,589
Heifers in calf.....	...	...	...	...
Bulls being used for service.....	1,220,117	1,310,523	1,295,708	1,300,321
Other cattle:—				
Two years and above.....	1,717,122	1,859,954	1,781,766	1,783,762
One year and under two.....	1,763,907	1,660,380	1,699,402	1,732,111
Under one year.....	...	...	...	...
Total of cattle.....	8,306,035	8,658,889	8,622,960	8,639,342
Sheep—				
Ewes kept for breeding.....	11,431,808	10,832,540	10,929,758	10,982,644
Rams and ram lambs to be used for service.....	4,068,765	2,847,199	2,692,480	2,503,543
Other sheep:—				
One year and above.....	11,703,210	11,381,980	11,417,939	12,054,719
Under one year.....	...	...	...	...
Total of sheep.....	27,203,781	25,061,719	25,040,177	25,540,906
Pigs—				
Sows kept for breeding.....	464,620	573,561	568,670	540,945
Boars being used for service.....	3,105,030	3,957,903	3,993,160	3,911,121
Other pigs.....	...	...	...	...
Total of pigs.....	3,569,650	4,531,464	4,561,830	4,452,066

* Including mares kept for breeding.

† Great Britain only.

† Figures for Great Britain are the total number of horses on agricultural holdings: for Northern Ireland, those used for agriculture and unbroken horses only.

† The figures for 1937 are subject to revision.

The Livestock Industry Bill, embodying the Government's long-term policy for the industry, received the Royal Assent in July and came into force on August 1st. The seven members of the Livestock Commission, appointed in July, had all served on the Cattle Committee, which is now superseded. It is the duty of the Commission to advise and assist the Ministers concerned and to administer the cattle subsidy. Meanwhile, the subsidy rates were so adjusted as to give further encouragement to the production of good quality fat cattle in the United Kingdom. Animals are now divided into two grades—"ordinary" and "quality"—and higher rates of subsidy are paid on home-produced beasts. The rates are as follows (per live cwt.):—Ordinary home-bred, 5s.; ordinary imported, 2s. 6d.; quality home-bred, 7s. 6d.; quality imported, 5s.

The pigs and bacon marketing schemes remained in a state of suspended animation last year. But, while the contract system was not revived, the Board of Trade continued the regulation of imports by reference to the estimated volume of home production. The Pigs Board also made provision for grading bonuses and deductions. Meanwhile, Mr Morrison, the Minister of Agriculture, promised last August to take steps to encourage the reorganisation of the curing industry; no concrete proposals have, however, yet emerged.

Imports have developed as follows:—

IMPORTS OF LIVESTOCK AND MEAT				
	1929	1935	1936	1937
Cattle*—	'000	'000	'000	'000
For food.....	750	599	635	650
For breeding.....	41	62	61	62
Sheep and lambs*.....	585	279	456	312
Swine*.....	311	128	121	43
Beef (excluding canned and extracts)—	'000 cwt.	'000 cwt.	'000 cwt.	'000 cwt.
Empire.....	1,083	2,665	2,698	3,422
Foreign.....	10,887	8,798	8,868	8,911
Total.....	11,970	11,464	11,567	12,333
Mutton and lamb (frozen)—				
Empire.....	3,340	5,417	5,026	5,495
Foreign.....	2,290	1,281	1,274	1,308
Total.....	5,630	6,698	6,300	6,803
Bacon and hams—				
Empire.....	809	1,589	1,898	2,227
Foreign.....	8,497	6,015	5,343	5,373
Total.....	9,306	7,604	7,241	7,600
Pork (fresh, chilled and frozen)—				
Empire.....	468	787	933	889
Foreign.....	186	270	208	223
Total.....	654	1,057	1,141	1,112

* Mostly from the Irish Free State.

The following table shows average prices at Smithfield during the past two years:—

LONDON MEAT PRICES						
End of:	Beef		Mutton		Bacon	
	English Long Sides per 8 lbs.	Argentine Chilled Hinds per 8 lbs.	English Wethers per 8 lbs.	N.Z. Frozen per 8 lbs.	English No. 1 Sizeable per cwt.	Danish No. 1 Sizeable per cwt.
1936—March.....	3/11	3/4	5/1	3/9	90/-	94/-
June.....	4/2	3/4	5/6	3/4	93/-	93/-
September.....	3/11	4/2	6/4	3/5	94/6	100/-
December.....	4/2	4/4	5/6	3/7	90/-	92/-
1937—March.....	4/7	3/9	7/-	3/8	94/-	92/-
June.....	5/4	4/6	7/-	3/8	90/-	96/6
September.....	4/7	4/6	5/8	3/9	105/-	104/6
December.....	5/-	4/2	6/-	3/6	100/-	100/-

Quotations for English beef and mutton in 1937 were well above the previous year's level, though some weakness was apparent in the third quarter. Imported descriptions were only slightly dearer than in 1936. English bacon was generally dearer last year, while quotations for Danish were first below and then above the corresponding averages for 1936.

Dairy Produce

THE year was notable for the publication of a White Paper outlining the Government's milk policy. These proposals, which were discussed in *The Economist* of July 31 and August 7, 1937, have not yet been embodied in legislation. As proposed in the report of the Reorganisation Commission, there is to be a Milk Commission, but its powers will be confined to recommending and reporting and will not include price-fixing. There is also to be a scheme of "price insurance," to maintain the price of milk sold for manufacturing purposes. Exchequer payments will be made when the average prices of butter and cheese fall below 112s. and 62s. 6d. per cwt., respectively, in summer and 120s. and 67s. 6d. per cwt. in winter. The quantity of milk to which the subsidy is to apply is, however, fixed at 125,000,000 gallons in each case. Subsidies are also to be paid to producers of special grades of milk, and the milk-in-schools scheme is to be continued. A number of minor proposals will doubtless be amplified when the required legislation is drafted.

Production of milk in Great Britain took a downward turn last year and, since liquid consumption simultaneously increased, the quantity sold for manufacturing purposes showed a notable decline. Pool prices were consequently higher than in 1936, while both the producers and the dairymen gained an advantage, at the expense of the consumer, from the new price agreement signed in the autumn. The average wholesale price for the ensuing twelve months was raised from 15s. 3d. to 15s. 11d. per dozen gallons. Retail prices were raised by 1s. per dozen gallons, the difference representing the gain to the distributor.

Consumption of butter in the United Kingdom in 1937 is estimated by the Imperial Economic Committee at 24.7 lb. per head, against 24.8 lb. in 1936 and 25.3 lb. in 1935; margarine consumption showed a slight increase. Production of creamery butter fell from 468,700 cwt. in 1936 to about

330,000 cwt. in 1937; and since there is no reason to believe that the output of farm butter increased, total United Kingdom butter production is tentatively estimated by the Imperial Economic Committee at 860,000 cwt. in 1937.

Meanwhile, at 9,416,366 cwt., British imports of butter were 3 per cent. less than the record total achieved in 1936 and were smaller than in any year since 1933. Shipments from the Empire were 4 per cent. smaller than in 1936, and formed 52 per cent. of the total, while imports from foreign sources declined by 2 per cent. New Zealand was again the principal source of supply, sending a record quantity of butter—6 per cent. more than in the previous year and accounting for 31 per cent. of the total. Imports from Denmark, the second most important supplier, rose by 4 per cent. to comprise 24 per cent. of the aggregate. Australia, however, had a second unfavourable season, and imports from that country declined by 12 per cent., and comprised only 16 per cent. of last year's total. At the end of the year, Australian production was responding to improved conditions, and there is the possibility of increased supplies from this source in 1938. There was a marked decline last year in shipments from certain European countries—a development traceable to severe weather conditions and an epidemic of foot-and-mouth disease.

BRITISH IMPORTS OF BUTTER AND CHEESE

Country of Origin	Volume in '000 cwt.			Value in £'000		
	1929	1936	1937	1929	1936	1937
Butter:—						
New Zealand.....	1,304	2,732	2,951	11,277	13,439	15,352
Australia.....	768	1,694	1,492	6,342	7,672	7,522
Irish Free State.....	566	468	329	4,580	1,694	1,311
Denmark.....	2,204	2,172	2,256	19,737	10,770	11,901
U.S.S.R.....	290	412	273	2,299	1,645	1,258
Total (including other countries).....	6,397	9,741	9,416	54,706	44,385	47,359
Cheese:—						
New Zealand.....	1,801	1,681	1,731	8,300	4,771	5,392
Canada.....	723	603	722	3,412	1,926	2,460
Netherlands.....	196	182	217	777	325	434
Total (including other countries).....	2,994	2,676	2,937	13,913	7,784	9,257

As with butter, the apparent consumption of cheese has shown a slight decline in recent years. The Imperial Economic Committee estimates that consumption amounted to 8.6 lb. per head in 1937, against 8.8 lb. in 1936 and 9.1 lb. in 1935. During the past two years factory cheese production in this country has shown a decline, while farm production has tended to increase. Total production in Great Britain last year was in the neighbourhood of 771,900 cwt., against 1,087,400 cwt. in 1936; the output in Northern Ireland is negligible.

After declining in 1935 and 1936, British imports of cheese showed a recovery last year, exceeding the 1936 total by some 10 per cent. Shipments from Empire countries showed an expansion of 8 per cent., and were again equal to about 90 per cent. of the total. Supplies from foreign sources rose by over 20 per cent. last year and were larger than in any year since 1931. As usual, New Zealand headed the list, but accounted for only 59 per cent. of total imports, against 63 per cent. a year earlier. Canadian shipments rose by a further 20 per cent. to comprise one-quarter of the total. Receipts from Australia were 31 per cent. larger in 1937 than in 1936.

The following averages of top prices realised on the London Provision Exchange 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
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
1937—March.....	96 3	96 6	126 9	60 6	73 0
June.....	110 0	108 6	114 9	74 3	80 0
September.....	117 6	117 3	134 6	68 6	70 3
December.....	113 3	111 6	131 9	66 0	73 6
Annual average.....	110 9	110 0	127 3	67 0	74 3

The year was notable for a further increase in butter prices, which reached the highest average for six years. Colonial butter prices at the beginning of 1937 were actually below those realised a year earlier, but they rose to very high levels in October, only to decline in the following month. Danish butter prices showed similar fluctuations, and quotations were maintained at a high level in the fourth quarter, when increased purchases by Germany played an important part. New Zealand and Canadian cheese prices averaged about 10 per cent. more in 1937 than in 1936. Home-produced cheeses were also generally dearer last year.

Eggs and Poultry

THE British poultry industry failed to hold its own last year, the number of fowls in the United Kingdom, as returned at June 4th, being 8 per cent. smaller than in 1936. The output of eggs is tentatively estimated by the Imperial Economic Committee at around 36 million great hundreds, against 37.7 millions in the previous year. Profitability in the industry has recently declined in consequence of the rise in costs, the increasing toll of disease and the fact that the stamina of the flocks has been undermined by intensive production in earlier years. An appeal to the Government for increased import duties was therefore made by the industry's representatives, but was rejected on the recommendation of the Import Duties Advisory Committee. Certain proposals for a marketing scheme are before the industry at the time of writing, but they do not appear to arouse any great enthusiasm amongst the bulk of the poultry-keepers.

Meanwhile, imports of eggs last year were slightly larger than in 1936 and were greater than in any year since 1931:—

IMPORTS OF EGGS AND POULTRY

	Quantity				Value (£'000)			
	1929	1935	1936	1937	1929	1935	1936	1937
Eggs in shell ('000 gr. hundreds).....	24,964	19,767	24,607	24,732	17,856	7,768	9,886	10,440
Eggs not in shell ('000 cwt.).....	782	787	887	884	3,621	1,661	2,152	2,267
Dead poultry ('000 cwt.).....	554	423	422	506	2,960	1,690	1,659	1,995

The upward trend of egg imports was confined to those from foreign sources, the slight increase in the latter being more than sufficient to offset a decline of 33 per cent. in receipts from Empire countries. Denmark, with an increase of 25 per cent., remained by far the most important source of overseas supplies, accounting for 40 per cent. of the total. Rather more than 60 per cent. of total imports of shell eggs fell into the medium-weight category (14-17 lbs.). Last year also witnessed a further growth in the importation of dead poultry. Overseas supplies were 20 per cent. heavier than in the previous year and were the largest since 1932. There was an increase in each category of poultry. Turkeys accounted for 47 per cent. of the total, against 51 per cent. in 1936, while chickens comprised 43 per cent., compared with 41 per cent. in the earlier year.

The following monthly averages of top prices quoted at the London Egg Exchange have been taken from the Imperial Economic Committee's *Weekly Dairy Produce Notes*:—

EGG PRICES AT LONDON
(Shillings and Pence per 120)

Averages of Weekly Figures	English N.M. Specials	Dutch 18 lbs.	English N.M. Standards	Danish 15½ lbs.
1936—March.....	11/7	10/10	10/7	9/-
June.....	13/1	11/10	12/1	8/6
September.....	18/6	15/3	17/6	12/8
December.....	21/11	19/9	19/9	13/-
Annual average.....	16/9	13 9*	15 6	11/8
1937—March.....	12/10	13/2	12/1	10/7
June.....	13/11	12/4	12/9	8/5
September.....	21/0	15/11	19/3	13/10
December.....	23 9	18/5	21 0	17/0
Annual average.....	17 3	16 0	16 0	11/7

* 11 months

Egg prices were higher than in 1936 for most of the year, the annual average for English National Mark Specials and Standards and for Danish 15½ lbs. showing an advance of some 3 per cent.

Fruit and Vegetables

THE weather was not ideal for the horticulturist in 1937, but was perhaps rather more favourable than in the previous year. The spring was very wet, but there was a prolonged drought in June, July and August. Although there was an abundance of bloom, this did not set well and the fruit crop was consequently disappointing; the dry weather in the summer was responsible for the bad keeping qualities of much of the apple crop. With the exception of Victorias, plums failed to realise good prices; apples and pears, however, sold well, but prices were not high enough to compensate the growers for the smallness of the crops.

The area under orchard fruit, as the following table shows, suffered a further decline, while the acreage under small fruit was curtailed by an additional 5 per cent. Following increases in previous years, the area devoted to the principal varieties of vegetables for human consumption was sharply reduced in 1937. The acreage under cabbages, savoy, green kale and sprouting broccoli decreased by 13 per cent., brussels sprouts by 7 per cent., cauliflowers and broccoli by 8 per cent. and carrots by 16 per cent.:—

AREA UNDER CERTAIN FRUIT AND VEGETABLE CROPS
IN ENGLAND AND WALES
(In thousands of acres)

	1930	1934	1935	1936	1937
Orchard fruit.....	247.0	254.9	262.4	261.3	258.4
Small fruit.....	66.2	61.0	59.5	55.7	52.8
Total.....	313.2	315.9	321.9	317.0	311.2
Potatoes.....	424.7	487.6	462.8	456.6	455.1
Green peas.....	56.4	74.3	63.6	67.7	45.6
Cabbage*.....	30.6	37.0	37.5	43.7	38.0
Sprouts.....	26.3	34.0	34.1	35.0	32.5
Cauliflower.....	14.8	20.1	19.5	20.5	18.8
Carrots.....	9.0	16.4	15.8	16.6	13.9

*Including savoy, green kale, and sprouting broccoli for human consumption.

Meanwhile, among glasshouse crops, tomatoes generally yielded a good bottom crop with a poor top crop, largely owing to the wet subsoil early in the season. The early main crop realised a higher average price than usual, because the

bottom trusses were slow to ripen. Later in the season wide price fluctuations were recorded, though the average was generally above that of the previous year. Cucumbers did better than for a number of years. One notable event was the dissolution of the British Glasshouse Produce Marketing Association.

The Potato Marketing Board continued to exercise control over the potato market, the year being notable for the signing of a covenant with the Northern Ireland authorities to regulate the shipment of potatoes from that country to Great Britain. Data relative to the potato crop are given below:—

Potatoes	10-year average 1927-36	1936	1937
Production in England and Wales ('000 tons).....	3,127	2,814	3,126
Yield per acre (tons).....	6.5	6.2	6.9
Imports ('000 tons).....	382	316	237
Price of best English (s. per cwt.).....	...	7.79	8.32

The area under first earlies decreased by about 2 per cent., but the main crop acreage was about unchanged. The increased yield per acre was more than sufficient to counter-balance the slight reduction in the area devoted to the crop, and total production consequently showed an increase. But supplies marketed for human consumption were strictly controlled by the Board and the price level was appreciably higher than in 1936.

Fish

NEITHER section of the fishing industry had a prosperous year, but 1937 will be memorable for the introduction of the Sea Fish Industry Bill, now in Committee, designed to improve the financial position of the trawling industry. White fish prices have been depressed in recent years by heavy landings of coarse fish from distant waters and the market was barely steady last year. But while selling prices have declined, fuel and other costs have been increasing and profit-margins have consequently narrowed. By December the position was so serious that the owners of distant-water trawlers in Hull and Grimsby voluntarily decided to lay up 20 per cent. of their long-distance vessels for one year (as from Janu-

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ary 1st), or until the Sea Fish Industry Bill becomes law. The agreement is at present being loyally observed and heavy penalties will be incurred by any defaulters.

The Bill now before Parliament embodies the main recommendations of the Sea Fish Commission and provides for the setting up of a Development Commission, composed of independent members, with powers to improve the organisation and efficiency of the trawling industry.

Home supplies of the principal varieties of white fish were larger last year than in 1936, but, as mentioned above, average prices were rather lower and the aggregate value of the catch consequently showed a decline. The catch of herrings was also considerably heavier than in the previous year, but its total value was only slightly greater owing to the fall in prices. The herring industry, despite the activities of the Herring Industry Board, closed the year on a note of pessimism. Employment for the drifters has been seriously curtailed as a result of the further contraction of export demand—especially by Russia and Germany—and the consequent heavy increase in home stocks of cured herring. The present depression is particularly severe in Scotland, but criticism of the Herring Board is widely heard. The life of the present Board will terminate in March, 1938, and there is considerable speculation as to whether its constitution will then be altered. The salient statistics are summarised in the accompanying table.

Kinds of Fish	Quantity			Value		
	1935	1936	1937	1935	1936	1937
England and Wales:						
Cod	5,554	6,323	6,949	3,475	3,555	3,669
Haddock	1,410	1,599	1,898	1,588	1,531	1,502
Hake	429	465	587	1,047	978	1,052
Herring	2,654	2,858	3,376	863	1,212	1,218
Plaice	522	553	518	1,294	1,309	1,296
Hulibut, soles and turbot	381	333	325	1,402	1,326	1,271
Ling, ray, skate and whiting	869	788	761	897	751	656
Total wet fish*	14,347	15,813	17,034	11,956	11,931	11,932
Oysters	158	193	158	140	176	137
Total shell fish*	...	...	...	403	444	436
Total value†	...	...	...	12,359	12,375	12,367
Scotland: Wet fish	5,506	5,065	4,702	3,852	3,788	3,422
Great Britain: Wet fish	19,854	20,877	21,735	15,808	15,719	15,354
Imports of fresh and frozen fish	1,874	1,648	1,596	2,545	2,497	2,712
Exports of fresh and frozen fish	1,039	1,327	1,131	978	1,143	938
Exports of cured or salted fish	3,457	3,133	2,787	2,527	2,578	2,408
Re-export†	169	146	193	488	446	544

* Including other items not given above.

† Fish of all kinds.

Raw Materials

Coal

For the coal trade, 1937 was the most prosperous of the decade. Total output rose from 229 million tons in 1936 to over 241 million tons, exports showed a welcome jump from 35 million tons to 40 million tons, prices of all coals rose substantially, and in spite of a fairly steep advance in production costs, gross profits were comfortably in excess of the results of the previous year. Coal consumption at home, after all allowances and deductions, exceeded the total for 1913 and was about 4½ per cent. above the 1936 figure. Especially in the first part of the year demand was so vigorous that it outran available output, and a serious deficiency of spot supplies of all bituminous coals was only gradually eased during the year. This scarcity was rendered more acute by a heavy export demand, due to the resumption of Italian purchases, to domestic scarcity of coal in France and Belgium, and the rapid growth in Continental iron and steel production stimulated by ever-expanding re-armament programmes.

Under these favourable conditions prices rose steadily, the Board of Trade index advancing from 112.7 in January to a peak of 130.4 in December. Higher prices and increased production combined to raise pithead revenues from commercially disposable coal to £170 millions from about £150 millions in 1936. Though the larger part of this gain was absorbed by higher wage and material costs the credit balance remaining to the industry increased from £9,800,000 to over £13,500,000.

The year was also notable for an extension of the centralised selling schemes inaugurated in 1936. The new bodies began life under the most auspicious circumstances. In most cases price minima were easily exceeded and all restrictions on output were abandoned to meet current demand. During the year requests for additional quotas amounting to nearly 13 million tons for home and foreign markets were granted by the Central Council. The efficacy of the industry's new structure thus remains to be tested under less favourable conditions.

In the legislative field the chief development was the introduction of a new Coal Mines Bill to replace the abortive measure of 1936. It contains three major proposals: first, the nationalisation of coal royalties; secondly, provisions for facilitating reorganisation by vesting powers of enforcing compulsory amalgamations with the Board of Trade and the proposed Coal Commission; and, finally, an extension of Part I of the 1930 Act which governs the present structure of the industry. Strenuous opposition has already been aroused especially to the first two sections, and it remains to be seen whether the final shape of the Bill will retain much of its original outline.

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.	%
1929 ...	287,430	94,424	13 10	0.4†
1930 ...	243,882	70,493	16 8	20.2
1931 ...	219,459	57,369	16 2	28.2
1932 ...	207,244	54,108	16 3	34.9
1933 ...	207,108	52,525	16 1	32.9
1934 ...	224,728	53,147	16 0½	28.2
1935 ...	223,001	51,240	16 3½	25.2

	1936	1937	1936	1937	1936	1937	1936	1937
	Thous. Tons	Thous. Tons	Thous. Tons	Thous. Tons	s. d.	s. d.	%	%
Jan.	21,559	19,500	2,890	3,817	16 9½	17 0½	19.5	15.4
Feb.	19,040	19,800	2,610	3,550	16 5½	17 3½	20.2	15.3
Mar.	18,882	20,900	3,040	3,557	16 5½	17 5	21.7	14.6
Apr.	17,909	21,700	3,240	3,419	16 9	17 7½	23.8	13.8
May	18,094	18,700	3,220	4,184	17 0½	18 6½	23.1	17.4
June	18,865	20,200	3,480	3,476	16 8½	18 10½	29.2	18.9
July	18,186	18,900	4,130	4,380	17 0½	18 11½	25.0	16.3
Aug.	17,055	18,200	3,530	3,782	17 1½	19 0½	20.3	13.6
Sept.	18,805	20,400	3,690	4,000	17 1½	19 5	20.5	13.5
Oct.	20,020	20,400	3,800	4,241	17 2	19 5½	18.0	11.7
Nov.	19,211	21,200	3,510	3,962	17 2½	19 5½	18.4	11.5
Dec.	20,598	21,100	3,090	4,044	17 0½	19 7	16.4	11.5
Year	228,524	241,000	40,390	46,482	16 11½	18 6½	22.2	14.6

† 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, shows output, costs and proceeds for the first quarter of 1936 and for the first three quarters of 1937:—

Great Britain	1936		1937	
	Fourth Quarter	First Quarter	Second Quarter	Third Quarter
Tonnage disposable	54,022,936	54,341,055	54,941,844	51,466,656
Wages	24,890,230	25,219,616	27,350,701	25,906,631
Stores and timber	4,428,184	4,509,687	4,900,436	5,278,860
Other costs	6,525,734	6,467,158	6,664,509	6,670,198
Royalties	1,388,580	1,300,629	1,285,111	1,257,217
Net costs	36,810,329	37,386,318	40,045,722	39,065,809
Commercial disposals	40,845,313	42,246,298	42,882,525	40,742,037
Balance	+3,834,934	+4,849,980	+2,536,753	+1,678,228

* Includes Miners' Welfare Fund contributions and excludes proceeds of miners' coal.

Working results per ton, together with the 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.
1935						
First quarter ...	13 6-40	8 6-01	12 9-87	+0 8-53	23-40	9 2-66
Second quarter ...	13 2-85	8 7-42	13 2-19	+0 0-66	23-10	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	23-26	10 0-32
Third quarter ...	14 4-40	9 3-63	13 11-52	+0 4-88	23-12	10 0-19
Fourth quarter ...	15 0-57	9 1-69	13 8-52	+1 5-04	23-76	10 1-10
1937						
First quarter ...	15 6-54	9 3-38	13 9-12	+1 9-42	24-00	10 4-18
Second quarter ...	15 6-01	9 11-08	14 6-93	+0 11-08	23-36	10 9-74
Third quarter ...	15 9-95	10 0-81	15 2-17	+0 7-82	22-72	10 7-90

The destination of raw coal exports in 1929, 1936 and 1937 is shown below:—

To—	Quantity			Value		
	1929	1936	1937	1929	1936	1937
	Tons	Tons	Tons	£	£	£
U.S.S.R.	33,787	...	...	26,877	760,239	1,189,629
Finland	402,266	1,062,671	1,384,752	332,213	1,954,294	2,752,504
Sweden	2,335,855	2,692,804	3,307,086	1,779,148	1,954,294	2,752,504
Norway	1,444,467	1,326,518	1,598,652	1,025,604	951,679	1,356,176
Iceland	...	108,439	126,488	...	97,447	136,881
Denmark	2,143,385	3,330,294	3,303,902	1,636,763	2,339,516	2,802,576
Germany	5,520,947	3,045,954	3,284,563	3,739,717	2,242,294	2,700,927
Netherlands	4,123,368	1,310,070	1,090,778	2,218,014	1,055,186	1,017,882
Belgium	4,139,634	523,606	924,834	2,817,292	372,246	768,928
France	13,065,033	7,146,424	8,885,699	10,390,391	6,893,019	8,400,002
Switzerland	...	254,940	352,964	...	182,574	259,399
Portugal	1,050,469	1,002,328	932,328	835,206	796,573	865,333
Spain	1,782,649	731,603	757,296	1,613,718	689,257	846,122
Canary Islands	456,410	127,744	98,255	372,896	106,816	82,701
Italy	7,094,808	60,212	2,309,106	5,983,323	41,457	2,270,049
Greece	589,281	120,772	116,693	512,136	107,071	136,714
Egypt	2,267,874	1,257,471	1,409,582	1,869,395	1,049,709	1,292,886
Tunis	...	169,561	172,582	...	119,703	152,157
Algeria	1,808,081	874,638	773,551	1,345,117	641,952	641,597
Spanish Ports in N. Africa	...	64,024	42,680	...	47,964	44,353
Morocco	...	42,225	34,412	...	29,988	36,793
French W. Africa	215,866	185,487	148,351	181,189	135,847	119,324
Portuguese West Africa	...	...	...	...	...	...
Africa	299,764	...	...	233,461	...	...
United States of America	...	133,630	108,630	511,608	217,788	175,092
Chile	334,781	...	...	...	...	...
Brazil	49,213	...	...	...	...	...
Argentina	1,808,925	631,826	603,381	1,583,470	561,074	597,142
Uruguay	894,724	286,333	321,764	344,538	239,676	290,435
Peru	2,798,861	1,965,069	2,204,763	2,559,624	1,800,962	2,194,184
Irish Free State	2,456,122	2,459,158	2,577,807	2,397,503	2,394,764	2,660,505
Channel Islands	208,690	247,028	270,205	228,754	293,686	347,732
Gibraltar	347,886	395,778	460,516	276,832	295,495	371,329
Malta and Gozo	184,953	76,494	70,593	156,377	67,820	67,186
Canada	744,823	1,254,940	1,062,128	934,646	1,668,867	1,409,554
Newfoundland	...	2,021,152	190,586	...	185,925	149,559
Other countries	3,081,695	1,398,893	1,881,074	2,628,467	1,104,702	1,538,863
Total—						
(a) Anthracite	4,217,326	3,321,258	3,808,683	5,073,147	4,811,307	4,856,149
(b) Steam	40,995,453	24,375,642	27,410,723	31,996,397	19,124,733	24,813,165
(c) Gas	7,316,673	2,994,517	1,127,861	5,441,696	2,186,733	3,283,932
(d) Household	1,855,364	1,493,555	1,586,441	1,841,025	1,540,207	1,738,859
(e) Other sorts	6,071,802	2,435,411	3,518,579	4,264,576	1,636,219	2,873,757
Total of Coal	60,266,618	34,519,384	40,352,288	48,616,811	29,299,239	37,666,794

A DESCRIPTION of developments in the chief producing areas is given in the following extracts from the *Iron and Coal Trades Review* of January 21, 1938:—

South Wales.—After years of unsatisfactory trading, the industry enjoyed a fair measure of prosperity. Production is estimated to have totalled 38,250,000 tons, the highest since 1930, when some 45,000,000 tons were produced. Miners employed at the beginning of 1937 totalled 125,700 and there was a steady improvement until December, when 137,500 men were engaged. During the first half of the year there was an acute shortage of skilled miners. The year was free from any major labour dispute, though there were threats of strikes from time to time. Total shipments of coal, patent fuel and coke for all purposes totalled 22,330,000 tons, a gain of 3,750,000 tons compared with 1936. The scarcity of supplies and the high level of prices, however, caused a number of former overseas customers to turn elsewhere for supplies. In the last few months inquiry was withheld in the hope of price concessions. The French trade was one of the brightest features of the year, but operations in the Portuguese market proved disappointing. After being in abeyance for practically the whole of 1936, trade with Italy was actively resumed. Business with Spain was curtailed. Prices generally showed a substantial improvement.

Northumberland.—A miniature boom prevailed during the greater part of the year. Prices steadily advanced during the

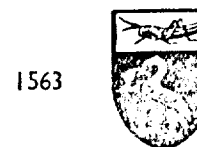
first six months, but this was followed by a decline and eventual weakness, which almost amounted to a slump in all large steam coals. Prices dropped heavily and had it not been for the controlled selling (which, however, was less drastic than in Durham) would have gone even lower. Great benefit was again derived from the trade agreements with Scandinavia and, with high prices ruling here, foreign competition would have been more serious without these agreements. A feature of the trade was the strength of all classes of small coal. The home markets absorbed the greater part of the output and at times there was practically nothing available for export.

Durham.—The markets were consistently strong throughout the year. There was greater price stability, largely owing to the limited quantities of second-hand coal and to the strict control exercised by the Sales Committee. There was an almost unprecedented home demand for all classes of industrial fuel, and there was also a revival of trade with Italy. The bunkering trade was not quite so satisfactory, exports of this class being smaller than in 1936. There was little idle time in Durham, and during the greater part of the year collieries were handicapped by weekly outputs which were below estimates, shortage of skilled labour being the principal cause. Prices steadily advanced during the first half of the year, but there was an easier tendency in the second. Coking descriptions were the strongest feature, both on home and export account. Gas coke makers enjoyed a year of high prices.

South Yorkshire.—There was further marked improvement throughout the year. Heavy demands were made on the industry and at times there was some shortage of labour. Industrial relations were disturbed by unconstitutional stoppages; but a revised agreement was signed in November, which it is hoped will guarantee uninterrupted working. In October the number of persons employed in the South Yorkshire field was 96,205, or over 1,000 more than in the same month of 1936. The coke trade experienced a particularly good year. At home industrial fuels were in steady request and at times washed smalls and slacks were scarce. The house coal trade was dull and it was not until late November that there was any marked activity in this section.

Lancashire, Cheshire and North Wales.—All qualities of domestic coal were in strong request and, although there were delays in the despatch of some of the more popular grades, supplies were generally satisfactory. There was a very good demand for all industrial fuels, especially washed grades. Producers of furnace coke have had a remarkably good year, both as regards sales and prices. All steam-raising fuels have, in fact, advanced in price during the year. The revival in the

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shipping industry was reflected in an improved demand for bunker fuels.

Scotland.—The year opened with a somewhat dilatory resumption of work by the miners and with an influenza epidemic. Collieries were heavily sold and prices were high. The unforeseen scarcity made it almost impossible to consider further new business before the end of February. All grades of coal were in strong demand and a noticeable feature was the increased call for washed fuels. House coal business was also extremely active. After a much easier period in the middle of the year, business became very active at the close, in consequence of the onset of severe winter weather all over Scotland. Contracting for the early months of 1938 is perhaps less than in former years, but the trade generally is optimistic regarding the future.

Oil

WORLD production and consumption in 1937 exceeded all previous records, and the profits of oil-producing companies were the best since 1929.

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
1937*	1,278	755	2,033	1,210	760	1,970

Source: Messrs. V. R. Garfias and R. V. Whetsel.

* Estimated.

The rise in the world's oil consumption was stimulated last year by the progress of the petrol and the diesel engines in transport, the increased demand for oil by industry and the rapid rise in requirements for heating purposes. In addition, oil has been stored for military purposes in a number of countries, a development which made itself felt on the market on various occasions during the past twelve months.

On the supply side of the international oil market some important changes have taken place in 1937. The most important is the decline of the Roumanian oil output from 63,750,000 barrels in 1936 to 53,250,000 barrels in 1937. This decline, which was brought about by Government interference with foreign oil companies in Roumania and by the unsatisfactory drilling results, forced the country from fourth to sixth place among oil producing nations. Iran and the Dutch East Indies now occupy the fourth and fifth places respectively. The United States, Russia and Venezuela maintained their leading positions in 1937, but once again the Venezuelan output advanced sharply in spite of some strike interference, while Russia raised its production only slightly. If the two countries repeat this performance in the next twelve months Venezuela may oust Russia from its second place. Among the smaller oil producing countries the rise in the Bahrain output to 7,800,000 barrels was the outstanding event. Most other producing countries also registered satisfactory increases, only the Peruvian, Argentine and Burmese outputs having failed to fulfil expectations.

Competition on the oil markets in and outside the United States was again kept within limits. In the United States the State Control, discussed in the Commercial History of 1935 and 1936, worked smoothly in 1937. It proved particularly beneficial in the last three months of the year, when demand for oil and oil products fell away as a result of the general decline in the country's industrial activity. The co-operation among oil-producing companies in the United States increased last year. It was so close that an anti-trust case was launched in October last against most of the oil companies working east of the Rocky Mountains. Outside the United States the rise in consumption last year was sufficiently large to prevent price-cutting, in spite of the increased exports from the United States. The European and Near Eastern markets were strengthened by declining Russian exports and by the reduction of Roumanian supplies. At one time in the summer there were rumours of an impending diversion of large supplies of Bahrain oil to the British market. In August Mr James A. Moffett, chairman of the California Texas Oil Company, which distributes the Bahrain oil, made a public statement indicating *inter alia* that the Texas Corporation (one of the parent companies of the California Texas Oil Company) had a distributing organisation of its own in Great Britain and on the Continent, and that possible supplies of Bahrain oil to these markets would be distributed through these organisations and not through the "combine." So far, however, no addi-

tional competition from Bahrain oil has been encountered in this country or on the Continent, and it is doubtful whether it will be met in 1938.

Prices were irregular in 1937. As the table below shows, Pennsylvania crude oil and the Gulf export price for gasoline declined in 1937, while mid-Continent and Gulf crude oil, as well as British petrol prices, showed a rise. In the early part of the year oil and petrol prices tended upwards, but with the exception of the Pennsylvania crude price which was forced up considerably by the special demand for lubricating oil, the rises were orderly. In the late autumn the Pennsylvania crude oil price experienced a reaction, and the deteriorating statistical position of the gasoline market in the United States led to a decline of the Gulf export price. As a whole, however, the international oil and petrol price structure remained fairly firm, an indication of the strength of the market.

OIL PRICES

End of

	1933	1934	1935	1936	1937
Best crude oil, U.S.A. (\$ per barrel) :—					
Pennsylvania	2.12	1.72	2.02	2.17	1.88
Mid-Continent	1.08	1.08	1.08	1.18	1.30
Gulf	1.14	1.14	1.14	1.22	1.41

Gulf bulk export, gasoline 64-66 deg. (cents per gallon)	5½	4½	5½	5½	5½
England and Wales, petrol, 1st grade (wholesale, per gallon)	1s. 5d.	1s. 4d.	1s. 5d.	1s. 5d.	1s. 6d.

Drilling for oil in Europe for strategic reasons was continued actively in 1937. In this country drilling, which had been confined to the South until the end of 1936, was extended to the Midlands, the North and even to Scotland. A number of wells have already been discontinued at substantial depths and so far no commercial quantities of oil have been found. The production of oil from coal, too, has made rapid headway, especially in Japan, Germany and Great Britain. In this country a change in the Government's oil from coal policy seems to be on the way. Towards the end of last year, the Government provided part of the capital of the newly-formed South Wales Coalite Company (in the past Government support to the oil-from-coal industry was confined to certain tax preferences).

During the past year Professor I. M. Gubkin, Vice-President of the Russian Academy of Science, has prepared an estimate of the world's oil reserves for the International Geological Congress. In this he estimates world oil reserves at 7,075.2 million tons, of which 4,016.6 million tons are in Europe. According to Professor Gubkin, the American Continent contains 2,142.7 million tons of oil, followed by Asia with 769.0 million tons, Oceania with 143.3 million tons and Africa with 3.3 million tons. Since 1857 some 4,000 million tons of oil have been produced.

Any review of oil in 1937 would be incomplete without reference to the tanker market. In the early months of the past year the demand for tanker tonnage showed a sharp increase and freight rates jumped up by leaps and bounds, rising at one time to the highest level since the beginning of 1930. Competition by whalers, which entered the oil freight market temporarily, and a decline in shipments, subsequently forced the rates to lower levels, but at the end of the year the upward trend was resumed. The rise in oil tanker freights in 1937, which influenced oil price movements, was due to the inadequacy of the present tanker tonnage. Although the world's oil consumption has risen by well over 50 per cent. in the past six years, the sea-going oil tanker tonnage has increased only from 1,439 vessels with an aggregate of 8,549,827 tons on June 30, 1931, to 1,558 ships with a capacity of 9,957,140 tons on June 30, 1937. Recently new oil tanker construction has been speeded up, but it may take time until oil requirements by importing countries and the available tanker tonnage are in equilibrium.

Oilseeds and Oils

In the oilseed-crushing and oil-refining industry of the United Kingdom there was greater activity, increased home consumption and some improvement in the export trade. World supplies of raw materials were ample and, with the exception of linseed, prices in 1937 were lower than in 1936. British imports of oilseeds, nuts and kernels amounted to 1,623,292 tons, an increase of 150,001 tons, or 10.1 per cent.,

over the preceding year. There were somewhat larger arrivals of linseed, mainly from India, the lesser proportion coming from Argentina subject to an import duty of 10 per cent. *ad valorem* under the Ottawa agreements. English crushers regard this as an unfair tax on their industry, which places them at a disadvantage in competition with Continental countries which import their linseed free. The idea that the preference given to India would lead to increased production in this Dominion and thus keep the cost to the British crusher down has not been justified by results. A feature was the extraordinarily large quantity of cottonseed imports, amounting to 672,126 tons, or 41 per cent. of the total imports. Soya beans showed some increase, but were only about half the quantity usually received before the imposition of an import duty two years ago. Castor seed and rape seed were imported in larger quantities, while the heavy imports of ground nuts, exceeding a quarter of a million tons, were a reflection of the much increased world supplies.

Production of linseed in the main exporting countries was larger than at first expected, with the result that world shipments in 1937 amounted to 2,113,000 tons, or 258,000 tons more than in 1936. The major part was shipped from the River Plate, viz. 1,880,000 tons, or about 130,000 tons more than originally estimated. Indian shipments were only 230,000 tons. The quantity destined for Europe was 1,313,000 tons, 79,000 tons less than in 1936. Prices were influenced by the heavy demands of the United States and Canada, which took more than 768,000 tons from the River Plate, against 405,000 tons in 1936. Supplies in the current year are likely to be approximately 350,000 tons below 1937, because of the smaller crops in South America which are estimated to provide an exportable surplus of some 1,500,000 tons. India will probably be able to ship a quarter of a million tons, or about the same as last season. Prices of linseed were higher than in 1936. Calcutta on spot at Hull ranged between £15 15s. and £14 per ton, and Plate between £13 15s. and £11 15s., plus duty. Cottonseed was in good supply and prices were reasonable. Black Egyptian on spot at Hull opened the year at £9 10s. per ton, but in the later months gradually declined, touching £5 5s. in November, the lowest for some years, the fall having been caused by the record cotton crop in the United States.

Production of vegetable oils in the mills of Great Britain from imported oilseeds and oil nuts was in excess of the

previous year, and notwithstanding falling prices in several directions a satisfactory trade was done. Prices of linseed oil were well maintained without violent fluctuations and in spite of keen competition from foreign-made oil, of which unusually large quantities were imported. The difference between the highest and lowest was no more than £4 per ton. The average price of raw oil on spot, ex Hull mill, was £29 4s. 7d. per ton (naked), against £26 7s. 3d. in 1936 and £23 11s. 8d. in 1935. Crude cotton oil from Egyptian seed remained firm during the first few months, when a good business was done in washed oil for export to the United States. A feature was the rapid decline in prices from April onwards. From £31 per ton, ex Hull, the price dropped almost month by month until the end of November and early December, when £18 was accepted, a fall of £13 per ton. British soya bean oil declined sharply from £34 per ton to £25 in December. A steady trade was done in rapeseed oil; the price of crude oil reached a higher level than for some years, ranging between £35 10s. and £34 per ton. Castor oil remains in great demand as a lubricant for aero-engines and prices fluctuated only slightly between £41 and £37 per ton for first-pressure (barrels free). The most striking drop in prices was reserved for palm kernel oil, which early in the year stood at £39 per ton, but by November had declined to £18 10s., ex Hull. Ground nut oil also showed a downward trend and fell from £35 10s. per ton in January to £29 at the close of the year.

At the beginning of the year crushers had difficulty in carrying out forwarding instructions for oilcakes. The autumn trade was less satisfactory owing to the prolonged open weather. There was a marked improvement in the closing months. Deliveries were substantial and prospects good. Crushers, however, continue to be handicapped by the excessive imports of oilcakes and meals from abroad. In 1937 net imports amounted to 634,964 tons, half of which came in duty free from British sources and consisted very largely of ground nut cakes from India. Pressure has been put upon the Government to increase the duty on foreign-made oilcakes to £2 per ton and to restrict imports from Empire countries by quota, but so far without success.

British imports, exports and consumption of vegetable oils are shown as follow.

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BRITISH SUPPLIES OF VEGETABLE OILS

(In tons)					
Home Production:	1933	1934	1935	1936	1937
Linseed oil	81,905	61,360	85,767	90,920	95,345
Cottonseed oil	76,313	90,980	109,207	100,352	112,021
Other seed oils	43,068	44,774	46,764	31,746	33,715
Palm kernel oil	57,605	61,158	67,540	65,258	67,422
Ground nut oil	52,547	50,792	68,367	82,815	121,758
Copra oil, etc.	61,748	60,506	73,634	77,996	51,485
Total	373,186	369,570	451,279	449,087	481,746
Deduct Exports:					
Unrefined	27,741	34,480	51,467	53,052	63,658
Refined	21,192	23,798	43,646	21,342	26,420
Remainder	324,253	311,312	356,166	364,693	391,668
Add net imports ...	154,171	196,489	223,326	212,865	213,955
U.K. Supplies	478,424	507,801	579,492	577,558	605,623

The estimated supply of oilcakes and meals, including net imports, was 1,770,000 tons, against 1,530,000 tons in 1936 and 1,660,000 tons in 1935.

Rubber

The following extract is from Messrs S. Figgis and Company's Annual Review of 1937:—

The year has been one of extremes. The strong market and rising prices which were in evidence at the close of 1936 continued until the end of March, but since then the market has consistently declined. Outside speculative buying in the early part of the year forced prices up, and in order to check this movement on March 16th the International Rubber Regulation Committee, though leaving the April to June quota unchanged at 80 per cent., increased the permissible export to 90 per cent. of the assessment for the period July to December. It was generally felt that the estates would not be able to produce this amount, and there was a further sharp rise in price. When in June, it was realised that the full amount would be available the set-back commenced and the decline was emphasised by the high prices which had been reached. At their meeting on November 30th the Regulation Committee reduced the percentage to 70 for the first three months of 1938, which stopped the decline and brought a rise of 3d. per lb. The quota for 1938 automatically goes up 37,000 tons, so that the reduction is really 17 per cent. On January 25th the exportable allowance was reduced to 60 per cent. for the April to June quarter. We estimate shipments during 1938 under the basic quota, including Siam, French Indo-China and the rest of the world to be as follows:—

BASIC EXPORT QUOTAS

	Whole Year 1938	January-March 70%	April-June 90%	July-December 60%
Strait Settlements, F.M.S., U.M.S., and Borneo	160,000	105,350	90,300	180,600
Netherlands Indies	510,000	94,500	81,000	162,000
Ceylon	82,000	14,438	12,375	24,750
India	13,000	2,275	1,950	3,900
Borneo	9,250	1,618	1,387	2,774
Siam	16,500	2,868	2,475	4,950
French Indo-China	42,000	5,600	4,800	9,600
Siam	40,000	10,000	10,000	20,000
French Indo-China (estimated shipment)	50,000	12,500	12,500	25,000
Rest of the World	25,000	6,250	6,250	12,500

Total permissible exports for 1937 from the quota countries (excluding Siam) showed an increase of nearly 300,000 tons. Shipments have been kept within the Regulation quota, though at times there have been large excesses over permissible quantities in particular districts in Sumatra. Total shipments of rubber for 1937, including latex, were 1,106,959 tons, compared with 832,026 in 1936.

STOCKS AT THE END OF THE LAST THREE YEARS
(In tons)

	Dec. 31, 1935	Dec. 31, 1936	Dec. 31, 1937
Stock in America	312,000	223,000	258,818
Stock in United Kingdom	164,295	78,462	87,818
Dealers' stocks in Singapore, Penang, etc.	22,485	18,017	32,604
Port stocks in Singapore and Penang	5,919	8,852	12,210
Stocks in Province Wellesley, Lutan and Malacca	3,038	3,268	5,203
Dealers' stocks in open trade	7,908	5,833	16,043
Stocks on Estates of 100 acres and over	29,369	26,044	24,488
Total	538,498	383,576	404,984

There has been little or no new planting during the past year. The revised figures for the planted areas at the end of 1936 are as follows.

AREA UNDER RUBBER

(In acres)	
Ceylon	605,000
Malaya, Malacca	3,270,000
Dutch East Indies ...	...
Java, Sumatra, etc. (excluding native areas)	1,495,000
British North Borneo and Sarawak	350,000
India and Burma	235,000
French Indo-China, Siam and other countries	650,000

The average price of standard quality in London was 9½d. for the year, compared with 7½d. in January. It rose to an average of 11½d. in March, the highest point touched being 1s. 1½d. Prices then declined steadily until November, when the lowest point of 6½d. was reached. Prices rose very slightly in December.

CONSUMPTION OF RUBBER (PARTLY ESTIMATED)
(In tons)

	1935	1936	1937		1935	1936	1937
America	493,000	573,000	543,000	Japan	58,000	61,700	64,000
U.K.	95,000	99,700	115,000	Russia*	38,000	31,000	29,000
France	52,000	56,800	59,000	Australia	10,000	14,000	20,000
Germany	63,000	71,800	98,200	Italy	24,000	16,000	24,000
Belgium	8,000	9,600	14,500	Other countries	68,000	73,100	83,000
Canada	27,000	27,900	36,000	World	943,000	1,037,000	1,088,000

Several of the 1936 figures have been altered from our estimates in our last Annual Report.

* These are Russian figures for deliveries from warehouses.

Consumption reached a record total in 1937 in spite of the considerable set-back in the United States in the autumn. The increase since 1932 is 396,000 tons, a rise of more than 50 per cent. Outside the United States consumption has increased. Stocks had fallen by the end of June to 213,000 in the United States and the United Kingdom, but since then have increased, and with an increase in those in Singapore, Penang and afloat are, at 497,000 tons, 63,000 tons larger than those at the end of 1936. It is impossible to predict what the consumption is likely to be in 1938, for much depends upon trade in the United States.

Copper

THE year 1937 witnessed violent changes in copper prices. The opening price of the year for standard cash was £49 10s. per ton. On March 11th it stood at £78 per ton, but subsequently fell to £36 3s. 9d. early in November, the lowest level of the year. The closing price of the year was £39 7s. 6d. Progressive increases in the production quota made in 1936 were followed in January 1937 by the removal of restriction. This announcement followed soon after prices had risen above £50 per ton—but the abandonment of restriction failed to arrest the upward trend of prices until March. In the summer, copper consumption in the United States showed signs of hesitancy, and in the autumn a severe fall in prices set in. Despite the decision to re-impose output restriction, the year closed with prices well below those of a year earlier. Messrs Brandeis, Goldschmidt and Company's annual survey is summarised below:—

At their highest level prices in 1937 were more than 100 per cent. above the 1936 average; at their lowest level they were below it. The decline during the year was so severe that it had been exceeded only on three previous occasions, and except in 1916 copper has never risen so swiftly in price during the last fifty years. The extent and rapidity of the 1937 advance, coupled with the abruptness of the subsequent decline, thus present a cycle unique in the history of copper.

In consumption, as between say 1900 and 1937, the rate of progress has been similar for the United States and the rest of the world. But in the case of the United States the total for 1937 is appreciably below that reached about ten years ago, whereas for many other countries the totals are the highest ever reached. In Germany, the consumption of copper has attained a new high record, there being during 1937 an estimated increase of 55,000 tons. Germany is still the second largest consumer of the metal in the world, and while the gap between the figures for the United States and Germany has grown much wider since 1913, that between Germany and the United Kingdom has grown very much smaller. During 1937 copper consumption outside the United States increased by some 280,000 tons—or about one-half of the total increase since 1928-29. This is an unprecedented increase for a single peace-time year. During the war production jumped from 1,055,000 tons in 1915 to 1,360,000 tons in 1916, this increase probably corresponding to that of world consumption in that period. But in the 1923-28 period, the maximum yearly increase in Europe was 125,000 tons in 1925. The increase in 1937 in French and Swedish consumption is nominal, whilst the Italian figures show a decrease; elsewhere the increase has been from 20 to 25 per cent., except for Japan, where it is 60 per cent. Popular imagination, however, falsely measures metal requirements for re-armament in many millions of tons of steel and in hundreds

of thousands of tons of copper and lead. There is a basic difference between peace- and war-time military metal requirements: war-time requirements are caused by destruction, peace-time by accumulation. In the United States in 1937 consumption increased by about 50,000 tons, most of the increase being due to the electrical industry. The increase between 1923 and the end of 1929 had been 300,000 tons, a yearly average of 60,000 tons, and a maximum yearly increase of 125,000 tons.

On the production side, by the end of 1936 output quotas were at 105 per cent., which is, however, anywhere from 300,000 to 400,000 tons below the output from working at full capacity. In January, 1937, all output restrictions were withdrawn and a large increase in production resulted. Foreign smelter production, as reported in America by the Copper Institute, totalled about 620,000 long tons for January-June, 1937, against 415,000 long tons for January-June, 1936. The sudden fall in price in the last week of September, due to the collapse of the speculative position built up three months previously, induced the main producers to re-impose restriction. On October 1st it was announced that as from December 1st production would again be at the rate of 105 per cent. But some producers had decided to anticipate that action by several months; there had been a sharp falling off in the Chilean output after June. The tonnage on which quota changes are based is 598,000 long tons, against an estimated capacity of 960,000 tons; in the first six months of 1937 the output of the restricting countries was 400,000 tons. None of the Canadian

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF COPPER
(In thousands of long tons)

	1928-29	1934	1935	1936	1937*
Mining Production					
United States	855	217	340	550	770
Chile	295	253	270	250	385
Canada	100	164	185	185	240
Northern Rhodesia	5	143	145	140	205
Belgian Congo	125	110	105	95	155
Other countries	430	357	395	435	500
Total	1,810	1,244	1,440	1,655	2,255
Consumption					
United States	1,000	375	470	680	730
Germany	250	340	290	275	330
Great Britain	155	225	245	255	310
France	135	95	110	110	115
Italy	75	62	80	75	65
Japan	80	110	130	125	200
Other countries	245	263	330	380	480
Total	1,940	1,430	1,655	1,900	2,230
Stocks, end of year in					
United States	...	315	205	145	234
Other countries	...	208	225	170	191
Average Price	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Standard cash London, per long ton	75 9 7	30 6 5	31 18 2	38 9 7	54 10 7

* Estimated.

output, however, is subject to curtailment; Canadian production showed a large increase in 1937 and is still expanding.

The increases in visible stocks are estimated to be 90,000 tons in the United States and 20,000 tons elsewhere, in addition to increases in blister stocks of 16,500 and 43,000 tons respectively. During 1937 world mine production was estimated at 2,255,000 tons (in addition to 210,000 tons from scrap) and consumption at 2,230,000 tons.

For many years now the world productive capacity of copper has been greater than the demand. Outside America, the capacity of the producers is great enough to cover consumption without the addition of exports of domestic American copper. Unless, therefore, world consumption should increase still further, the necessity for control of production must continue, and the effect of accumulations in the United States and the fear that unusually large quantities may be exported must continue to influence the world price.

Lead

AFTER the sharp rise towards the end of 1936, the price of lead did not change greatly between the beginning of 1937 and mid-February. The upward trend was then resumed until a "high" of £36 10s. per ton was reached, but this level was not long maintained, and during April the cash quotation fell below £25. When in the autumn the falling off in U.S.A. consumption became apparent, the decline was accentuated and, as in the case of spelter, the end of the year did not see any appreciable recovery from the year's lowest price of £15 10s. per ton. But whereas one of the features of 1936 was the large excess of lead over spelter prices, 1937 saw a narrowing of this margin to more normal dimensions. Since the year's "highs" were passed, the difference between the price of the two metals has frequently not been more than £1. We summarise below Messrs Brandeis, Goldschmidt and Company's discussion of the year's trend:—

Early in 1937 it began to appear that there might be a real shortage of lead, but by the end of the year the position had changed completely, and it was feared that there might be a heavy accumulation of stocks. Probably both fears were

exaggerated; and in fact production outside the United States of America only exceeded consumption to the same extent that consumption outstripped production in that country.

During practically the whole of the year the price of lead outside the United States was above that of spelter. The announcement of the British Government's re-armament programme in February last caused the price of lead in this country to advance rapidly to the highest level since 1925.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF LEAD
(in thousands of long tons)

	1928-9	1934	1935	1936	1937*
Production					
United States	600	295	330	365	480
Mexico	240	175	185	210	220
Australia	170	290	215	195	229
Canada	145	145	150	165	185
Germany	125	130	120	140	165
Other countries	405	385	400	390	460
Total	1,685	1,330	1,400	1,465	1,680
Consumption					
United States	650	300	350	435	500
Great Britain	260	330	325	345	335
Germany	210	155	170	200	235
France	105	115	85	90	100
Japan	65	100	100	100	120
Other countries	365	320	370	395	405
Total	1,655	1,320	1,400	1,565	1,695
Stocks (metric tons)					
United States	50	210	202	156	102†
United Kingdom	2	20	7	6	7
Average Price	£	£	£	£	£
London cash per ton	22.2	10.93	14.25	17.80	29.33

* Estimated.

† November.

In the United States the price rose to 7.75 cents per lb.; but the price was reduced soon after, and had fallen to 6 cents by the first week in April.

World consumption is at present particularly difficult to forecast owing to the lag between the planning of building and re-armament work and the actual commencement of operations. A decline in building activity for residential purposes is to be expected, but in the case of re-armament the exact opposite is likely, for the arms programme calls for an expenditure of up to £1,500,000,000 in five years. A

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large tonnage of lead has already been consumed in construction work, but this is not so great as the amount which must be required later when the factories are in full operation. Then, quite apart from requirements for use in pigments, the number and size of batteries used are likely to absorb an ever-increasing quantity of lead. Nor is the market for batteries for domestic use by any means saturated. It may, however, be doubted whether cable makers will be quite so actively employed in 1938. During the first six months of 1937 the cable industry enjoyed a very active demand, but the revival during the last months of the year, after the usual seasonal decline, was not very marked.

European consumption is increasing, and Germany has been using more metal, both primary and secondary, than for many years. But her production has also increased and is probably sufficient to satisfy half her domestic needs. Moreover, of this smelter production perhaps half is produced from domestic ores. France has also expanded her output, but her consumption appears to be only about half that of Germany. Japan has ceased to publish import figures since last June, but consumption during the four years 1934-37 showed a gradual upward trend. Consumption in Russia is now probably reaching the level of Japan. In the United States, despite an increase of about 50,000 short tons in production during the first nine months of the year over the corresponding period of 1936, stocks fell from 172,000 to about 91,000 short tons by the end of September. During the last three months the trend was reversed, and at the beginning of December stocks had again increased to 113,573 short tons. This total, however, is not unwieldy, and though stocks are likely to increase in the near future, they should not become unmanageable.

For a long time the known ore reserves in the world have not changed to any great extent, but smelter production during the year increased rather less than might have been expected with prices at such an attractive level. But Canada, Australia (where smelters have been working to capacity), Burma, Germany, Belgium and France all succeeded in increasing their output. In the coming year, production in Yugoslavia, which had tended to fall, may again be higher. In Canada there has been an increase in production of about 15 per cent. to a new high record, but in Mexico higher costs, heavier taxation and the fall in the price of silver have affected production unfavourably, and the increase compared with 1936 has been small.

While in some respects the excessively high prices have been beneficial in adjusting supply, they have possibly tended to check consumption, and damage has been done to the market by the violent fluctuations. Unless prices can be maintained at a reasonable level for a period, real confidence may not be restored for some time.

Spelter

DURING much of the year, spelter was one of the market's objects of speculation, and in relation to the opening prices of 1937, quotations reached a higher level than those of the other base metals. The year's "high" of £37 per ton was some 85 per cent. above the opening price, speculative activity being stimulated by the belief that the U.S.A. would be compelled to import large quantities. As her producing capacity could not be adjusted to demand for technical reasons, she did in fact import a little, but after August the position changed completely. Meanwhile from mid-March onwards, the London price of spelter fell rapidly, and in the autumn was depressed anew by the withdrawal of speculative support. The lowest price of the year was reached in November, and recovery in the rest of the year was insignificant. The following summary of the year's trends is taken from Messrs Brandeis, Goldschmidt and Company's annual review:—

Demand for the highly refined grades of spelter is gradually increasing. The London Metal Exchange price is for ordinary brands of foreign metal, with an option to deliver Empire metal at an extra 12s. 6d. per ton. The premiums for refined spelter over the London quotation have varied very much, and whilst in the United Kingdom they have been kept at a reasonable level, as much as £10 per ton premium has been paid by other countries. In the lower grades, the year 1937 has been uninteresting, and consumption, especially in the galvanising industry, has not increased in proportion to the revival of business in other branches of the metal industry. Producing capacity of the lower grades has been greater than was needed. With refined and electrolytic spelter, however, the position has been just the reverse and supplies have been inadequate. Not only did the premium rise to a very high level, but the basis price rose in sympathy, especially when speculators entered the London market.

The price of spelter, which had been disappointing for many years, rose to the highest level since 1926. But for a long time the tendency has been for supply to outrun demand, and even during the year under review, which was one of relatively high prices, discussions concerning control of output took place. The reconstitution of the Zinc Cartel might, however, be impeded through political considerations. In any successful scheme both France and Germany would have to be included, and it would be difficult for Germany, a consumer in excess of her domestic production, to place herself in a position where she might have to import larger quantities at a higher price to

the detriment of her foreign exchange position. The Ottawa agreements and the possibility of special arrangements between the countries of the Empire and the U.S.A. would constitute further difficulties. In the circumstances it may be assumed that a satisfactory restriction scheme would be difficult at present.

Spelter fluctuated last year in sympathy with other metals, although during January and February there was very little setback, the rise being practically continuous until mid-March. The year opened with a price of about £20 per ton. The year's highest was £37 10s., from which point there was a sharp fall to about £22 15s. at the end of April. Not until the beginning of October, however, did the price break below the level at which the year had opened. Thereafter it failed to recover, and reached its nadir at the end of December.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF SPELTER
(in thousands of long tons)

	1928-29	1934	1935	1936	1937*
Production					
United States.....	560	328	385	465	525
Canada.....	75	120	135	135	165
Germany and Poland....	261	163	205	225	245
Belgium.....	201	172	180	200	225
United Kingdom.....	55	51	60	65	65
Other countries.....	272	328	360	380	415
Total	1,424	1,162	1,325	1,470	1,640
Consumption					
United States.....	535	315	420	510	540
United Kingdom.....	185	170	195	220	240
Germany.....	200	170	195	205	230
Belgium.....	130	110	100	110	100
France.....	120	90	85	85	95
Other countries.....	275	270	335	370	410
Total	1,435	1,125	1,330	1,500	1,615
Stocks (metric tons)					
United Kingdom.....	4.5	10.9	8.2	17.7	20.5
United States.....	70.1	108.7	76.0	40.7	39.0†
Cartel.....	...	110.3	Nil	Nil	Nil
Average Price					
London "Ordinary" per long ton.....	£ s. d. 25 1 6	£ s. d. 13 17 6	£ s. d. 14 1 8	£ s. d. 14 8 5	£ s. d. 22 5 2

* Estimated.

† November.

New records of production and consumption were achieved in 1937. Production exceeded demand in the later months, but even in the U.S.A. consumption achieved a new record. World consumption, in fact, has shown a substantial improvement in every year since 1932. Following the earlier example of the United States, an advance was made by Great Britain, Germany and Japan in the use of alloys containing a high percentage of refined zinc for die-casting. Electrolytic zinc is used in these alloys and for brass-making, and is increasing in popularity at the expense of other metals. Progress has also been made in the use of zinc for pigments and as an undercoating for plating.

Production kept pace with consumption in 1937, except in the U.S.A., where the decline in stocks was probably counterbalanced by increases elsewhere. The chief increases in refined production were recorded by Canada and Germany, and there is no doubt that productive capacity for the higher grades has been fully utilised. On the other hand, Australia has accumulated large tonnages of zinc concentrates in excess of her refining capacity; but freight rates are high enough to make shipment to other countries for refining unattractive. It will be interesting to see whether the producers of lead and silver, who also produce zinc concentrates as a by-product, will be able to market their lead and silver whilst withholding their zinc. Certain of the straight zinc mines may have to close down if prices fall further, but some of the tonnage might still be available from the by-products producers. A fall in the price of silver might have a decisive influence on a certain proportion of the production of zinc concentrates. In considering the outlook, the likelihood of an excess of zinc concentrates must be taken into account. This factor may be sufficient to outweigh the advantages of a growing consumption, and may prevent zinc prices from regaining their former parity in relation to lead. In other words, the price for ordinary brands of zinc may be expected to remain slightly below, rather than above, the price of lead for some time to come.

Tin

ALTHOUGH prices actually fell in the first six weeks of 1937, the trend was sharply reversed when the British armaments programme was announced. On March 5th, the International Tin Committee, in deciding to maintain the second quarter's quota at 100 per cent., estimated that this level would raise visible stocks by 1,600 tons a month. This estimate assumed an annual consumption of 170,000 tons, which the market considered too low, and the price of tin soared to £311 per ton. The later increase in the quota to 110 per cent. did not, of itself, affect the quotation markedly, though general influences drove the price downwards. Then prices continued somewhat firmer than those of other metals, but succumbed to the autumn decline when anxiety was felt

about industrial activity in the United States. A low point of £180 15s. was reached in November. We summarise below Messrs Brandeis Goldschmidt and Company's annual survey:—

The present or third restriction agreement is to last until the end of 1941, subject to certain provisions for withdrawal or termination. But though production has been regulated through the scheme, which covers 85 per cent. of world supplies, prices have displayed the most violent fluctuations. The year opened with a price of about £233 per ton, but the outbreak of strikes in the American automobile industry caused a slight set-back until the middle of February. On February 17th the British Government announced its re-armament programme, and without considering what would be the precise effect on tin in 1937, alarm given at the prospects of a real shortage, and the price was forced up. During the first two weeks of March the market got out of hand, until £311 was reached—the highest price for ten years. The International Tin Committee decided on March 16th to increase the quotas for the second quarter to 110 per cent. (at which they remained for the rest of 1937), though at the March 5th meeting the permitted output had been left unchanged at 100 per cent. By the end of April the price had touched £239 per ton owing to the American gold scare and the weakness of the French franc; but in August the price again rose to over £270, after which it remained at around £260 until the latter part of September. During the last quarter there were severe breaks, culminating in a fall of £30 on one day to £175. Even the announcement that the quotas for the first quarter of 1938 would be cut from 110 per cent. to 70 per cent. (with certain concessions to Malaya, Nigeria and the Dutch East Indies regarding arrears of other participants) found the market incapable of recovering to over £200.

On the basis of the quotas, the restricting producers should have produced about 215,000 tons in 1937. Except for Malaya and the Dutch East Indies, however, the output was nothing like so high as this; the arrears were about 25,000 tons for Bolivia and 13,000 tons for four other countries. The indications are that Bolivia's capacity was over-estimated and that a revision of actual quotas should be made.

World consumption during 1937 is provisionally estimated at 185,000 tons, against 160,000 tons for 1936. At least half the increase is attributable to the United States automobile and tinplate industries, the latter accounting for about one-half of the country's total consumption. Consumption has increased in Russia, where there is need for foodstuffs storage facilities, and in Japan, whose army operations must have accentuated the need for tin containers. Russian consumption

is put at about 13,000 tons last year, against 9,664 tons in 1936, and only 4,829 tons in 1930. Italian imports, however, have declined. In the United Kingdom, production of tinplates increased during the first half of 1937, and output is still running at a satisfactory level.

Owing to the high price of steel used in making tinplates, and to export control arrangements, the tendency for consumption to increase may be checked in the future. Prices of finished tinplates and of the steel from which they are made are about 75 per cent. higher than they were in 1913, whereas the price of tin is about the same as it was then.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF TIN
(in thousands of long tons)

	1929	1934	1935	1936	1937*
Production					
Bolivia.....	46.3	20.6	27.2	24.1	24.5
Malaya.....	69.4	34.1	46.0	66.8	77.0
Dutch E. Indies.....	35.7	18.7	24.7	31.7	39.0
Nigeria.....	10.7	5.0	7.0	9.5	11.6
Siam.....	9.9	10.6	9.8	12.7	18.0
Other countries.....	14.9	25.7	31.6	34.5	35.9
Total	187.0	114.7	146.3	179.3	206.0
Consumption					
United States.....	87.6	43.6	62.5	73.0	86.0
United Kingdom.....	24.2	21.1	21.4	21.9	24.5
Germany.....	16.0	10.0	10.4	8.5	11.0
All countries...	178.0	122.7	148.7	159.7	182.5
Stocks					
Visible supply and carry over.....	27.5	22.1	13.8	22.7	25.7
Average Price					
Cash in London p. l. ton.....	£ 203.9	£ 230.4	£ 224.9	£ 204.6	£ 242.3

* Estimated by Brandeis, Goldschmidt and Co.
Source: International Tin Research and Development Council.

With regard to world stocks, a visible supply of 25,000 tons might be sufficient if production were flexible. Stocks could be relatively smaller on the basis of a controlled annual production of only 170,000 tons (which is that proposed for the first quarter of 1938), because there would be a larger potential capacity to cope with any increase in demand. But a visible stock of almost double the present tonnage should not be

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unwieldy if properly distributed among the countries where consumption is high. A forecast for 1938 cannot be made with any confidence, but it is hoped that the International Tin Committee will be able to avoid a repetition of the experiences of the past year. The price of tin may now be considered normal in comparison with that of other base metals.

Cotton

As will be seen from the following table compiled from the January, 1938, issue of *Cotton Statistics*, published by the Liverpool Cotton Service, world production in 1936-37 exceeded the previous season's crop; and the estimated increase of nearly 50 per cent. in the American crop for 1937-38 and other indications suggest a further large expansion.

WORLD'S COTTON CROP
(Thous. bales of 500 lbs.)

Country	1932-33	1933-34	1934-35	1935-36	1936-37	Estimates 1937-38
United States Lint	13,002	13,047	9,637	10,638	12,399	18,748
Linters	912	982	1,001	1,089	1,350	1,500
Total	13,914	14,029	10,638	11,727	13,749	20,248
Mexico	255	223	251	373	310	310
Brazil	448	1,014	1,359	1,765	1,712	2,000
Peru	237	278	336	296	400	360
Argentina	146	196	295	367	142	400
Other South American	39	76	71	86	100	100
India*	4,852	5,108	4,858	5,933	6,307	6,250
China	2,195	2,652	3,001	2,410	3,760	3,000
Japan and Korea	133	197	223	246	187	301
East Indies, etc.	14	16	15	14	16	...
U.S.S.R.	1,776	1,844	1,772	2,347	3,550	3,782
Persia	79	137	209	120	161	...
Iraq, Ceylon, etc.	1	2	2	4	8	12
Asia Minor and Europe	68	213	263	378	419	...
Lybia	991	1,715	1,511	1,707	1,821	2,202
Sudan	110	126	237	199	259	250
East Africa (British)	269	274	273	331	365	...
South Africa (British)	2	3	3	2	3	3
West Africa (British)	20	23	47	48	36	...
Non-British Africa	121	141	152	208	236	...
West Indies (British)	2	3	4	4	4	4
West Indies (Others)	26	24	31	26	27	...
Australia, etc.	11	18	14	14	10	...
World's total	25,345	28,325	25,563	28,581	33,713	...
World (excl. United States)	14,431	14,296	14,925	16,854	19,907	20,000
Per cent. of total	45.1	50.5	58.4	59.0	59.0	...

* Government estimate, 400-lb. bales. † Less than 500 bales.

The United States and the U.S.S.R. again showed considerable increases and a large expansion occurred in China. The increase in India was relatively small. 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.

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	
1930	13,015	6,087	937	5,162	26,006	8,815
1931	10,991	5,863	853	4,864	23,195	10,906
1932	12,316	4,758	880	4,255	22,319	12,144
1933	14,170	4,220	864	5,028	24,353	12,560
1934	13,304	4,772	1,108	5,097	25,111	11,980
1935	11,354	5,772	1,195	7,480	25,801	8,541
1936	12,733	5,508	1,183	7,878	27,404	8,768
1937	13,346	5,982	1,278	9,048	29,654	9,496

* No returns from Germany, 1935. † No returns from Germany or Italy. ‡ No returns from Italy.

It will be noticed that a rise of just over 8 per cent. in stocks has nevertheless been accompanied by a similar rise in consumption over the high figure of 1936. The rise was spread over all varieties.

The fluctuations of Liverpool prices are shown below:—

AVERAGE PRICE OF RAW COTTON, LIVERPOOL
(Pence per lb.)

Season ended July 31st	American Middling	Egyptian Sakel Hard
1929	10.52	10.52
1930	9.09	14.82
1931	5.71	9.04
1932	4.81	6.78
1933	5.62	7.79
1934	6.02	8.05
1935	6.93	8.44
1936	6.50	9.29
1937	7.12	10.81
1938	6.30	9.22
June	6.87	9.01
September	6.94	10.35
1937	6.94	10.30
June	7.87	11.76
September	7.06	10.54
December	5.36	8.78
1938	4.78	8.10

The distribution of British imports of raw cotton by quantity and value in recent years is shown next:—

BRITISH IMPORTS OF RAW COTTON
(Excluding linters)

Country	Quantity			Value		
	1935	1936	1937	1935	1936	1937
Of 1½ in. staple and over:—						
From:—						
Anglo-Egyptian	550,032	577,854	607,161	2,125,309	2,431,107	2,574,991
Sudan	7,452	9,213	13,341	49,548	71,149	122,989
British West India Islands	665	202	114	2,079	1,110	1,022
Other British countries	1,693,970	1,631,197	1,293,703	5,702,922	5,882,734	4,766,731
Egypt	77,530	74,690	94,181	243,241	271,840	344,059
Other foreign countries	12,569	3,870	8,670	46,515	14,203	35,679
Total	2,342,218	2,297,026	2,017,170	8,169,614	8,672,143	7,845,471
Under 1½ in. staple and over ½ in. staple:—						
From:—						
British W. Africa	156,548	110,711	163,480	408,344	314,850	487,187
British E. Africa	118,518	235,642	123,394	316,702	641,661	354,163
British India	824,307	1,096,739	932,344	1,853,932	2,450,087	2,207,648
Other British countries	97,920	238,225	196,696	309,445	755,525	675,461
Egypt	1,024,185	1,193,650	1,617,212	3,191,118	3,818,507	5,104,368
U.S.A.	5,558,256	6,010,618	7,441,700	15,088,495	16,394,198	19,155,821
Peru	591,902	713,385	840,592	1,828,628	2,362,587	2,807,918
Brazil	596,145	1,466,148	1,075,190	1,521,335	3,871,432	2,799,324
Argentina	243,353	440,134	185,095	664,129	1,247,135	561,913
Other foreign countries	176,821	243,072	420,621	481,322	680,538	1,185,631
Total	9,387,955	11,748,324	12,999,324	25,763,450	32,536,520	35,339,434
Of ½ in. staple and under:—						
From:—						
British India	825,481	1,230,176	1,376,561	1,629,716	2,549,422	3,183,061
Other British countries	718	1,273	1,155	1,542	2,640	2,158
U.S.A.	158,117	167,932	189,977	407,069	447,105	465,444
Other foreign countries	6,034	17,094	4,248	11,952	30,576	9,577
Total	990,350	1,416,475	1,571,941	2,050,879	3,029,743	3,660,240
Grand Total*	12,720,523	15,461,825	16,588,435	35,983,943	44,238,406	46,845,145

* Total British imports of raw cotton in 1913: quantity, 21,742,996 cents; value £70,570,547.

Total imports, it will be seen, increased over the previous year at a lesser rate (8.3 per cent.) in 1937 than in 1936 (21.6 per cent.).

A survey of developments in raw cotton during 1937 is given in the following summary from Mr F. W. Tattersall's *Cotton Trade Review*, dated December 31, 1937:—

On January 4, 1937, the quotation for Middling American cotton on the spot in Liverpool was 7.07d. per lb. There was a steady hardening movement in prices, until 8.14d., the highest price of the year, was reached on March 16th. By the end of June, the quotation had fallen to 6.94d., with a further decline by September 30th to 4.92d. The lowest price was 4.50d. on November 20th, and the year ended with the figure at 4.84d. The American cotton crop for 1936 was 12,399,000 bales, against 10,638,000 bales in the previous year. At the end of last season the carry-over was about 6,000,000 bales. Cotton farmers in the United States this season have produced a record crop, the latest Government estimate being 18,746,000 bales. The previous largest growth was in 1926, when the production was 17,978,000 bales. The striking difference, however, between the two seasons is that, whereas in 1926 the area harvested was 44,616,000 acres, that harvested this season is only 33,930,000 acres. This change has been due to the big improvement in the yield per acre from 192.8 lbs. to 264.6 lbs. Owing to the abundant supplies, the United States Government took action and farmers were offered loans on their cotton. This policy checked the downward movement of prices. The world consumption of American cotton last season was about 13,100,000 bales. At the end of next July, the carry-over will probably be between 12 million and 13 million bales.

On January 4, 1937, the quotation for Fully Good Fair Upper Egyptian cotton on the spot in Liverpool was 7.85d. In sympathy with the American staple, there was a rising tendency during the earlier part of the year, the highest quotation of 10.18d. being registered on July 9th and 14th. During the last six months the downward movement was rather severe. At the end of December the figure was 6.20d. The growth of Egyptian cotton this season will be of record dimensions at about 10,800,000 cantars. Increased production of raw cotton in other countries is also probable, and in round figures the available supplies are 52 million bales, while the world consumption is not likely to be more than 30 million bales.

Silk

SUPPLIES of raw silk, which had shown a fair measure of stability for a number of years, registered an increase in the 1936-37 season. The following table, based on the estimates of Messrs Morel-Journal and Company, shows that the expansion was general except in the case of exports from Shanghai, which recorded a slight decline after the previous year's notable increase. A further sharp reduction in supplies from this source is forecast for the current season:—

WORLD SUPPLY OF RAW SILK
(In metric tons)

Season ended June 30th	1913-14	1933-34	1934-35	1935-36	1936-37	1937-38*
Export from Shanghai (including Tussah)...	5,800	2,274	1,447	3,388	3,096	1,500
Do. Canton	2,780	1,730	1,395	1,035	1,136	1,150
Do. Japan	12,120	28,940	31,275	28,833	31,313	30,000
Do. Persia and Central Asia	435	165	150	...	...	...
Do. India and Indo-China	115	...	...	...	...	...
European crop	4,235	3,514	2,942	1,686	3,193	3,100
Levant crop	1,880	689	780	672	725	782
Total	27,365	38,302	37,969	37,273	41,365	38,432

* Estimates.

About 50 per cent. of European silk consumption and 75 per cent. of consumption in the United States is now accounted for by the hosiery trades. The quantity of silk absorbed by the American market declined last year to the lowest level since 1924. Meanwhile, the trend of prices at Lyons is summarised in the following table, compiled from Messrs Morel-Journal and Company's annual review:—

RAW SILK PRICES—END OF DECEMBER
(In Francs—Lyons Terms)

	1929	1934	1935	1936	1937
Italian, Extra, 13/15	245-250	52-54	75-80	100-102	123-125
Syrian, 2nd class, 9/11	245-250	54-55	72-74	97-98	128-130
Shanghai steam fibre, double extra 13/15	260-300	60-61	80-82	107-109	142-145
Szechuen fibre, Extra A 13/15	234-245	48-50	69-70	100-101	117-120
" active Tussah, extra 8 cocoons	35-36	35-36	49-51	60-61	...
Japan fibre, double extra crack 13/15	280-285	52-53	73-74	102-104	111-113
No. 1 13/15	265-270	51-52	72-73	101-103	109-110
Canton fibre, petit extra 13/15	215-220	52-54	60-62	91-93	110-112
" best 1 par 13/15	180-185	48-49	58-59	90-91	109-110

The advance in prices, which began in 1935, was continued in the period under review, when all classes of silk were dearer than in 1936.

Wool

A SLIGHT increase in the clip did not prevent the buoyancy of the raw wool markets in 1936 continuing during the early months of 1937. Confidence, however, was shaken by international events and stock market depression and prices receded, although the year ended on a firmer note. Nevertheless, the index of raw wool prices, compiled by the *Weekly Wool Chart*, again advanced from 91 for 1936 to 113 for 1937.

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	
1929-30	938	353	273	309	400	112	3,915
1930-31	912	361	271	302	433	111	3,847
1931-32	1,067	378	270	314	464	113	3,841
1932-33	1,062	388	277	330	411	119	3,857
1933-34	996	385	290	284	460	120	3,742
1934-35	1,015	370	265	222	451	115	3,656
1935-36	971	365	304	250	453	109	3,713
1936-37	1,010	385	303	272	449	108	3,890
1937-38	1,035	380	313	270	457	107	...

† The figures in this column refer to the earlier calendar year. ‡ Provisional.

The next table reflects the buoyant conditions of the early months of 1937 in a stocks position in Australia, New Zealand and South Africa appreciably better than for some 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)
1933	12.9	9.0	59.9	2.0
1934	65.0	41.9	28.0	23.0
1935	26.0	13.0	64.0	4.0
1936	23.2	22.0	17.0	7.0
1937	14.0	24.0	11.0	4.0

(a) Season ended June 30th.

(b) Season ended September 30th.

The third table shows clearly the recession in prices in 1937, following the initial strength:—

WOOL PRICES IN LONDON

In pence per lb. Fleece Wools	July, 1914	Dec. 5, 1928	Mar. 15, 1933	Dec. 6, 1935	Dec. 2, 1936	Nov. 28, 1937
70's super	d. 32	d. 48	d. 21½	d. 30	d. 38	d. 31
64/67's good medium	30	45	19½	29	34	27-28
60/64's good medium	30	43	18½	27	31	24-25
58/60's good medium	29	41	17	24	29	24
56's fine crossbred	26	36	13½	19	25	20
50/56's fine crossbred	23½	33	12	14½	20	17-17½
46/50's crossbred	18	27	7½	11½	19	16
46's crossbred	17	25	6	10½	18½	15½-16
44's crossbred	16	24	5½	9½	18	14½

A description of developments in the fibre market, taken from the annual review of Messrs Wigglesworth & Company, Limited, is given below:—

Erratic prices have been the feature of the year, accompanied by rapidly changing conditions. The improved organisation of the sisal estates in East Africa and the Netherlands East Indies has resulted in a larger production than required. The demand for jute has improved owing to the abolition of regulations limiting the production of the mills in Calcutta. Soft fibres are priced much too high in comparison with hard fibres causing a gradual tendency to reduce the consumption of the former, particularly in the case of Italian hemp. Meanwhile, the Central European production is displacing Italian. Flax is being consumed in ever increasing quantities within the Soviet Republics, leaving less for export.

Flax.—The year 1937 was one of fluctuating fortunes for the linen industry. In Great Britain the opening was cheerful, with spinners and manufacturers well booked ahead and business expanding. Continental mills also experienced better conditions during the first half of the year. The autumn witnessed a serious falling off in business. The year closed on a note of uncertainty with some curtailment of production in spinning and weaving mills. In common with other British industries, the linen trade awaits with great interest and considerable optimism the result of the forthcoming discussions for an Anglo-American trade agreement. America is our largest single export market for linens. United Kingdom imports of flax and tow for the eleven months to November totalled 49,744 tons, compared with 56,823 tons for the same period of 1936. Exports of linen manufactures were lower by volume at 77,596,000 square yards, against 80,496,000 for 1936, but increased in value by £300,000. America accounted for over 41 per cent. of these exports and British Empire countries for 25 per cent. Important Government contracts helped to maintain active conditions in the heavy end of the trade during most of the year and until the commencement of the trouble in China spinners of fine yarns were exceptionally busy.

Raw material prices tended dearer from the beginning of the year until August and September, IV group Slanetz rising from £81 to £94; Latvian Livonian from £58 to £87 and Ralo tow No. 8 from £48 to £76 per ton, c.i.f. The slackness of trade during the autumn had a weakening effect on flax, and prices gradually fell until early November, when business was concluded on the basis of £72 10s. for IV group Slanetz; £66 for Livonian and £55 for Ralo tow No. 8. The sale during November of 6,000 to 7,000 tons of Soviet flax and tow, 2,000 tons Latvian and about 3,000 tons Lithuanian flax steadied the market and prices advanced £4 to £5 per ton, quotations at the close of the year being £78 for IV group Slanetz; £72 for Livonian and £61 for Ralo tow No. 8. The 1937 flax crops were generally satisfactory, except for the proportion of short fibres which resulted from drought during the early stages of growth. The high prices ruling in the early part of the year encouraged sowing of larger areas in the Baltic States and Poland, but there was again a substantial decline in Northern Ireland from 25,000 acres in 1936 to 19,000 acres. Latvia sowed 173,000 acres against 168,000 acres for 1936, Lithuania 220,000 acres against 210,000 acres, and Estonia 78,000 acres against 71,000 acres. Reliable statistics of yield are not yet available for many countries, but in Estonia the crop is estimated at 11,000 tons compared with 8,700 tons in 1936, and Latvia and Lithuania also show increases. The Russian crop is expected to be larger and of better quality, but consumption in the Soviet Union is increasing rapidly, and exports of flax for the current season may again show a serious drop.

Indian Hemp (Bombay).—Quiet conditions ruled in these fibres during 1937. Quality throughout the season was below the average in all grades, most deliveries containing a certain amount of weak fibre. The end of the spring proved the highest point of the market and thereafter prices declined slowly. At the close of the year, however, there was again a better tone. Prices for Fine Itarsi, Fine Sewnee and Fine Jubblepore, at the highest point in May, were respectively £20, £17 5s. and £15.

Jute.—Government control has again been successful in bringing about an improvement in the average level of prices for Firsts, which during 1937 was £20 10s. per ton. This compares with £18 7s. 6d. in 1936 and £18 10s. in 1935. In the early part of the year there was a good demand and an active market. On March 1st restriction was removed on the number of looms and hours worked. Firsts touched £23 10s. in May, but there was a sharp reaction in the price of both manufactures and raw material, which brought Firsts to £19 15s. per ton. In July prices recovered to £21 17s. 6d. Thereafter fluctuations were of a minor character, business being less active. Towards the end of the year, with trade support dwindling, prices declined to £18 5s. for Firsts.

Manila Hemp.—During the first quarter steady buying by spinners, coupled with an occasional shortage in certain grades, carried prices to a level not touched since the boom years of 1929-30. The early spring witnessed the first sign of a break in prices, despite a further increase in freight. This situation obtained until the summer, when the outbreak of hostilities in China introduced a new factor. A financial embargo on purchases of Manila imposed by the Japanese Government meant that U.K. and Continental demand would prove in-

ESTIMATED PRODUCTION OF HARD FIBRES

	1934	1935	1936	1937
Philippine manilla	Tons 175,000	Tons 187,375	Tons 181,875	Tons 164,500
Philippine manilla	10,850	13,550	22,200	16,000
Mexican henequen	92,000	90,000	94,000	92,000
East African sisal	117,000	138,000	139,000	147,000
West African sisal	8,000	10,000	9,000	10,000
Java and Sumatra sisal and cantala	72,000	74,000	69,000	74,000
Do. Do. Abaca (manilla)	5,000	5,000	5,000	5,000
West Indian sisal	10,000	11,000	12,000	15,000
New Zealand hemp and tow	4,900	4,500	6,500	7,500
Mauritius	500	600	600	500
	495,350	534,025	519,175	531,500

sufficient to prevent a further setback in the prices of lower grades. Trading in U.S.A. followed much the same course as in Europe. The major part of the year was satisfactory, but the closing months were considerably below the average. Japanese influence has been a dominating factor, and the rationing policy may cause Japan's final consumption figures to be the lowest for many years.

From the statistical point of view there is little change to report. The position is sound with output latterly curtailed to meet a slower demand. Supplies at 1,314,000 bales compare with 1,295,010 bales for 1936, but stocks after touching 193,000 bales in March stand at 157,000 bales against the low figure of 128,000 bales for the same period last year.

East African Sisal.—The year opened with great promise, and No 1 reached the high point of £29 10s. to £30 per ton in April, and again during the month of May. June and July witnessed the first signs of an easier tendency, with prices of many commodities falling. The real setback occurred during October and November with successive falls of £2 per ton. Hand to mouth buying became the order of the day, and this has continued throughout December. Stocks in the hands of many manufacturers are at a low ebb. Forecasts concerning the production in Africa have not been verified, a net increase of about 9,000 tons being shown. Business is still hampered in certain countries by quotas and restrictions in one form or another.

Java and Sumatra Sisal.—The higher prices obtainable during the early part of the year undoubtedly stimulated output, as production shows a substantial increase of about 5,000 tons over last year.

Mexican Henequen.—Receipts at port of shipment Progresso indicate a production of at least 400,000 bales, and as the total shipments for the year were in the neighbourhood of 350,000 bales, it is obvious that large-scale purchases must have been concluded on secret terms. Shipments to U.S. ports account for about four-fifths of the quantity exported.

The next table shows British imports of flax, hemp and jute in 1935, 1936 and 1937:—

BRITISH IMPORTS OF FIBRES

Country	Quantity			Value		
	1935	1936	1937	1935	1936	1937
Flax:—						
From:—						
British countries	719	1,170	1,038	49,116	74,779	74,132
Soviet Union	6,879	7,394	7,180	528,678	516,017	547,889
Latvia	5,092	12,984	6,901	336,847	717,144	441,438
Belgium	15,278	17,548	17,488	1,408,467	1,661,320	1,844,785
Other foreign countries ..	5,990	6,470	6,853	430,474	391,994	461,920
Total	33,958	45,566	39,440	2,754,582	3,361,254	3,370,174
Flax tow or cordilla:—						
From:—						
British countries	155	260	487	4,699	7,396	15,361
Soviet Union	15,991	13,279	9,269	1,004,215	736,532	598,963
Latvia	3,064	3,312	2,529	183,498	173,231	145,955
Other foreign countries ..	3,069	3,431	4,404	173,368	173,388	237,278
Total	22,219	20,282	16,689	1,366,320	1,090,547	987,587
Hemp, not further dressed after scutching or decorticating:—						
From:—						
British East Africa	27,937	30,893	28,233	437,531	771,453	751,813
Other British countries ..	9,090	11,977	16,212	143,978	215,590	303,283
Italy	3,882	295	2,083	198,127	19,258	133,963
Philippine Islands	40,225	39,336	44,211	607,137	991,250	1,435,573
Other foreign countries ..	8,677	8,697	8,141	316,159	382,783	337,039
Total	89,521	90,998	98,910	1,703,932	2,340,324	2,961,371
Hemp, further dressed, and hemp tow or cordilla	5,489	4,425	4,600	161,970	120,668	145,388
Jute, raw:—						
From:—						
British India	172,898	181,708	192,531	2,904,235	3,327,185	3,727,287
Other British countries ..	2	1	1	34	15	15
Foreign countries	402	26	101	8,910	576	1,504
Total	173,342	181,735	192,632	2,911,179	3,327,776	3,728,791

It will be noted that, exceptionally, imports of flax declined.

Manufactures

Iron and Steel

OPERATIONS in the iron and steel industry in 1937 were conducted under virtually boom conditions. Output showed a continuous increase and several records were established. Pig-iron production at 8,497,000 tons was the highest since the war, while steel production at 12,964,000 tons achieved an all-time peak. Demand remained so insistent that, despite the increase in output, deliveries lagged seriously behind schedule. This position was only gradually eased towards the close of the year. The industry's chief problems were, first, a serious shortage of raw materials, especially iron ore and scrap, and, secondly, inadequate productive capacity to meet an exceptional "peak" demand. Substantial progress was made, however, towards solving both difficulties. Increased imports of ore from Sweden, Newfoundland and Brazil and greater domestic production made good the interruption to Spanish supplies. The British Iron and Steel Corporation was set up to centralise the purchase and distribution of foreign scrap, and a determined drive was made to increase internal collections of scrap material. At the same time, large extensions to productive capacity have taken place, equivalent to an additional annual output of 1,000,000 tons of steel and a similar quantity of pig iron.

Despite these efforts the acute shortage of semi-finished and finished steel necessitated a drastic revision of the existing tariff and other emergency measures. The duty on quota imports has been reduced to a mere 2½ per cent. till March 31, 1938, while the non-quota tariff has been cut from 25 per cent. to 12½ per cent. Finally, arrangements were made with the Steel Cartel for additional purchases of 100,000 tons of semi-finished steel.

After the increase in 1936 a further substantial rise in prices was recorded last year, justified, in part at least, by the considerable additions to production costs. No further increase is contemplated for the current year, however, though it remains to be seen how far the Federation will succeed in maintaining stable prices in face of a possible recession in demand. But most steel producers are well supplied with orders for months ahead and a serious fall in activity need not be expected.

Developments in the industry in recent years are summarised in the following tables:—

BRITISH IRON AND STEEL INDUSTRY

Year	Output (Thousand Tons)		Iron, Steel and Manufactures thereof (Thousand Tons)		Price of Cleveland C.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. 60 0	% 25.9	% 34.0
1920 ...	6,192	7,326	2,912	3,160	66 11	23.9	34.0
1931 ...	3,773	5,203	2,845	1,979	58 7	39.3	45.9
1932 ...	3,573	5,257	1,894	1,887	58 6	43.3	47.8
1933 ...	4,136	7,024	971	1,922	62 6	37.6	38.0
1934 ...	6,979	8,860	1,366	2,235	67 1	25.2	25.8
1935 ...	6,425	8,859	1,152	2,372	67 8	21.0	21.8
1936 ...	8,497	11,785	1,296	2,036	72 3	14.7	9.8
1937 ...	8,497	11,785	1,296	2,036	72 3	14.7	9.8

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 21, 1938:—

North of England.—The North-East Coast still retains its supremacy as the leading iron and steel producing area. Events in 1937 outpaced the wildest hopes. In response to the ceaseless pressure of demand, production was steadily increased, but at no time was demand overtaken. It was found necessary to import substantially increased tonnages; and if there are now whisperings that the apex of the boom has

been reached, the producers have the assurance of capacity production for at least six months. Since fully half the charge of a modern basic steel furnace is nowadays made up of scrap, the call for pig-iron has been correspondingly reduced. Nevertheless, the output of pig-iron here was the highest since 1920, and amounted to 2,428,300 tons, or 333,000 tons more than in 1936. Pressure for supplies of hematite has been unrelaxed, yet makers were struggling all the time to overtake the demand; some limitation was imposed on exports so that home consumers should not be inconvenienced by shortage of supplies. Actually, however, the volume of Tees shipments of iron and steel has varied little in recent years. Features of the steel trade were the further expansion of capacity, the growing output of high-grade special steels and an aggregate production far in advance of all previous records.

Scotland.—The year opened on a note of optimism and events have justified this view; nevertheless, the problem of raw material supplies dominated operations in all departments of the industry. In the pig-iron trade activity was well maintained, except in the light castings section, where there was some falling off of business owing to the holding up of housing schemes because of rising costs. Extremely busy conditions prevailed at the works of the heavy steel makers. Home business accounted for a large proportion of the demand, but there was also a good amount of export business. Throughout the year, deliveries were considerably in arrears, even with outputs at record levels. The decision to lower import duties in March was welcomed as a means of inducing heavier imports of semi-finished steel. At the end of the year the steel trade was still enjoying very active and favourable conditions. Shipbuilding, on which the iron and steelworks are largely dependent, was busy and constructional engineers were well employed throughout the year. The wrought iron makers experienced a good demand, and outputs were well maintained. Meanwhile, the iron and steel makers are still heavily booked and there is a large amount of re-armament and other work to be placed.

West Cumberland and Lancashire.—A demand in excess of the make and a scarcity of raw materials, which prevented the furnaces from attaining their maximum production until nearly the middle of the year, were the dominating features in West Cumberland. At no time was the ore situation satisfactory and at times the furnaces were working from hand to mouth. Only if the ore can be obtained is there any prospect of production being maintained in 1938 at the 1937 level.

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Similar problems were encountered in Lancashire, where order books in a number of branches have expanded so much that at the close of the year some firms were still booked for about two years ahead. In the pig-iron market the supply position at the close of the year was much more satisfactory than during the first nine months. The prevailing scarcity of supplies was more pronounced in the steel market than in any other section, and delivery in some cases could not be made in less than twelve months.

Sheffield and District.—In all its history, Sheffield has never been busier than in the past twelve months; and outputs were called for more on account of ordinary commercial needs than for the defence programme. It is gratifying also to note that every effort was made to meet without undue delay the requirements of customers abroad. Pig-iron producers were unable fully to meet the requirements of consumers and so difficult did matters become that makers had early in the year to resort to rationing their customers. At the end of the year supplies were a shade less difficult, but demand showed no indications of an early fall. The hematite position was difficult throughout the year. The steel market overflowed with buyers and few, if any, were able to place their orders in full. Deliveries were consistently behind schedule, and contracts accepted had no definite date for completion. There is every indication that activity in 1938 will surpass that of the previous year.

South Staffordshire.—Throughout the year it has been impossible for works to keep pace with the demand. The call for semi-finished steel has been exceptionally strong and consumers have been unable to get sufficient billets or sheet bars to meet their requirements. The pig-iron position was extremely difficult, and as there were at times no sellers of English iron many local ironfounders purchased supplies from the Continent or from America. Makers of hematite have to rely largely on foreign ore and there have been times when owing to the Spanish conflict it has been impossible to get sufficient supplies. Owing to the difficulty of getting steel, some consumers have been using iron instead; hence demand for English iron has been very good. Demand for steel has, of course, been exceptional and has exceeded the available supply. There is every indication that similar conditions will prevail for many months in 1938, if not for the whole of the year.

South Wales.—The past year was one of almost unprecedented activity. Pressure for delivery was insistent up to the closing months, when a slight lull in certain products set in. Production has been exceedingly heavy and some records have been broken. The prosperity of the steel industry is largely dependent on that of tinplates and sheets, which absorb some two-thirds of production. The tinplate industry had a better year and works were employed at about 78 per cent. of capacity, against 60 per cent. in the previous year. The galvanised sheet industry experienced a slightly better year, but during the last quarter business—chiefly on the export market—was decidedly slow. Large quantities of scrap iron and steel were required by the steel industry, and had it not been for the control scheme much higher prices would have ruled. The outlook for 1938 is encouraging, as undelivered orders on makers' books are still heavy.

The following table, compiled by the British Iron and Steel Federation, shows that most countries increased their production of iron and steel in 1937:—

WORLD PRODUCTION OF PIG IRON AND STEEL
(In millions of tons)

	1929	1932	1933	1934	1935	1936	1937 (partly est.)
Pig iron:—							
United Kingdom ...	7.59	3.57	4.14	5.97	6.42	7.72	8.50
Germany ...	13.19	3.87	5.19	10.41†	12.64†	15.06†	15.71†
Saar ...	2.07	1.33	1.57	6.00	5.70	6.13	7.77
France ...	10.20	5.45	6.22	2.91	2.98	3.18	3.82
Belgium ...	3.98	2.74	2.70	2.91	1.84	1.96	2.51
Luxembourg ...	2.86	1.93	1.86	1.95	1.84	1.96	2.51
Total, Western Europe	39.89	18.89	21.68	27.30	29.61	34.03	38.31
Other European countries	9.14	8.79	9.71	13.56	16.09	18.60	19.42
United States ...	42.61	8.78	13.35	16.14	21.37	31.03	38.31
Australia, Canada & India ...	3.02	1.26	1.67	2.25	2.83	3.07	3.31
Other countries ...	2.69	1.97	2.36	2.63	3.25	3.40	3.15
World total	97.35	39.09	48.43	61.88	73.12	90.13	102.50
Steel:—							
United Kingdom ...	9.64	5.26	7.02	8.85	9.96	11.78	12.96
Germany ...	15.89	5.68	7.49	13.65†	16.19†	18.90†	19.40†
Saar ...	2.17	1.44	1.65	6.08	6.18	6.60	7.76
France ...	9.55	5.55	6.43	6.08	6.18	6.60	7.76
Belgium ...	4.04	2.76	2.70	2.90	2.98	3.13	3.87
Luxembourg ...	2.66	1.93	1.82	1.90	1.81	1.95	2.52
Total, Western Europe	44.05	22.62	27.11	33.38	37.02	42.36	46.51
Other European countries	13.00	10.33	11.63	15.24	19.08	23.32	26.04
United States ...	56.43	13.88	23.23	26.06	34.09	47.77	51.50
Australia, Canada & India ...	2.40	1.43	1.48	2.06	2.48	2.70	3.11
Other countries ...	2.49	2.35	2.29	3.80	5.19	5.83	6.15
World total	118.37	49.56	66.76	80.64	97.86	121.98	133.31

† Includes the Saar.

In the majority of cases the increase was less pronounced than in 1936, however, and the estimated world total showed a gain of about 10 per cent., compared with 25 per cent. between 1935 and 1936.

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. 10, 1935	Jan. 16, 1936	Jan. 14, 1937	Jan. 13, 1938
Iron ore:—				
Rubio, Middlesbrough	£ s. d. 0 17 0	£ s. d. 0 18 0	£ s. d. 0 17 1½	£ s. d. 1 5 0
Hematite, West Coast (at mines)	0 14 0	0 14 0	0 17 1½	1 5 0
Pig iron:—				
No. 3 foundry, Cleveland	3 7 6	3 10 0	4 1 0	5 9 0
No. 3 foundry, Scotch	3 10 0	3 14 0	4 8 0	5 18 0
Hematite, mixed Nos., West Coast delivered Sheffield	4 3 6	4 6 0	5 3 6	6 18 6
Hematite, mixed Nos., East Coast	3 8 6	3 10 6	5 3 0	6 18 0
Finished iron and steel:—				
Marked bars, S. Staffs	12 0 0	12 0 0	13 0 0	15 15 0
Crown bars, S. Staffs	9 12 6	9 12 6	10 10 0	13 5 0
Steel rails	8 7 6	8 7 6	8 7 6	10 2 6
Galvanised sheets (export)	11 5 0	11 15 0	14 15 0	17 15 0
Steel angles, Middlesbrough	8 7 6	8 7 6	9 3 0	11 0 6
Steel angles, Glasgow	8 7 6	8 7 6	9 3 0	11 0 6
Ship plates, Middlesbrough	8 15 0	8 15 0	9 11 9	11 9 3
Ship plates, Glasgow	8 15 0	8 15 0	9 10 6	11 0 0
Boiler plates, Glasgow	9 5 0	9 5 0	10 0 6	12 2 6
Tinplates, I.C. cokes, L.O.B.	0 18 2	9 18 9	1 0 0	1 3 0

The accelerated rise in prices during the past year is well illustrated by the above quotations.

Engineering

THE past year opened with recovery in full swing in most branches of engineering. Domestic demand, reinforced by a substantial increase in armaments contracts, continued to expand, and export business, after a lull in 1936, also showed a remarkable improvement. Many branches, in fact, enjoyed a period of activity never before equalled in their history. In June last year, for example, the number of insured persons employed in "general engineering," at 585,748, was 9½ per cent. higher than in 1929. In electrical engineering the number of persons employed last June was 111,585, an increase of 38 per cent. over 1929. The Board of Trade index of production (1930 = 100) rose from 103.8 in 1929 to 121.6 in the third quarter of 1936 and 131.2 in the corresponding period of 1937. In the autumn, however, there were signs of hesitancy, and during the last quarter of the year unemployment showed a slight increase. While the volume of work on hand remains substantial the outlook is not viewed with the same confidence as a year ago.

BRITISH ENGINEERING INDUSTRY

Year	Exports of Machinery	Unemployment		
		General Engineering	Electrical Engineering	Marine Engineering
1913	Tons 689,389	% ...	% ...	% ...
1929	562,472	9.7	4.5	10.4
1930	481,886	17.2	8.0	18.2
1931	329,264	27.7	14.7	44.7
1932	301,178	29.1	16.4	53.6
1933	276,312	25.2	15.3	46.6
1934	355,030	16.0	8.6	11.9
1935	383,833	12.7	6.5	25.3

	1936	1937	1936	1937	1936	1937	1936	1937
January	30,023	30,095	11.3	6.8	5.9	3.6	19.2	10.6
February	32,662	30,676	10.8	6.2	5.7	3.6	17.6	10.5
March	32,834	35,723	10.1	6.0	5.3	3.4	16.8	10.1
April	30,807	38,576	9.8	5.7	4.8	3.2	15.5	9.9
May	32,685	34,594	8.9	5.3	5.1	3.1	15.2	9.0
June	27,550	37,557	8.0	5.0	4.0	3.0	14.0	9.1
July	37,100	38,772	7.9	4.9	3.7	2.6	13.2	7.7
August	28,243	34,723	7.7	4.8	3.7	2.8	13.5	8.4
September	32,059	36,866	7.5	4.6	3.6	2.7	12.7	8.4
October	32,563	40,606	7.0	4.9	3.6	3.0	12.0	8.1
November	31,987	40,275	6.6	5.1	3.4	3.1	11.5	8.3
December	32,257	40,796	6.6	5.6	3.3	3.3	11.6	8.0
Year	380,495	438,377	8.5	5.4	4.3	3.1	14.4	9.0

The following is a summary of the description of developments in the industry from the Annual Trade Review of the *Chamber of Commerce Journal*.

In reviewing the year 1937 there seems little of note to the engineer to record, but much for congratulation. There have been no serious strikes or catastrophes, but prices of raw materials have been fairly steady and there is a feeling that scientific research has gained more than ever before. There have been no outstanding inventions, but steady progress which

does not upset manufacturing systems. Further steps are expected with the establishment of a national laboratory for technical research into manufacturing problems by the Institution of Production Engineers at Loughborough College and the locomotive testing plant at Rugby. It appears that there is not yet any indication of the steam engine being superseded for heavy long-distance traffic in spite of electric extensions by the L.N.E.R. and the L.P.T.B.

The basic materials industry has never been more prosperous. During the year all the existing furnaces have been working at full capacity and some £20 millions has been spent on reconstruction and it is estimated that a further £10 millions will be spent this year. The average earnings of the workers have risen, but raw material prices have remained remarkably stable. The output of coal has been a record.

The electrical manufacturing industry has had a most prosperous year and employment has increased by about 14 per cent. It is noteworthy that almost all the generating sets now constructed are of what is considered in this country large output. Hydro-electric development is, naturally, not very large in this country, but there are several orders on hand both for home and export trade.

In the aeronautical section considerable changes have been forced upon the industry by the Air Ministry, but they seem to have been assimilated and are working smoothly. Thus mass production has been introduced extensively and machines are now passing regularly and in large numbers into service.

Shipbuilding and Shipping

THE net change that has taken place in 1937 in the position of British shipping and shipbuilding is no indication of the important events of the year. The sharp recovery which started in the autumn of 1936 continued till mid-1937, when the trend reversed with equal suddenness. Although the position at the end of the year was in the main better than at the beginning, it was much below the best.

BRITISH SHIPBUILDING

Year	Output (Mercantile only) Thous. Gross Tons			Price of a New, Ready 7,500 Ton Cargo Steamer‡	Unemployment					
	Commenced	Under Construction	Launched							
		†		(Thou. £) ||	%					
1913	1,868	2,002	1,932							
1930	948	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	682	743	499	52.0	42.5					
	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
Jan.	233	253	842	1,014	194	176	...	...	36.6	26.4
Feb.									35.6	26.1
Mar.									34.8	26.0
Apr.									33.0	24.7
May	282	368	849	1,200	168	253	60.0	105.0	32.9	26.0
June									29.3	24.4
July									29.9	22.4
Aug.									30.5	22.0
Sept.	293	219	929	1,185	212	265	...	...	29.5	22.0
Oct.									28.1	21.1
Nov.									27.7	21.3
Dec.									26.9	22.9
Year	1,081	1,057	964	1,125	854	917	69.0	97.5	31.2	23.8

† At end of year. ‡ According to "Fairplay." § Average.

In British shipbuilding, an interesting contrast arises between the decline, as compared with 1936, in orders and tonnage commenced, and the work under construction. In Great Britain, 1,057,000 tons of merchant vessels were begun in 1937. This is only 2.2 per cent. less than in 1936, but, as will be seen from the accompanying table, this percentage does not reveal the considerable decline in the second half of the year, compared either with the first two quarters or with the same half-year in 1936. This mid-year check arose partly from a large rise in costs and partly from the changed outlook in world trade. Tonnage under construction naturally still reflects the increase in vessels commenced in 1936 and early last year, and is 16.8 per cent. higher than at the beginning of 1937. But even here the steady rise in the work on hand that began in 1935 has been followed by a small decline in the past six months.

Our figures, however, do not include naval construction, which will benefit the industry for some years to come, though it is believed to have aggravated the rise in costs. But though only 35 per cent. of British berths were idle last September, against 45 per cent. a year earlier, and 57 per cent. in 1935, this only emphasises how adverse have been the long-term changes in the industry.

British mercantile shipping launched last year was, in tonnage, 7.5 per cent. more than in 1936, though the number of vessels was less, being 309 against 328. The proportion of the

tonnage launched for overseas owners was, however, 13.5 per cent., against 10.9 per cent., but only eighteen vessels were for countries outside the British Empire. Of the tonnage launched, tankers accounted for 15.7 per cent. and motorships for 42.4 per cent., while in point of size, three ships were launched of over 20,000 tons each, and four more of over 10,000 tons.

MERCANTILE SHIPPING LAUNCHED

(Thous. gross tons)

Period	Tons launched			British percentage	Output as Percentage of 1929-13		
	U.K.	Abroad	World		British	Foreign	World
Average—							
1929-13	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	95
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
1937	921	1,770	2,691	34	61	183	108

The British proportion of vessels launched in the world has, however, declined from 40 to 34 per cent. This is better than during the depression, but far below pre-war figures. In other countries, there were launched in 1937, 792 merchant vessels of 1,769,758 tons, including 484 motorships of 1,123,508 tons. The total tonnage is thus 40.3 per

MERCANTILE TONNAGE LAUNCHED ABROAD

	1929	1933	1934	1935	1936	1937
Denmark	111	34	62	122	98	131
France	82	34	16	43	39	27
Germany	249	42	74	228	380	436
Holland	187	36	47	57	94	183
Italy	71	17	27	23	11	22
Japan	164	74	152	146	295	451
Sweden	107	61	50	108	154	181
U.S.A. (coast)	101	11	25	33	101	196

cent. higher than in 1936. Countries showing the largest absolute increases are Japan, the United States, Holland, Germany and Denmark, but France shows a decrease. In tonnage launched Japan (instead of Germany) takes second place to Great Britain.

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As for merchant vessels under construction, Great Britain's proportion of tonnage at the end of 1937 was 38.8 per cent., the world total being a trifle less than in September last, but otherwise the highest since June, 1930. This small decline since September is entirely due to this country, for

MERCHANT TONNAGE UNDER CONSTRUCTION						
Laid Year	1929	1933	1934	1935	1936	1937
United Kingdom	1,560	342	597	743	964	1,125
Germany	253	22	140	234	498	369
Italy	73	11	37	26	34	107
France	167	91	121	56	67	69
Holland	232	40	48	104	151	289
Denmark	105	25	79	61	76	100
Japan	184	107	105	119	203	305
Sweden	98	65	60	95	124	129
U.S.A.	179	12	20	33	110	204
World total	3,111	757	1,252	1,543	2,252	2,900

overseas the tonnage has continued to rise. Great Britain had at the end of 1937, 256 vessels under construction, about 204,000 tons (or 18.1 per cent.) being intended for registration abroad or for sale. But overseas, 30.9 per cent. of tonnage being built, and 140 out of 507 vessels, were destined for registration elsewhere than in the country of build.

At first, freight rates continued the rise that began in the summer of 1936, but the trend reversed sharply in the autumn of 1937, and although right at the end of the year the decline seemed to have been checked, the last quarter saw the loss of all that had been gained in the first nine months. The immediate occasion had been the poor crop

BRITISH SHIPPING										
Year	Tonnage engaged in British Overseas Trade		The Economist Index of Freight Rates (1913 = 100)		Unemployment					
	Entered (With Cargo)	Cleared (With Cargo)			Shipping Services		Dock, etc., Services			
	Thousand Tons	Thousand Tons				%		%		
1913.....	49,984	67,820		100						
1914.....	63,716	65,853		79.1		25.0		35.5		
1915.....	60,275	58,340		79.5		33.4		39.6		
1916.....	59,369	55,441		75.4		34.4		35.0		
1917.....	60,430	55,653		72.7		33.2		33.0		
1918.....	62,671	56,090		73.9		30.9		31.5		
1919.....	63,629	57,325		74.4		29.4		31.4		
	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
January...	5,002	4,869	4,564	4,528	80.8	116.5	30.5	24.0	30.8	28.3
February...	4,997	4,811	4,118	4,282	77.9	115.5	29.5	22.7	33.2	28.9
March.....	5,207	5,760	4,267	4,716	77.2	118.4	28.2	21.8	32.1	29.2
April.....	5,048	5,421	4,345	5,143	77.3	129.1	27.3	21.5	32.6	28.1
May.....	5,887	6,004	4,935	5,091	76.3	133.1	25.0	21.1	30.8	27.5
June.....	6,082	6,387	4,726	5,447	77.8	134.9	25.0	20.1	29.1	27.0
July.....	6,172	6,325	5,211	5,820	79.4	132.8	23.1	19.3	28.1	26.7
August...	6,408	6,722	5,117	5,487	83.8	139.0	23.2	19.7	28.7	26.0
September	5,981	6,014	5,039	5,633	86.2	145.0	23.1	19.5	26.9	22.6
October...	6,002	6,100	5,234	5,503	91.1	140.7	25.1	23.0	28.2	21.7
November	5,627	6,130	4,637	4,911	96.6	125.6	25.0	23.9	26.1	21.5
December	5,534	5,860	4,063	4,841	110.2	108.6	24.7	25.5	27.3	22.2
Year	67,415	70,420	56,818	61,388	84.6	128.3	25.8	21.9	29.5	25.8

outlook for Argentina coinciding with a decline in the amount of "long" trade for various special reasons. But the way had been prepared for a sharp drop by the unprecedented rise of the previous twelve months, stimulated by the belief that there would be an actual shortage of cargo space.

That such a fear was not wholly unjustified is suggested by the following table of tonnage laid up, which shows that after the first quarter of 1937 idle shipping shrank to almost negligible proportions. And while an increase occurred in the autumn, the tonnage is very small compared with previous years:—

TONNAGE LAID UP IN THE UNITED KINGDOM						
(Thousand tons net)						
Laid up on:—	Average, 1927-30	1934	1935	1936	1937	1938
January 1	355	1,240	878	436	212	175
April 1	433	1,079	708	474	90	...
July 1	554	1,042	586	502	61	...
October 1	460	818	512	403	99	...

The official navigation figures show average entrances and clearances to be as follows:—

ENTRANCES AND CLEARANCES					
Tons net entered (in thousands):—					
	1933	1934	1935	1936	1937
British	2,947	3,011	3,009	3,171	3,274
Foreign	2,089	2,212	2,293	2,447	2,594
Total	5,036	5,223	5,302	5,618	5,868
Percentage British	66.6	67.6	66.7	66.5	65.8
Tons net cleared (in thousands):—					
	1933	1934	1935	1936	1937
British	2,821	2,816	2,859	2,859	2,999
Foreign	1,817	1,858	1,818	1,876	2,117
Total	4,638	4,674	4,777	4,735	5,116
Percentage British	61.4	60.2	59.9	60.4	58.6

The change is quite small, but the declining tendency of the proportion of British ships will be noticed.

Motors

THE year ended September 30, 1937, was one of record activity in the British motor industry. Despite rising costs and the difficulty of obtaining the necessary supplies of steel, production of private cars and commercial vehicles reached record levels, and, in addition, a number of manufacturers were busy on Government work in connection with the rearmament programme. Since the close of the "motor year," however, the outlook has considerably deteriorated.

The output of private cars, as the following table shows, rose by 10 per cent. during the past season. A notable feature of the year was the popularity of the 14 h.p. car, whose share of the market increased. Among imported cars, which showed a considerable increase last year, the 11.3 h.p. German Opel and the 6.7 h.p. Italian Fiat were prominent. Indeed, the invasion of the light-weight market by foreign producers was one of the features of the year:—

UNITED KINGDOM—PRIVATE CARS AND TAXIS				
Year to September 30	Production	Imports	Exports	Total in use
1930	169,669	9,751	23,209	1,123,664
1931	158,997	2,118	18,992	1,142,938
1932	171,244	2,762	31,797	1,188,052
1933	220,779	3,619	41,028	1,266,946
1934	258,866	10,857	43,907	1,374,039
1935	311,544	13,363	54,280	1,533,500
1936	353,338	12,650	68,787	1,713,108
1937	389,633	18,340	77,961	1,870,154

Another important development was the general increase in selling prices (amounting on the average to about 5 per cent.) which became effective in July. This was the first general increase in selling prices since the war, and, as had been anticipated in some quarters, it was followed by the transference of demand from the dearer to the cheaper cars. More serious, however, was the general fall in new registrations which began in September, and which has since continued. Sales of new cars in September, October and November were 5.7, 12.4 and 13.3 per cent., respectively, below the comparable figures for the previous year. At the moment, therefore, the outlook for this section is obscure.

Developments in the commercial section are summarised in the following table:—

UNITED KINGDOM—COMMERCIAL VEHICLES				
Year to September 30	Production	Imports	Exports	Total in use
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	85,838	1,637	13,742	501,510
1935	92,176	1,838	13,548	508,500
1936	107,609	2,700	16,928	554,542
1937	118,116	4,183	20,702	539,318

The number of commercial vehicles in use—of which the bulk are goods vehicles—showed a slight decline. On the passenger side, there was an increased demand for the larger types of omnibus, since operators are generally restricted to a certain number of vehicles. Moreover, the tendency for diesels to replace petrol-engined buses was continued. Besides being able to absorb a larger number of home-produced commercial vehicles last year, British buyers also purchased more imported vehicles. These were mainly from the United States, and consisted largely of middle-weight trucks, such as those produced by Dodge and Reo. On the other hand, the past year witnessed an expansion of British exports, the principal markets being in the British Empire and Scandinavia. Since the advance of prices last summer, however, demand for commercial vehicles, as for private cars, has declined and the outlook is less promising than it was a year ago.

Building

ACTIVITY in the building industry was at a high level in 1937, and, despite a further influx of workpeople, the employment position improved. Nevertheless, there is little doubt that the peak has now been passed and that the industry will be less busy in coming months than it was in 1937.

The salient statistics are summarised in the table below. It will be observed that *The Economist* index of building activity, which had begun to fall in 1936, tended downwards last year. The index may, however, exaggerate the decline in actual activity; for it is based upon the building plan figures (appropriate allowances being made for the time lag between

the passing of the plans and the initiation of the work and also for changes in costs), and these exclude Government contracts and work outside urban areas. The percentage of building operatives unemployed last year averaged 13.8, against 14.9 in the previous year. The 1937 average compares with a peak of 29.2 per cent. in 1932, and is only slightly higher than in 1929:—

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			
1927	39,889	24,393	64,282	10.2	108.0	594
1928	40,124	27,311	67,435	12.4	106.1	544
1929	44,260	28,834	73,094	13.3	102.9	60
1930	46,764	27,841	74,605	16.4	102.9	654
1931	40,492	22,518	63,010	22.5	101.5	62
1932	46,888	19,366	66,254	29.2	96.8	57
1933	62,909	21,279	84,188	24.6	99.6	734
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	41,993	117,024	14.9	103.8	107
1937	67,636	43,285	110,921	13.8	110.3	99
1938	6,251	3,008	9,259	28.1	102.5	1044
January	6,391	3,712	10,103	20.7	102.6	1071
February	5,991	3,367	9,358	14.8	102.6	107
March	6,272	3,286	9,558	12.8	102.6	1064
April	7,777	4,996	12,773	11.1	102.7	1071
May	6,857	3,621	10,478	10.7	103.5	109
June	6,675	4,168	10,843	11.5	103.5	1094
July	5,051	2,549	7,600	11.3	103.7	1094
August	5,945	3,410	9,355	12.1	104.4	1084
September	6,035	2,951	8,986	13.2	104.5	107
October	6,411	3,368	9,679	15.1	105.6	105
November	5,395	3,629	9,024	17.7	107.7	1034
December	4,476	3,996	8,472	17.9	108.4	102
January	5,360	5,599	10,959	16.4	108.5	1024
February	5,945	3,953	9,898	16.3	112.5	994
March	7,036	3,941	10,977	11.9	110.4	1024
April	5,788	3,408	9,194	11.5	109.3	1094
May	5,757	3,762	9,519	10.6	109.7	99
June	6,208	3,713	9,921	11.2	112.0	964
July	3,624	2,223	5,847	11.1	111.5	954
August	5,642	3,642	9,284	11.3	111.0	954
September	5,538	3,160	8,698	12.2	110.3	96
October	5,285	3,024	8,309	14.1	110.0	95
November	7,037	3,066	10,103	21.1	109.6	964

* 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.

The slackening of activity last year is partially accounted for by the upward movement of costs. *The Economist* index of building costs (1935 = 100) averaged 110.3 in 1937, the highest figure since 1924. The price of structural steel was maintained at a high level, cement was advanced by 3s. per ton towards the end of the year, and wages were higher. On February 1st, 1938, moreover, the standard wage of craftsmen was advanced by 3d. per hour, under the industry's sliding scale, in consequence of the increased cost of living.

The number of houses built in England and Wales in the twelve months ended September 30, 1937, was 337,196—or rather below the record total of 339,538 constructed in the previous year. The peak actually came in the six months to March, 1937, when the aggregate was 181,468. House building by private enterprise had already begun to decline in 1936, and this tendency was continued last year; but building by local authorities for slum clearance and abatement of overcrowding was still rising towards a peak last year.

The building plan statistics—subject to the qualifications mentioned above—provide a moderately accurate indicator of the future level of building activity. For the first time since 1931 the total of plans approved showed a decline in 1937, though the aggregate value still remains impressive. A modest increase in the value of plans passed for non-residential purposes was insufficient to counterbalance a fall in those approved for dwelling-houses.

Chemicals

AN account of the British chemical trade in 1937, prepared for the Annual Trade Review of the *Chamber of Commerce Journal* by Mr J. L. Rosenbaum, M.Sc., M.I.Chem.E., is given below:—

With few exceptions, manufacturers of chemicals can look back upon conditions during 1937 with every satisfaction. The high level of activity in such industries as iron and steel, paints, rubber, leather, paper and rayon has meant an enhanced call from the home market for chemicals of all types, and the export trade has also been distinctly better. Official production figures are not yet available in most cases, but the few important figures which have been published reveal a trend which has probably been shared by the industry as a whole. Production of sulphuric acid last year, at 1,077,400 tons of 100 per cent. material, was the highest since the war. Since the bulk of

ALL CLASSES OF INSURANCE

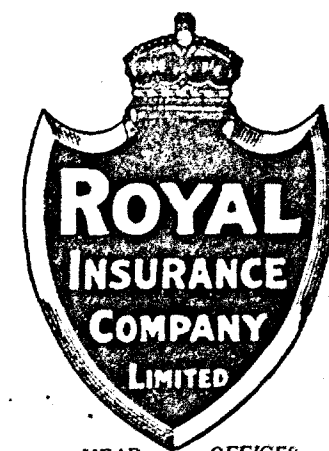
FIRE
MOTOR
LOSS OF PROFITS
FIDELITY GUARANTEE
BURGLARY, PLATE GLASS
WORKMEN'S COMPENSATION
HOUSEHOLDERS' COMPREHENSIVE
PERSONAL ACCIDENT AND SICKNESS
RETAIL TRADERS' COMPREHENSIVE
PROPERTY OWNERS' LIABILITY
THIRD PARTY LIABILITY
DOMESTIC SERVANTS
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alcohol distilled in this country is used for general industrial purposes, the figures recently released by the Customs and Excise department for the period January to September, showing an increase of 12.4 million proof gallons over the first nine months of 1936, provide a useful pointer to the improved conditions in the industry. The Preliminary Reports of the Fifth Census of Production show that the industry which in 1930 came eighteenth among British trades employing 50,000 or over, in value of gross output, had climbed to twelfth position in 1935. They also bring into prominence the steadily growing importance of the Greater London area as a centre of the chemical manufacturing industries.

The outstanding feature of technical and commercial development is perhaps the decision of a well-known manufacturing concern to establish a calcium carbide factory in South Wales. The coal-oil industry has continued to make progress and a great stimulus has been given to the lime and basic slag industries by the Government's undertaking to reduce their cost to the farmer by 50 and 25 per cent. respectively for three years. Comparative prosperity has not curtailed research, and an outstanding new product has been "Velan," introduced by I.C.I. for the conferment of permanent water repellency upon textiles. Further improvement has also been made to the fastness of dyestuffs.

Prices on the whole have been fairly stable during the year, but the increase in fuel and labour costs has dictated an advance of from 5 to 10 per cent. in a number of important products.

World production and consumption of fertilisers, as estimated by the British Sulphate of Ammonia Federation, is shown in the table given below:—

WORLD PRODUCTION AND CONSUMPTION OF PURE NITROGEN
(Year ended June 30th. In Metric Tons)

	1932-33	1933-34	1934-35	1935-36	1936-37
PRODUCTION					
Sulphate of ammonia:—					
By-product	257,710	307,050	321,000	376,000	407,000
Synthetic	559,984	534,743	533,000	630,000	654,000
Cyanamide	617,703	841,793	854,000	1,006,000	1,061,000
Nitrate of lime	168,495	195,245	232,000	268,000	285,000
Other forms of nitrogen:*	118,241	107,192	153,000	158,000	159,000
Synthetic	482,060	515,477	607,000	724,000	843,000
By-product	39,560	48,259	45,000	40,000	40,000
Chilean nitrate	70,800	84,300	179,000	192,000	206,000
Total production	1,676,859	1,792,268	2,070,000	2,393,000	2,584,000
CONSUMPTION					
Manufactured nitrogen	1,619,705	1,714,040	1,877,000	2,201,000	2,433,000
Chilean nitrate	127,242	163,550	195,000	216,000	242,000
Total consumption	1,746,947	1,877,590	2,070,000	2,417,000	2,675,000
Estimated agricultural consumption	1,586,000	1,673,000	1,812,000	2,084,000	2,344,000

* Including nitrogen products used for industrial purposes (except Chilean nitrate) and ammonia in mixed fertilisers.

Both production and consumption showed an increase on the year, in many cases the figures being the highest ever recorded. The most marked increases in manufactured nitrogen output have been in Germany, Japan and United States.

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. Except for the Continent, which shows a slight fall, demand has expanded everywhere—remarkably so in the United States.

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
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	7,472	5,669	8,149	1,332	25,111
1935	2,507	7,322	5,337	9,139	1,496	25,801
1936	2,773	7,637	6,339	9,003	1,682	27,444
1937	2,851	7,567	7,935	9,512	1,908	29,773*

† No returns from Germany. ‡ No returns from Germany or Italy.
* No Returns from Italy.

The statistics of the British industry reveal continued expansion in imports of raw cotton and exports of yarn, while the decline in exports of piece-goods has been arrested. The unemployment percentage for the year 1937 fell below the

figure for 1929 (13.2) to the low figure of 11.5; but in the last two months it showed a definite tendency to rise. Average earnings for the first time topped decisively the 1929 level.

BRITISH COTTON TRADE STATISTICS

Year	Net Imports of Raw Cotton	Exports		Prices—Middling American (Spot)	Unemployment	Average Earnings
		Yarn	Piece goods			
	Million Lbs.	Million Lbs.	Million Sq. Yds.	Per Lb. d.	%	Per Week s. d.
1913	1,917	210.1	7,057.3	7.27	1.71	20 5
1929	1,462	166.6	8,671.6	10.33	13.2	23 6
1930	1,140	137.0	2,406.7	7.46	37.1	31 2
1931	1,048	133.5	1,716.3	5.08	38.4	32 2
1932	1,204	141.6	2,198.0	5.25	29.7	32 6
1933	1,348	135.1	2,331.2	5.54	24.2	31 4
1934	1,200	130.0	2,087.0	6.02	22.7	31 8
1935	1,195	141.8	1,949.1	6.70	20.9	32 2

Month	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
	Mn. lbs.	Mn. lbs.	Mn. lbs.	Mn. lbs.	Mn. sq. yds.	Mn. sq. yds.	Per lb. d.	Per lb. d.	%	%	s. d.	s. d.
Jan. ...	138	158	12.8	13.6	167	161.6	18.7	18.7	11.4	11.4	42	41
Feb. ...	115	116	11.3	12.6	169	160.6	17.7	18.0	10.8	10.8	35	35
March ...	106	121	13.3	15.3	173	179.6	16.7	16.7	10.3	10.3	32	33
April ...	119	118	11.9	14.8	141	165.6	16.7	16.7	10.3	10.3	32	33
May ...	103	121	12.4	14.1	146	162.6	16.7	16.7	10.3	10.3	32	33
June ...	127	106	12.3	14.3	130	155.6	16.7	16.7	10.3	10.3	32	33
July ...	130	78	13.3	13.4	176	177.7	16.7	16.7	10.3	10.3	32	33
August ...	106	89	11.7	13.6	159	162.6	16.7	16.7	10.3	10.3	32	33
Sept. ...	93	97	11.8	11.9	154	157.6	16.7	16.7	10.3	10.3	32	33
October ...	139	164	13.0	13.0	178	154.6	16.7	16.7	10.3	10.3	32	33
Nov. ...	153	219	12.4	11.4	154	151.6	16.7	16.7	10.3	10.3	32	33
Dec. ...	166	202	12.3	11.0	176	141.6	16.7	16.7	10.3	10.3	32	33
Total	1,515	1,599	150.9	159.1	1,917	1,922	6.69	6.38	15.5	11.5	33	34

* Million linear yards at end of year. † End of Year.
‡ Trade Union figure: other figures are Unemployment Insurance returns.

All prices showed appreciable increases for the year, but, in consequence of the enormous crop harvested in the United States, a steady fall developed from the exceptional levels in the spring. Shirtings were similarly affected, but the year's price (10s. 2d.) was the highest since 1931:—

RAW COTTON, YARN AND CLOTH PRICES
(Average of weekly quotations)

Year ending July 31st	Cotton Middling American	Cotton F.G. Fair Sakellaridis Egyptian	American Yarn 32's Twist, Per lb.	Egyptian Yarn 60's Twist, Per lb.	39-in. Shirtings, 37½ yards, 16 by 15, 8½ lbs.
	d.	d.	d.	d.	s. d.
1931	5.71	9.04	9.52	16.79	10 4
1932	4.81	6.78	8.51	14.58	9 8
1933	5.62	7.79	9.26	15.01	9 5
1934	6.02	8.05	9.84	16.46	9 6½
1935	6.92	8.44	10.29	16.98	9 6½
1936	6.50	9.20	10.34	16.03	9 2½
1937	7.12	10.81	12.58	18.61	10 2

Month	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
	d.	d.	d.	d.	d.	d.	d.	d.	s. d.	s. d.
Jan. ...	6.18	7.18	9.70	10.29	10.19	11.90	16.44	17.40	9 1½	10 0
Feb. ...	6.07	7.30	9.15	10.00	10.00	12.53	15.81	17.88	8 1½	10 0
March ...	7.87	8.13	13.98	15.65	13.98	15.65	15.75	17.75	8 1½	10 0
April ...	6.53	7.00	9.08	12.05	10.22	14.20	15.69	20.38	9 0	10 0
May ...	6.54	7.31	8.92	11.30	10.25	14.09	15.56	19.85	9 0	10 0
June ...	6.87	7.06	9.01	10.54	10.45	13.56	15.90	19.55	9 3	10 6
July ...	7.35	6.68	10.42	9.72	11.06	13.10	16.94	19.44	9 5½	10 6
August ...	6.82	5.89	10.74	9.22	10.90	12.22	16.75	18.40	9 3	10 2
Sept. ...	6.94	5.96	10.35	8.78	10.97	11.72	16.75	17.94	9 1½	10 0
October ...	6.94	4.84	11.02	8.29	11.19	11.08	16.81	17.70	9 3	9 8
Nov. ...	6.81	4.63	11.42	8.19	11.55	11.44	17.30	17.50	9 6	9 8
Dec. ...	6.94	4.78	10.50	8.10	11.43	11.48	17.25	17.50	9 7	9 7

The following description of developments in the spinning and manufacturing branches during the year is taken from Mr F. W. Tattersall's *Cotton Trade Review*, dated December 31, 1937:—

During the first half of 1937, spinners of yarn experienced an active demand, order lists were extended and many mills sold their production almost to the end of the year. Owing to the much healthier position of the industry, prices were advanced and margins widened. There was a further extension of price-fixing agreements. Throughout the year spinning employers were harassed by the shortage of labour, especially young persons, and most of the mills were understaffed. This state of affairs resulted in production being affected. On the whole, output was equal to about 92 per cent. of capacity. During the last quarter of the year new business fell off to a rather marked extent.

Manufacturers of piece-goods experienced a more active demand during the year. A favourable development was the increase in export trades. A discouraging feature, however, was the further contraction in the trade done with India. Demand for the home trade was particularly active during the first

half of the year, and the turnover in dress materials and household goods expanded as a result of the increased purchasing power of the public. In the autumn, business all round became much quieter. Many makers and distributors were harassed by stocks of dear goods which could not be moved. Taking the year as a whole, output was equal to about 90 per cent. of capacity.

Wool Textiles

THE history of the raw wool market in 1937 is not directly reflected in the retained imports shown in the table below, compiled by the Imperial Economic Committee, except perhaps in the United Kingdom, where the fall was appreciable:

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.
1933	592	509	140	335	206	174	64
1934	522	310	103	306	160	139	53
1935	581	360	182	269	211	99†	106
1936	637	318	225	228	217‡	39*	118
1937	552	290	318	227	258‡	88*	131

* January–November. † January–September. ‡ January–December.

Germany shows no change and France a small fall, but the other countries retained larger quantities, the United States to the extent of 40 per cent.

Except in the case of imports and unemployment the British figures for 1937, given in the following table, are better than those for 1936, but in all cases there is evidence of trade recession in the later months of the year.

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
		Woolen Tissues	Worsted Tissues			
	Sheep and Lambs' Wool	Thous. Sq. Yds.	Thous. Sq. Yds.	s. d.	%	s. d.
1913 ...	494.1	105,844	62,490	2 1	...	...
1929 ...	483.8	108,185	47,281	3 2½	19.9	40 6½†
1930 ...	494.1	79,042	34,712	2 0½	24.0	38 10½
1931 ...	591.9	86,351	29,746	1 8½	28.3	35 9½
1932 ...	600.2	53,537	28,297	1 7½	20.8	34 9½
1933 ...	600.9	61,307	32,893	1 11½	14.2	35 11
1934 ...	528.7	68,940	33,262	2 2	16.0	35 5½
1935 ...	605.0	71,208	38,457	1 11½	13.0	36 5

Month	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
	d.	d.	d.	d.	d.	d.	d.	d.	s. d.	s. d.
Jan. ...	71.9	76.6	7,315	7,848	3,429	3,980	2 1½	2 1½	9.3	7.1
Feb. ...	74.3	59.0	7,889	7,475	3,447	3,973	2 2½	2 2½	9.7	7.4
March ...	89.5	62.6	7,077	7,153	3,149	3,520	2 3½	2 3½	8.6	6.8
April ...	74.1	57.5	5,174	5,627	2,372	2,963	2 2½	2 2½	9.7	7.0
May ...	83.1	60.1	5,297	5,397	2,782	2,872	2 2½	2 2½	9.9	10.1
June ...	44.8	55.6	5,383	6,302	3,006	3,942	2 2½	2 2½	11.1	8.7
July ...	17.3	25.9	7,882	7,881	4,727	4,480	1 2½	1 2½	10.4	37.2
Aug. ...	17.7	25.6	7,907	8,377	3,889	4,145	2 2	2 2	10.8	9.9
Sept. ...	25.0	25.5	6,856	6,437	2,195	3,275	2 2½	2 2½	9.1	9.8
Oct. ...	39.8	37.6	6,209	6,085	2,990	3,253	2 3	2 3	7.6	11.3
Nov. ...	53.8	34.5	5,178	5,353	3,181	3,108	2 2	2 2	7.15	5.38
Dec. ...	65.8	44.9	6,159	5,990	3,802	3,438	2 6	2 0	6.4	17.9
Total	649.0	563.4	78,184	79,837	39,800	42,998	2 3	2 5½	9.2	10.2

* Queensland scoured, super combing. † End of year. ‡ Thousand linear yards.

Prices for tops and yarn fell with the raw product, the figures shown below being taken from the Annual Review of the *Weekly Wool Chart*:—

A

Changes in the world's output of filament rayon are shown in the next table:—

WORLD PRODUCTION OF FILAMENT RAYON
(In thousands of lbs.)

	1931	1932	1933	1934	1935	1936	1937*
Japan	47,500	69,800	97,800	153,100	224,320	275,000	330,000
U.S.A.	130,000	134,700	213,300	209,000	257,600	278,000	295,000
Britain	34,500	69,800	80,000	88,878	112,319	116,811	120,100
Germany	61,900	56,800	63,000	90,000	92,000	100,000	110,000
Italy	75,000	71,700	73,400	85,500	85,500	85,800	104,300
France	41,000	50,600	57,200	57,000	51,700	42,500	48,000
Netherlands	18,700	19,800	19,200	21,000	20,500	21,000	22,700
Belgium	9,900	9,000	10,800	13,600	13,900	13,900	17,000
Poland	8,000	7,400	8,100	9,650	11,250	11,300	13,800
Canada	5,000	7,700	7,600	9,750	13,250	13,565	13,700
Russia	3,500	5,700	8,600	12,000	12,000	12,000	12,750
Other countries	21,900	22,500	24,100	27,400	27,200	27,330	31,800
Total	502,070	525,980	663,340	774,278	921,249	997,206	1,119,150

* Provisional.

There was a tendency towards overproduction in Japan towards the end of the year, but there is no reason for believing that any permanent slowing down in Japanese expansion is likely. It is too early yet to consider the effects on the Japanese rayon industry of a prolonged war in the Far East, and Japanese rayon and staple fibre goods have played an important part in international trade. A temporary setback, however, may be expected as a result of loss of trade in both yarns and fabrics in the Chinese territories. In the United States there was a severe setback in the rayon industry in the closing months of the year after a period of great activity until August. In this respect rayon followed the general trend in American business.

The United States and Britain are still important strongholds of the acetate method of production, and this type of rayon, while losing ground in the weaving trade, appears to have made definite headway in the hosiery trade. Cuprammonium is still important in Germany and America and there is a small output for specialised purposes in certain other countries, including Britain. The production of colodion rayon seems to have ceased, for this type has not sufficient advantage over other types to justify the higher prices. The cost of rayon production has risen throughout the world, and in most countries higher prices have ruled for yarns.

In the British rayon industry 1937 proved to be a period of consolidation. For the first time in the history of the British industry there was a measure of agreement among the viscose producers on the question of prices. A fixed price list for viscose yarns came into force in May and was adopted by all the producers of this type of yarn. This list also instituted certain price increases for the first time for several years. The end of "weak selling" in viscose yarn has been welcomed by the consuming industries as it enabled them to place forward contracts with greater security. A further advance in the prices of certain qualities of viscose was made at the end of the year, and this is generally believed to have been brought about to counteract the effects of the rise in wood-pulp prices, which came into force on January 1, 1938. There has been no similar move in the acetate trade, and in many instances prices of acetate yarn have been very weak. During the greater part of the year British rayon producers have been well occupied and have had difficulty in meeting their customers' requirements. There was a falling off in new business in the last quarter of the year and there appears to have been quite a serious accumulation of stocks of grey and finished fabrics.

Transparent Paper.—Notable progress has been made in the last twelve months with the development of transparent cellulose wrappings. Manufacturers have had to increase their output to meet the increasing demand, and during the year the specially erected factory at Bridgewater of British Cellophane, Ltd., came into operation. It was later announced that a further large extension to this plant is in course of completion. Virtually every other producer of viscose paper has put down additional plant during the year, and important extensions are still in progress at the original British factory at Bury, Lancs. In the main the trade has enjoyed better prices, but costs of raw materials, fuel and labour have risen.

The biggest outlet for the paper is in the tobacco and cigarette trade, and it is understood that leading tobacco manufacturers are financially interested in more than one of the viscose wrapping firms. There is a wide appreciation of transparent paper in the confectionery and foodstuffs trades, and here the appearance of cleanliness which it bestows is an important factor. Manufacturers of textiles appreciate the sales aid of this type of wrapping as it gives a striking finish to their products and at the same time enables patterns and shades to be seen without unwrapping. Abroad, transparent paper has continued to forge ahead. In France, the United States, Germany, Italy and Japan production is substantial, and both Japan and France are important exporters.

Leather and Footwear

The table below shows that imports of hides of all kinds in 1937 were practically the same as those in 1936, but that the

BRITISH IMPORTS OF HIDES AND LEATHER

Country	Quantity			Value		
	1929	1936	1937	1929	1936	1937
Hides:—						
Wet:—						
Ox and cow:—						
From Irish Free State	86,306	109,611	104,169	275,995	230,603	271,274
" Union of S. Africa	68,699	24,129	13,533	280,638	54,718	43,239
" New Zealand	27,306	59,365	33,669	132,474	150,355	108,428
" Other British countries	45,455	103,800	115,827	170,708	195,901	305,641
" Denmark	11,197	69,123	75,118	36,908	157,300	246,407
" Germany	118,455	11,613	3,622	418,410	36,154	16,022
" Netherlands	30,399	111,814	72,442	96,875	298,134	254,324
" Italy	85,841	10,626	376,935	96,258	96,258	96,258
" Czechoslovakia	94	52,369	46,542	397	208,266	192,507
" Argentina	65,186	290,399	340,563	280,236	726,854	1,123,859
" Other Foreign Countries	55,421	232,021	183,596	178,422	642,992	624,765
Total.....	594,359	1,058,243	999,707	2,248,086	2,701,277	3,282,724
Other Descriptions.....	55,016	136,740	157,208	233,477	544,603	780,193
Dry and dry salted:—						
Ox and cow:—						
From Union of S. Africa	151,223	112,698	103,016	843,257	329,795	390,035
" British East Africa	42,403	23,940	25,861	214,116	76,096	119,968
" Australia	24,615	98,320	117,902	115,639	281,948	445,841
" Other British countries	83,433	100,065	128,179	392,449	304,144	525,419
" Ethiopia	15,857	34,589	6,390	84,831	94,515	27,245
" Brazil	4,844	35,327	57,572	24,553	107,594	211,271
" Argentina	9,440	73,743	55,433	51,723	213,313	240,711
" Other Foreign Countries	110,206	128,832	121,597	543,916	429,308	515,985
Total.....	442,021	607,514	615,850	2,270,484	1,836,413	2,476,475
Other descriptions	83,006	80,154	110,325	368,388	195,784	368,471
Leather and manufactures thereof—Total	...	...	...	1,582,576	3,721,529	9,797,671

PAŃSTWOWY BANK ROLNY

Chairman: SEWERYN LUDKIEWICZ

General Manager: WACŁAW STANISZEWSKI

Head Office: Warsaw, POLAND

BRANCHES THROUGHOUT POLAND

Capital - - - - - Zlotys 100,000,000

Reserve Funds as at 1st January, 1938 - - - - - Zlotys 18,646,003

Balance-Sheet total as at 1st January, 1938 - - - - - Zlotys 1,917,638,113

Telegraphic Address: "CENTROBANK" 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.

aggregate value rose by some 31 per cent. The value of imports of leather and manufactures thereof showed little change. The index of sterling hide prices, calculated by the United Tanners' Federation, which stood at 79 for 1936 (1923 = 100), rose to 99 for 1937. But after rising to a peak of 112 in March, it fell to 75 in November, with a recovery to 83 in December.

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 year 1937 is not easy to assess as regards the leather trade and the tanners' part in it. The hide market went ahead, and almost week by week the prices rose until by the end of April they were, on round average, approximately 25 per cent. dearer than at the end of the preceding December. From May

to the end of September the market was fluctuating, with an easier tendency, but not to such marked degree as to cause much uneasiness. But the fall in the last months of the year was catastrophic. Buyers were disposed to contest prices more strenuously than before, and sellers who were aware that they had not been obtaining replacement values were practically as strong in the resistance which they put up to the concessions which were demanded. The result was a slackening in business. As regards production, the aggregate output will probably be found to fall somewhat below that for 1936.

The Board of Trade index of the production of boots and shoes and leather goods for 1936 was 120.7 (1924 = 100) and, for the three available quarters of 1937, 120.6, 121.4 and 117.7, respectively. Unemployment in the footwear trade, which in 1936 was 12.8 per cent., was 11.0 per cent. in 1937.

Retail Trade

DURING 1937 no major addition has been made to the available statistical information on retail trade. The desultory campaign for a Census of Distribution has continued. An inconclusive debate was held at the "Scientific Management" Congress held last summer at Oxford, and on two or three occasions the matter has been discussed in the House of Commons. A sample investigation* in six English towns has shown that a great deal of valuable information could be obtained by a preliminary distribution census on these lines at quite a reasonable cost. But the great body of business men is not yet sufficiently alive to the importance of distribution to themselves to make any insistent demand for more information. Curiously enough, the promptness with which the recent industrial setback was reflected in the retail figures has done a good deal to spread interest in them.

The only source of information thus remains the voluntary inquiry initiated jointly by the Retail Distributors' Association and the Bank of England. A forward step was taken in January, 1937, in extending the number of geographical divisions in which the monthly results are analysed from five to seven. The seven new divisions are—Scotland, North-East, North-West (including North Wales), Midlands (including South Wales), South of England, London (Central and West End), and London (Suburban). With the exception of the partition of the Welsh figures, these new divisions will facilitate comparisons with population and other regional statistics. The sample covered by this inquiry is now thoroughly representative of large-scale retail business, including department stores, chains, and the co-operative societies. But no practical way has yet been devised of including a representative sample of the trade of small independent shops.

Percentage changes as compared with the corresponding period a year earlier in the aggregate value of retail turnover from February, 1935, to December, 1937, 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		
	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38	1935-36	1936-37	1937-38
Feb..	+4.9	+7.3	+7.1	+4.9	+7.3	+7.1	-1.7	+0.8	+2.6
Mar.	+0.6	+7.9	+15.2	+2.5	+7.6	+11.4	-0.7	+0.3	+3.7
Apr.	+10.3	+5.0	+1.5	+5.0	+6.7	+7.9	-1.4	+1.3	+4.8
May..	+2.2	+7.2	+13.2	+4.3	+6.9	+9.0	-0.1	+2.1	+4.1
June	+5.8	+4.7	+4.8	+4.6	+6.4	+8.2	Nil	+1.7	+4.7
July	+6.7	+5.8	+8.1	+4.9	+6.3	+8.2	+0.5	+1.7	+5.0
Aug..	+4.7	+7.4	+6.7	+4.9	+6.4	+8.0	-0.8	+2.9	+6.3
Sept.	+8.1	+4.5	+8.6	+5.3	+6.2	+8.1	-1.6	+3.6	+7.0
Oct..	+7.4	+7.4	+4.4	+5.6	+6.3	+7.7	Nil	+3.2	+7.4
Nov..	+7.0	+6.5	+7.1	+5.7	+6.3	+7.6	+0.3	+2.6	+5.6
Dec.	+9.1	+5.5	+8.3	+6.1	+6.2	+7.7	-0.6	+2.8	+3.5
Jan..	+10.8	+2.4	...	+6.5	+5.9	...	+2.3	+2.1	...

The decline in the money value of retail turnover during the last depression 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.

* "Trial Census of Distribution in Six Towns." Prepared by four British firms and presented to the British National Committee, International Chamber of Commerce.

BANK OF ENGLAND INDEX NUMBERS OF TOTAL RETAIL SALES
(Average Daily Sales in 1933 = 100)

	Scotland	Provincial England and Wales	London Central and West-End	London Suburbs	Total Great Britain
Yearly:—					
1932	101	101	99	100	101
1933	100	100	100	100	100
1934	103	103	102	104	103
1935	108	110	106	112	109
1936	114	117	110	120	117
1937:—					
January	114	120	119	121	119
February	110	114	82	120	110
March	128	127	101	133	124
April	114	120	114	120	119
May	133	136	117	144	134
June	128	129	114	115	119
July	113	126	125	124	125
August	108	116	72	109	108
September	121	122	102	119	118
October	120	130	127	128	127
November	126	132	122	143	131
December	148	166	162	163	167

furnishing departments (+ 3.1 per cent.); piece-goods (+ 2.8 per cent.); hardware (+ 1.8 per cent.); sports and travel goods (+ 0.3 per cent.). As anticipated in last year's review, piece-goods have increased in turnover for the first time for many years.

Decreases: No decreases are reported in any of the main groups, though in the furnishing group the increase was entirely due to improved furnishing fabric sales, there being a

decrease in musical departments (- 4.9 per cent.) and furniture and bedding (- 0.3 per cent.).

Turning to geographical divisions, total sales for the period February to December, 1937, increased in the Midlands and South Wales (+ 10.3 per cent.), North-East (+ 8.6 per cent.), South (+ 8.4 per cent.), London, Suburban (+ 8.3 per cent.), North-West (+ 7.4 per cent.), Scotland (+ 6.8 per cent.), and London, Central and West-End (+ 2.6 per cent.).

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 months' 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, by November, 1936, to 106.4, by November, 1937, it had reached 109.6. It is unlikely that the figure would have reached a much higher level than this in 1929 had it then been available. The index number of transactions in November 1937 stood at 108.9, only one point

higher than a year before, a further indication of the extent to which money value of turnover has been increased by higher prices.

The rate of stock turn in this constant sample of department stores reached its highest point in April, 1937, after years of steady improvement. Since then the rise in wholesale prices has caused stock at cost to increase more rapidly than sales, with a resultant uninterrupted decline. These rates—obtained by dividing total sales (at selling) for all departments for each successive period of twelve months by 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
" 1937	7.44
April, 1937	7.47
November, 1937	7.22

The increased efficiency of these stores in accelerating stock turn during periods of rising and falling prices could not prevail at once against such sharp increases as have been seen this year. It may well be that the end of the decline in rate of stock turn is already in sight.

Statistical Appendix

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-Qu.
	Per Qr.	Per Cwt.	Per 280lb.	Per Cwt.	Per Cwt.	Per Qr.	Per Cwt.	Per Ton	Per 8 Lb.	Per 8 Lb.
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 1936	52 0	9 1	38 9	9 9	7 2	25 9	9 6	9.25	3.92	3.67
End of January, 1937	48 9	9 11	37 9	10 3	8 4½	24 6	9 6	9.25	4.08	4.33
February	49 6	9 1	37 9	10 0	8 3	25 0	9 0	9.25	4.17	3.75
March	59 0	9 2	43 9	10 1	8 2	29 9	9 0	10.00	4.58	3.75
April	52 0	10 3	40 9	10 3	8 8	27 6	9 0	10.50	4.75	3.83
May	49 6	9 11	38 3	10 0	8 11	29 3	9 0	10.00	5.25	4.92
June	53 0	9 6	39 9	9 6	9 0	27 6	9 0	7.00	5.33	4.50
July	53 6	9 9	40 9	9 2	9 4	28 9	9 2½	6.75	5.17	4.67
August	49 4½	8 9½	37 3	12 7	8 8	28 3	9 9½	6.50	4.92	4.33
September	54 9	8 9	38 9	12 0	8 6	29 9	10 0	4.50	4.58	4.50
October	55 3	9 2	38 3	12 10	8 6	30 6	10 1½	6.50	4.58	4.17
November	52 9	8 10	36 3	12 10	8 5	29 9	9 0	6.50	4.67	4.29
End of 1937	55 9	8 5	34 9	13 5	8 2	33 3	8 9	6.75	5.00	4.17

THE BRITISH LINEN BANK

Incorporated by Royal Charter 1746

LONDON OFFICES:

City Office 38 Threadneedle Street, E.C.2
West End Branch 198 Piccadilly, W.1

where accounts may be opened on usual London terms

Head Office: 38 St. Andrew Square, Edinburgh

Over 210 Branches throughout Scotland

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
	Per 8 Lb.	Per 8 Lb.	Per Cwt.	Per Lb.	Per Cwt.	Per Cwt.	Per Cwt.	Per Cwt.	Per Cwt.	Per Cwt.	Per Ton
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 1936	5.83	3.67	92 0	12.58	67 0	67 6	17 9	19 5½	71 0	108 0	34.50
End of January, 1937	5.50	3.67	90 0	13.26	70 0	79 6	18 0	20 0½	71 6	116 0	31.75
February	6.67	3.67	86 0	14.19	73 6	79 6	18 3	20 5½	71 6	116 0	30.50
March	7.00	3.67	92 0	15.81	73 6	82 6	18 3	20 9	73 6	119 0	31.00
April	6.00	3.67	95 0	16.38	76 0	82 6	18 3	20 4½	75 6	112 6	27.62
May	6.00	3.67	92 0	15.25	77 0	80 0	18 1½	20 7½	77 6	114 0	25.00
June	7.00	3.67	91 0	14.50	77 0	75 0	18 1½	20 9½	79 0	115 0	23.50
July	7.00	3.67	100 0	14.55	77 0	67 6	18 4½	20 9½	72 6	124 0	24.87
August	6.17	3.75	100 0	14.86	76 0	65 0	18 6	20 3½	71 0	132 0	21.25
September	5.67	3.75	104 6	15.26	76 0	67 6	18 7½	20 8½	71 0	139 6	22.75
October	5.67	3.67	90 0	15.49	75 0	59 6	19 0	20 11	73 6	159 6	21.00
November	5.33	3.25	92 0	14.61	61 6	57 0	19 3	20 9½	73 0	150 0	19.25
End of 1937	6.00	3.50	100 0	14.07	58 6	52 6	19 4½	20 3½	73 0	148 0	19.75

English, Scottish & Australian Bank, Limited

Head Office: 5 GRACECHURCH ST., E.C.3
and 395 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 £1,695,000
Special Currency Reserve . . . £1,585,000

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Accountant—C. N. HARRISON.

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Chief Office in Australia:
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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

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	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 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 1936.....	7.04	10.14	11.62	9 7½	17.50	30.0	36.0	8 9	72.5	35.50	19.31
End of Jan., 1937	7.23	10.27	12.06	10 0	18.00	31.0	37.0	8 9	80.0	36.00	18.56
.. Feb. ..	7.35	10.25	12.87	10 3	18.00	29.0	35.0	8 9	80.0	34.50	18.87
.. Mar. ..	8.09	12.96	14.25	10 9	18.50	31.0	38.0	9 3	82.5	35.00	19.87
.. Apr. ..	7.38	11.65	14.00	10 8	19.00	33.0	39.5	9 3	85.0	35.50	21.31
.. May. ..	7.38	11.52	14.25	10 6	17.50	31.0	38.0	9 3	85.5	35.50	21.75
.. June. ..	6.94	9.85	13.87	10 6	18.00	30.0	37.0	9 3	85.0	34.50	20.50
.. July. ..	6.36	9.60	13.62	10 4	18.50	31.0	38.5	9 3	84.0	35.00	21.25
.. Aug. ..	5.44	8.90	12.37	10 0½	19.00	32.0	38.0	9 3	84.0	33.00	20.62
.. Sept. ..	4.96	8.45	12.12	9 11	18.00	30.0	33.0	9 3	81.0	32.50	20.87
.. Oct. ..	4.63	8.44	11.62	9 10	17.50	28.0	30.0	9 3	66.0	31.00	21.00
.. Nov. ..	4.65	8.12	11.37	9 7	16.00	24.0	27.5	8 6	67.0	30.00	20.00
End of 1937.....	4.77	8.92	11.50	9 7	16.50	24.0	30.0	8 1½	66.6	30.00	18.87

	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 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 1936.....	77.0	8.50	10.50	19 9	19 6	16 6	24 0	29.62	233.25	48.53	19.94
End of Jan., 1937	77.0	8.50	10.50	19 9	21 0	17 9	24 0	27.25	227.25	52.47	21.81
.. Feb. ..	77.0	8.50	10.50	19 9	21 0	20 0	24 0	32.00	241.50	66.94	29.69
.. Mar. ..	77.0	8.50	11.87	24 6	21 0	20 0	24 0	33.25	294.25	72.94	33.62
.. Apr. ..	77.0	8.50	11.87	24 6	21 0	22 0	24 0	26.50	256.25	60.62	24.50
.. May. ..	97.0	10.12	11.87	25 0	21 0	23 6	24 0	26.50	255.12	61.19	23.62
.. June. ..	97.0	10.12	11.87	25 3	21 0	23 6	21 6	25.50	252.75	54.12	21.69
.. July. ..	97.0	10.12	13.25	25 9	21 0	22 6	22 3	24.50	262.25	56.87	22.78
.. Aug. ..	97.0	10.12	13.25	25 9	21 0	22 6	21 6	23.25	261.87	55.34	21.84
.. Sept. ..	97.0	10.12	13.25	25 9	21 0	22 6	23 0	21.00	246.12	47.53	19.15
.. Oct. ..	97.0	10.12	13.25	24 9	21 0	22 6	23 0	19.00	199.75	41.31	16.34
.. Nov. ..	102.0	10.12	13.25	23 0	21 0	22 6	23 0	17.75	191.87	40.18	15.97
End of 1937.....	102.0	10.12	13.25	23 0	21 0	22 6	23 0	17.50	181.25	38.94	14.94

STOCKHOLMS ENSKILDA BANK AKTIEBOLAG

STOCKHOLM

Established in 1856

Capital: 100,000,000 Kronor

TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLM

HEAD OFFICE:
STOCKHOLM 16

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. s. d.	Per Ton s. d.	Per Ton £	Per Lb. d.	Per Ton £	Per Gal. d.
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 0	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 1936.....		6 0	20.00	39 0	6.00	21½	17	8½	80 0	28.00	10.75	5.12	5.81
End of Jan., 1937		6 0	20.50	39 0	6.00	22½	17½	9½	80 0	26.62	10.37	5.12	5.94
" Feb. "		6 0	21.50	39 0	6.31	22½	18	9½	80 0	26.75	10.56	5.12	5.87
" Mar. "		6 0	23.00	39 0	7.31	25	18	9½	80 0	30.00	13.37	5.12	5.87
" Apr. "		6 0	23.50	39 0	7.87	24½	18½	10½	92 4	28.87	10.44	5.12	5.87
" May "		6 0	23.50	39 0	7.87	24	18½	10½	92 4	29.50	10.00	5.12	6.12
" June "		6 0	23.50	39 0	7.81	23	18½	10½	92 4	29.50	9.44	5.12	6.12
" July "		6 0	23.50	39 0	7.81	22½	18½	10½	92 4	29.75	8.87	5.12	6.12
" Aug. "		6 0	23.50	39 0	8.06	23	18	10½	92 4	29.00	8.87	5.12	6.12
" Sept. "		6 0	23.50	39 0	7.37	23	18	10½	92 4	29.87	8.56	5.12	6.12
" Oct. "		6 0	23.25	39 0	6.50	22	18	10½	92 4	28.25	7.25	5.12	6.25
" Nov. "		6 0	23.00	39 0	5.43	20	18	10½	92 4	26.62	7.37	5.12	6.00
End of 1937.....		6 0	23.00	42 0	5.43	20	18	10½	92 4	27.87	6.94	5.12	5.94

THE ECONOMIST INDEX NUMBER, 1935-37

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
1935							1935						
End Jan. ...	69.7	61.2	54.7	75.6	71.0	66.6	End 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
1936							1936						
End Jan. ...	72.7	59.5	61.4	82.9	78.7	71.3	End 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
1937							1937						
End Jan. ...	88.3	67.8	69.2	97.2	82.2	81.0	End Jan. ...	123.6	108.0	106.5	118.1	102.3	111.4
" Feb. ...	87.5	68.6	68.9	105.4	82.9	82.3	" Feb. ...	122.4	109.3	106.1	128.1	103.2	113.3
" Mar. ...	93.0	70.4	74.2	113.2	87.0	87.2	" Mar. ...	130.1	112.1	114.2	137.6	108.3	119.9
" Apr. ...	92.2	69.7	74.3	105.5	87.1	85.7	" Apr. ...	129.0	111.0	114.4	128.3	108.4	118.0
" May ...	93.6	68.6	73.2	110.0	86.7	86.2	" May ...	130.9	109.2	112.7	133.8	108.0	118.5
" June ...	91.2	67.5	70.7	106.5	86.1	84.3	" June ...	127.6	107.6	108.9	129.5	107.1	116.0
" July ...	92.6	67.2	70.7	108.6	85.6	84.7	" July ...	129.6	107.0	108.8	132.0	106.5	116.5
" Aug. ...	90.8	66.1	68.2	107.1	85.2	83.2	" Aug. ...	127.2	105.2	105.0	130.2	106.1	114.5
" Sept. ...	88.8	67.6	65.3	103.5	84.1	81.6	" Sept. ...	124.2	107.6	100.6	125.8	104.7	112.2
" Oct. ...	90.6	67.5	62.0	97.5	81.7	79.7	" Oct. ...	126.8	107.6	95.5	118.6	101.7	109.6
" Nov. ...	87.8	64.3	58.9	95.9	79.3	77.0	" Nov. ...	122.8	102.3	90.8	116.6	98.8	105.9
" Dec. ...	90.7	63.0	59.7	93.5	79.7	77.2	" Dec. ...	126.9	100.4	91.9	113.6	99.2	106.2

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
Highest, 1937	15.50	29.65	95.62½	21.76	105½	9.05½	19.45	19.95	22.45	12.42	27.50
Lowest, ..	104.87½	28.80	92.56½	21.35½	60½	8.90½	19.35	19.85	22.35	12.12	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	18.16	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	7.29	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
January, 1937	105.12½	29.12½	93.25	21.37	...	8.96½	19.40	19.90	22.40	12.19	26.50
February, ..	105.00	29.02	93.00	21.40	70.50½	8.94	19.40	19.90	22.40	12.16½	26.50
March, ..	105.12½	29.02½	92.87½	21.43	72.00½	8.93	19.40	19.90	22.40	12.14½	26.50
April, ..	106.37½	29.06	92.97	21.47½	78.50½	8.93½	19.40	19.90	22.40	12.16	26.50
May, ..	110.37½	29.26½	93.91	21.58	85.00½	9.01	19.40	19.90	22.40	12.28½	26.50
June, ..	110.62½	29.23½	93.62½	21.59½	85.00½	8.95½	19.40	19.90	22.40	12.29	26.50
July, ..	124.75	29.35½	93.93½	21.60½	85.00½	8.99½	19.40	19.90	22.40	12.32	26.50
August, ..	132.75	29.59½	94.62½	21.68½	85.00½	9.02½	19.40	19.90	22.40	12.37½	26.50
September, ..	132.78½	29.48	94.37½	21.62½	85.00½	9.00½	19.40	19.90	22.40	12.35½	26.50
October, ..	146.68½	29.41	94.15½	21.56	80.00½	8.95½	19.40	19.90	22.40	12.33½	26.50
November, ..	147.12½	29.33½	94.25	21.46	80.00½	8.97½	19.40	19.90	22.40	12.34½	26.50
December, ..	147.09½	29.36	94.84½	21.59½	80.00½	8.98½	19.40	19.90	22.40	12.37½	26.50
January 1, 1938	147.28½	29.46½	95.00	21.61½	80.00½	8.98	19.40	19.90	22.40	12.41	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. 1 6	s. d. ...	s. d. ...	s. d. 2 0½	s. d. 2 4
Highest, 1935	4.98½	19.83½(c)	3½	22½	128	1 6½	2 8½	1 10½	1 2½	2 4½
Lowest, ..	4.71½	17.40c	2½	18½	115	1 6½	1 3½	1 2½	1 1½	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 1½	2 4
Highest, 1937	5.03	17.13c	3½	26½	131½	1 6½	1 3½	1 2½	1 2½	2 4½
Lowest, ..	4.87½	16.00c	2½	24½	125½	1 6½	1 2½	1 1½	1 1½	2 4½
Beginning of —										
January, 1929	4.85	47½	5½	51	39.64	1 6½	2 0½	2 7½	1 10½	2 3½
January, 1930	4.87½	45½	5½	46½	39.80	1 5½	1 8	2 1½	2 0½	2 3½
January, 1931	4.85	35½	4½	35½	39.89	1 5½	1 1½	1 5	2 0½	2 3½
January, 1932	3.38½	40½	4½	31	28.00	1 6½	1 5½	1 1½	2 0½	2 4½
January, 1933	3.33½	42½	4½	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
January, 1937	4.90½	16.05	2½	26½	131.5	1 6½	1 2½	1 2½	1 1½	2 4½
February, ..	4.89½	16.25	3½	26½	128½	1 6½	1 2½	1 2½	1 1½	2 4½
March, ..	4.88½	16.25	3½	26½	128½	1 6½	1 2½	1 2½	1 2	2 4½
April, ..	4.89½	16.16	3½	26½	128½	1 6½	1 2½	1 2½	1 2	2 4½
May, ..	4.94	16.30½	3½	27½	128½	1 6½	1 2½	1 2½	1 2	2 4½
June, ..	4.92½	16.11	3½	27½	128½	1 6½	1 2½	1 2½	1 2	2 4½
July, ..	4.94½	16.34	3½	28½	128½	1 6½	1 2½	1 2½	1 1½	2 4½
August, ..	4.98½	16.45½	3½	28½	128½	1 6½	1 2½	1 2½	1 1½	2 4½
September, ..	4.96½	16.48	3½	28½	125½	1 6½	1 3	1 2½	1 2	2 4½
October, ..	4.95½	16.54	3½	28½	124½	1 6½	1 3	1 2½	1 2	2 4½
November, ..	4.96½	16.71	2½	26½	124½	1 6½	1 3	1 2½	1 2	2 4½
December, ..	4.98½	16.99½	2½	25½	124½	1 6½	1 3	1 2½	1 2	2 4½
January 1, 1938	4.99½	17.03½	2½	25½	125½	1 6½	1 3	1 2½	1 2	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.

VOLUME OF IMPORTS AND EXPORTS AVERAGE VALUE OF IMPORTS AND EXPORTS

Period	Total Imports	Exports of Imported Merchandise	Net Imports	British Exports
1936—January-March	102.8	107.1	102.6	98.4
April-June	104.4	108.7	102.9	94.6
July-September	103.4	90.1	104.4	102.9
October-December	116.2	92.0	118.1	110.0
Year	106.5	99.7	107.0	101.5
1937—January-March	105.7	102.3	106.0	108.2
April-June	111.1	117.9	110.5	112.0
July-September	104.8	100.1	110.6	111.6
October-December	126.0	92.6	128.6	112.8
Year	113.4	103.2	113.9	111.2

NEW CAPITAL

DESTINATION OF NEW CAPITAL

Years	United Kingdom	British Possessions	Foreign Countries
	£ (Old Basis)	£	£
1928	263,583,100	63,158,400	42,316,600
1929	198,026,500	60,977,000	28,235,900
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	137,690,300	29,923,400	1,495,000
1935	220,651,100	15,240,500	256,000
1936	220,345,000	24,798,000	698,000
1937	223,169,100	21,130,400	6,342,500
	(New Basis)		
1935	326,800,000	29,323,000	1,196,000
1936	448,434,000	33,881,000	11,640,000
1937	387,530,600	63,417,700	7,108,300

STOCK MARKET PRICES IN 1937

The following table is compiled from the Actuaries' Investment Index:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		Yields (%)	
	Dec. 29, 1936	Dec. 28, 1937	Dec. 29, 1936	Dec. 28, 1937
Fixed Interest:—				
2½% Consols (1)	150.9	132.7	2.95	3.36
Misc. indl. deb. (20)	125.6	121.5	3.93	4.09
Misc. indl. pref. (47)	122.5	115.6	4.23	4.46
Ordinary:—				
Cotton (6)	52.4	35.6	2.01	2.60
Iron and Steel (12)	83.0	65.9	3.76	6.04
Motors (5)	58.9	38.5	3.97	5.98
Oil (5)	97.4	84.4	2.85	7.68
Electric supplies (10)	157.9	129.9	3.46	4.85
Stores and Catering (17)	88.0	64.4	3.86	4.35
Miscellaneous (58)	81.3	66.4	3.87	5.16

DISTRIBUTION OF ISSUES

	Old Basis		New Basis	
	Year 1936	Year 1937	Year 1936	Year 1937
British Government Loans	60,253,900	95,750,000	60,253,900	143,137,100
Colonial Government Loans	375,000	2,475,000	375,000	3,735,000
Foreign Government Loans	Nil	5,790,000	3,460,100	6,869,800
British Corporations, Counties and Public Boards	79,462,200	43,742,300	82,090,500	45,352,100
Colonial Corporation Loans	1,980,000	3,356,800	1,980,000	3,356,800
British Railways	Nil	27,300	Nil	27,300
Colonial Railways	Nil	258,000	Nil	258,000
Foreign Railways	Nil	612,000	Nil	96,000
Australasian Mines	1,172,500	3,002,700	1,495,000	4,222,500
South African Mines	11,063,000	4,621,000	15,231,600	15,345,100
Other Mines	2,659,800	1,542,000	9,756,100	14,953,200
Exploration, Financial and Investment Trust	12,989,400	15,868,800	27,340,800	33,664,800
Breweries and Distilleries	3,549,800	3,294,000	15,800,500	9,168,800
Merchants, Importers, etc.	644,700	Nil	892,100	25,500
Stores and Trading	2,169,400	1,890,200	7,805,800	5,950,700
Estate and Land	1,302,800	637,300	1,660,500	1,434,700
Rubber	401,200	1,860,200	1,980,200	2,396,500
Oil	1,870,600	835,200	2,213,000	29,831,400
Iron, Coal, Steel and Engineering	21,758,500	17,164,800	36,695,200	28,464,800
Electric Light, Power, Telegraphs and Telephones	5,892,200	11,599,500	10,727,100	13,259,600
Tramway and Omnibus	363,400	406,000	7,611,700	4,935,500
Motor Traction and Manufacturing	2,106,400	1,541,100	13,096,400	3,333,300
Gas and Water	2,639,200	1,987,700	10,870,800	7,240,100
Hotels, Theatres and Entertainment	2,657,100	3,522,400	5,114,200	3,896,100
Patents and Proprietary Articles	275,800	158,700	1,891,100	3,446,200
Docks, Harbours and Shipping	82,500	951,500	4,092,900	3,120,400
Banks and Insurance	3,920,900	2,195,900	3,920,900	8,565,600
Manufacturing and Miscellaneous	36,080,900	24,526,700	95,836,000	55,929,200
Totals	255,671,000	251,642,000	493,887,500	458,056,500

* Includes £67,500,000 Bonus Share of F. W. Woolworth and Company.

DAILY AVERAGE MONEY RATES

Years	Bank Rate	Market Rate 3 Months' Bills	Deposit Rate, Banks	Short Loans
1925	£ s. d. 4 11 0	£ s. d. 4 2 0	£ s. d. 3 0 0	£ s. d. 3 9 8

THE EASTERN BANK LTD.

HEAD OFFICE: CROSBY SQUARE,
BISHOPSGATE, 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 1856

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 - £1,050,000

DIRECTORS:

Col. The Hon. Sir SIDNEY PEEL, BART., C.B., D.S.O., Chairman
Lt.-Col. The Hon. GEORGE AKERS-DOUGLAS
The Hon. ARTHUR M. ASQUITH, D.S.O.
FRANCIS GOLDSMITH
H. S. H. GUINNESS
Sir SIGISMUND F. MENDEL, K.B.E.
Sir CHARLES D. SELIGMAN

Manager—FRANCIS GOLDSMITH

Sub-Manager—R. E. de B. BAYE

Asst. Sub-Manager
H. R. W. BROWN

Chief Accountant & Secretary
S. S. JOHNSON

Registrar—G. 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

Capital (fully paid):
£3,780,192

Reserve Fund:
£4,038,616

Deposits:
£69,674,161

World Wide facilities for Banking Business of every description

Incorporated by Royal Charter, 1727

Governor:

HIS GRACE THE DUKE OF BUCCLEUCH AND
QUEENSBERRY, G.C.V.O.

Deputy-Governor:

RIGHT HON. THE EARL OF STRATHMORE AND
KINGHORNE, K.G., 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 St., W.1

ASSOCIATED BANK—WILLIAMS DEACON'S BANK, LD. (Members of the London Bankers' Clearing House)
With Offices in Manchester and London and 199 Branches elsewhere in England and Wales

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 - £2,605,995
DEPOSITS and CREDIT BALANCES as at 27th February, 1937 - £37,635,697

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. B. CRAWFORD, 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.

261 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:

G. MISKIN, Chairman
Hon. Mr M. T. JOHNSON, Deputy-Chairman
J. K. BOUSFIELD K. S. MORRISON
A. H. COMITON Hon. Mr J. J. PATERSON
Hon. Mr S. H. DODWELL T. E. PEARCE
J. R. MASSON A. L. SHIELDS
CHIEF MANAGER - Sir VANDELEUR M. GRAYBURN

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, Peking (Peking), Penang, Rangoon,
Saigon, San Francisco, Shanghai, Singapore, Sourabaya, Sungei
Patani, Tientsin, Tokyo, Tsingtao, Yloilo, Yokohama.

COMMITTEE IN LONDON:

The Hon. Alexander Baring Sir George Macdonogh,
A. H. Barkley G.B.E., K.C.B., K.C.M.G.
D. G. M. Bernard C. F. Whigham
C. A. Campbell

MANAGERS IN LONDON:

O. J. Barnes E. J. Davies
Sub-Manager: G. M. Dalgety 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. 46,485,755

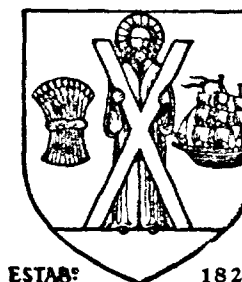
Total of Balance Sheet, as on December 31, 1936
Zl. 2,571,616,980

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

ESTABD 1825

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 39 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. 46,50,000

One Hundred and Sixth Annual Statement The Bank of Nova Scotia

Capital Paid Up
\$12,000,000



Reserve Fund
\$24,000,000

PROFIT AND LOSS

Balance December 31st, 1936	\$ 803,316.30
Net profits for the year ending December 31st, 1937, after Dominion and Provincial taxes \$460,481.25 and after making appropriations to Contingent Accounts out of which accounts full provision for Bad and Doubtful Debts has been made	1,982,140.58
	<u>\$ 2,785,456.88</u>
Dividends Nos. 269, 270, 271 and 272 at 3% per quarter	\$ 1,440,000.00
Contribution to Officers' Pension Fund	180,000.00
Written off Bank Premises	250,000.00
Balance carried forward December 31st, 1937	915,456.88
	<u>\$ 2,785,456.88</u>

GENERAL STATEMENT AS AT DECEMBER 31st, 1937

LIABILITIES		
Capital paid up	\$ 12,000,000.00	
Reserve fund	24,000,000.00	
Dividends declared and unpaid	361,625.85	
Balance of profits, as per profit and loss account	915,456.88	\$ 37,277,082.73
Notes in circulation	\$ 8,660,249.13	
Deposits by and balances due to Dominion Government	\$ 311,499.31	
Deposits by and balances due to provincial governments	978,233.59	
Deposits by the public not bearing interest	60,769,188.15	
Deposits by the public bearing interest, including interest accrued to date of statement	180,358,263.51	242,417,184.56
	<u>\$251,077,433.69</u>	
Deposits by and balances due to other chartered banks in Canada	2,240,327.87	
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries	3,179,072.78	
Bills payable	69,658.35	\$256,566,492.69
Acceptances and letters of credit outstanding		5,339,180.29
Liabilities to the public not included under the foregoing heads		296,946.91
		<u>\$299,479,702.62</u>
ASSETS		
Gold held in Canada	\$ 2,541.84	
Subsidiary coin held in Canada	352,333.08	
Gold held elsewhere	3,896.50	
Subsidiary coin held elsewhere	1,224,032.19	
Notes of Bank of Canada	3,663,114.25	
Deposits with Bank of Canada	21,206,978.71	
Notes of other chartered banks	365,402.30	
Government and bank notes other than Canadian	4,970,548.58	\$ 31,788,847.45
Cheques on other banks		10,789,169.17
Due by banks and banking correspondents elsewhere than in Canada		9,374,243.34
		<u>\$ 51,952,259.96</u>
Dominion and provincial government direct and guaranteed securities, maturing within two years, not exceeding market value		32,942,022.59
Other Dominion and provincial government direct and guaranteed securities not exceeding market value		61,832,073.50
Canadian municipal securities, not exceeding market value		12,599,154.54
Public securities, other than Canadian, not exceeding market value		800,197.16
Other bonds, debentures and stocks, not exceeding market value		13,515,591.85
Call and short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover		7,539,896.35
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		3,172,491.56
Current loans and discounts in Canada, not otherwise included, estimated loss provided for	\$ 77,261,994.93	
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	16,144,345.84	
Loans to provincial governments	924,507.90	
Loans to cities, towns, municipalities and school districts	5,327,211.40	
Non-current loans, estimated loss provided for	522,512.30	\$100,180,572.37
Liabilities of customers under acceptances and letters of credit as per contra		5,339,180.29
Mortgages on real estate sold by the bank		100,853.36
Bank premises, at not more than cost, less amounts written off		6,389,861.21
Deposit with the Minister of Finance for the security of note circulation		527,748.74
Shares of and loans to controlled companies		2,500,000.00
Other assets not included under the foregoing heads		87,799.14
		<u>\$299,479,702.62</u>

J. A. McLEOD, President.
Auditors' Report to the Shareholders:
We have examined the above General Statement of Liabilities and Assets as at December 31st, 1937, 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, 1937. 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.
D. McK. McCLELLAND, F.C.A., of Price, Waterhouse & Co., Auditors.
A. B. SHEPHERD, F.C.A., of Peat, Marwick, Mitchell & Co., Auditors.
TORONTO, CANADA, 15th January, 1938.
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—302 branches in all.
LONDON OFFICE: 108 OLD BROAD STREET, E.C.2.
E. C. MACLEOD, Manager.

THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, JANUARY 29, 1938

No. 13

The Trend of Business

THE decline in British business activity which was heralded last summer by a reduction in the volume of new orders placed with industry and actually set in last October, has continued during the past month. Thus, *The Economist's* index of activity, adjusted for seasonal movements, fell from 113½ (1935 = 100) in August and September to 110½ in December. The December index was only one point above that for December, 1936. Practically the whole of the expansion of business activity during the first nine months of the year, therefore, has been cancelled by the decline during the past three months.

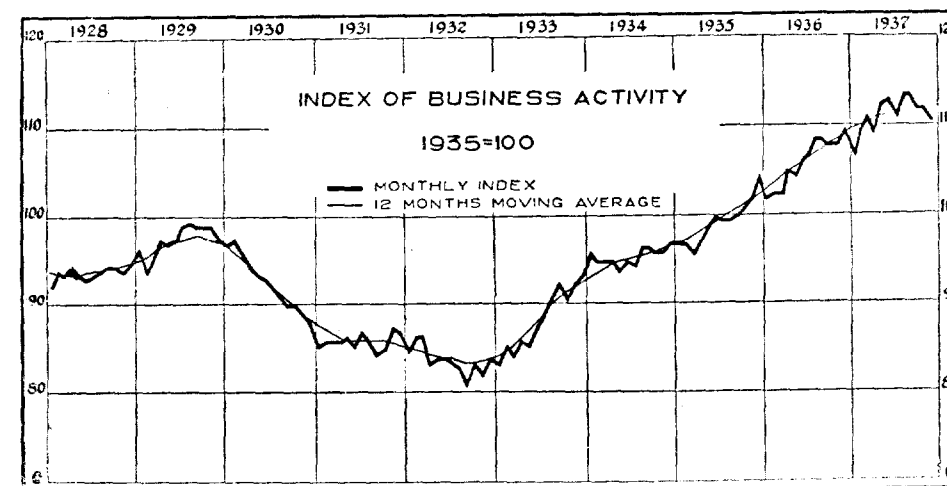
Hopes cherished earlier last year that any decline in new capital investment for the home market might be offset by an expansion of exports have been disappointed by the simultaneous deterioration on the world economic front. Indeed, our index of the volume of exports of British manufactures, after rising from 108½ in December, 1936, to 122½ in June, 1937, fell to 105½ in December. Despite a slight rise between November and December, last month's index is appreciably below the figure for the corresponding month a year earlier. Moreover, there has been no definite improvement in the international situation during recent weeks. The shrinkage in world trade, for example, is reflected in the persistent decline in *The Economist's* index of shipping freight rates. The firmer tendency on the markets for primary products, noticeable at the beginning of this month, has not been maintained. Further, as a result of the shrinkage of world trade, competition shows a tendency to increase, a development which is likely to hamper British exports and reduce its profitability if domestic conversion costs remain on the up-grade.

While current activity still remains at a high level, there are unmistakable signs of a gradual, though in some cases slight, downward trend in most branches of activity, with the exception of those engaged in re-armament work. That domestic activity as a whole is gradually receding is also indicated by the sharp decline in our index of the volume of raw material imports from a high point of 133 in September to 99 in December. Moreover, the volume of imports in December was substantially smaller than a year earlier, when our index stood at 108½. Further indications of the unfavourable trend at home were given by the unemployment figures for December, which showed an increase of the number out of work in almost every branch of industry. Nevertheless, present indications do not point to a precipitous recession in activity, such as that which has occurred in the United States.

The latest developments in the principal branches of activity are summarised on pages 2 and 3. In general, the iron and steel and metal-using industries remain very active, revealed by the remarkable rise in our index of iron and steel consumption. After declining from 134½ in December, 1936, to 117 in April, 1937, the index rose steeply to 167 in November

and 173½ in December. The phenomenal increase in steel consumption since last spring was due, in a large measure, to the increase in armament expenditure, which is chiefly concentrated on the metal-using industries. Although the volume of new business in iron and steel has tended to decline in recent weeks, the pressure for delivery remains as strong as ever, an indication that activity in consuming industries is likely to remain at a high level for some time. If anything, the demand for steel for armament purposes is still tending to increase, but this tendency is offset to some extent by a reduction in new orders for civil purposes.

The engineering industries on the whole remain active, though even in these branches of activity there has been a slight rise in unemployment during December and a reduction in the volume of new business. If allowance is made for the unfavourable weather conditions on the day of the count, building operations have so far been fairly well maintained, though here, again, the trend appears to be slightly downward. For the first time for some years the proportion of insured persons unemployed in the building industry in December showed



an increase over the corresponding month a year earlier. The building plans (excluding Government contracts) passed by 140 local authorities, rather surprisingly, showed an increase of 12.5 per cent. over the corresponding month of 1936. The increase, however, was due entirely to the higher value of the plans passed for dwelling houses, for plans for factories, workshops and other classes of building showed a decline.

Hesitancy in business is also reflected in the consumption goods trades, where unemployment has increased almost without exception between November and December, and was higher than a year ago in many branches, including textiles, clothing, and the food, drink and tobacco trades. Owing to the fact that purchasing power is still increasing through the distribution of higher profits and wages, the increase in the value of retail trade has not yet been arrested, but the rate of expansion in the volume of turnover has perceptibly slowed down.

In most other countries business activity is either declining or stationary. In the United States, for example, the contraction of industrial activity continued throughout December, but there are now signs that the decline has been arrested, at least temporarily. Scandinavia, Austria, Belgium, Holland and Switzerland appear to be marking time. In Germany industrial production has so far been maintained, but in France, where activity showed an upward trend until December, there has since been a fairly rapid increase in unemployment. In the Dominions and most countries of Latin America progress appears to have been arrested, partly as a result of the persistent decline in the prices of primary products. In the Far East, Japanese industrial activity has tended to decline since the summer, while Chinese foreign trade has been curtailed by the Sino-Japanese conflict.

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

While the industry remains more active than at this time last year, the improvement between November and December was less marked than usual. The aggregate monthly production was actually slightly smaller in the latter month—21,135,200 tons, against 21,206,500 tons—but this is attributable to the fact that there was one less working day. December outputs were lower in three of the principal areas—Yorkshire, South Wales and Lancashire, Cheshire and North Wales—but a slight increase was recorded in the remaining fields. Employment showed little change between November and December, but remained considerably better than in the previous year. The slight decline in the volume of coal exported and shipped for the use of steamers, noted a month ago, was continued in December, shipments in the latter month being only a trifle larger than in December, 1936. The disappointing nature of the forward demand for coal on export account is now causing some anxiety in the industry. A satisfactory agreement has, however, now been concluded between Welsh coal exporters and Portuguese pithead exporters. In the meantime, the home demand for industrial grades of coal and coke remains heavy and open market supplies are rather short. House-coal business is well up to average for the time of year.

IRON AND STEEL

Following a decline between December, 1936, and April, 1937, domestic iron and steel consumption showed a very rapid rise until the end of last year. The extent of the increase in demand is reflected in our index of steel consumption, which rose from 117 (1935 = 100) in April to 173½ in December. To some extent the remarkable increase in domestic steel consumption since last spring has been due to increased armament expenditure. The increase in home demand was accompanied by a substantial expansion of iron and steel production. Thus, the output of pig iron rose from 7.72 million tons in 1936 to 8.50 million tons in 1937, and crude steel production advanced from 11.78 million tons to 12.96 million tons. Despite the rise in output last year, however, domestic supplies were insufficient to meet the expanding demand. Consequently, domestic production had to be supplemented by heavy purchases abroad, which increased from 1,483,000 tons in 1936 to 2,039,000 tons in 1937. Exports, on the other hand, increased only from 2,234,000 tons to 2,609,000 tons during this period. After prices had been raised earlier in the year as a result of an increase in costs of production, the industry decided to leave quotations unchanged throughout 1938. Meanwhile, consumption remains as heavy as ever, but, as a result of increased home production and heavier imports, the supply position is now less stringent.

GENERAL ENGINEERING

After a further increase during the first nine months of the past year, partly as a result of re-armament and an increase in export orders, a decline in new civil business in October heralded a slight setback in the activity of the industry during November. Moreover, the lull in activity continued in December, when unemployment showed a further slight increase. Although Government orders are still increasing, new civil business has shown no signs of recovery. Consequently, the outlook for the industry is not now viewed with the same confidence as a few months ago. Exports in December were again well ahead of those of a year earlier, and amounted to 40,800 tons, against 32,300 tons in December, 1936. Imports have shown a tendency to decline since September and, at 11,600 tons in December, 1937, compare with 10,000 tons a year earlier. Despite the slight reduction in activity, however, most branches of the industry remain very active, the agricultural machinery section being one of the few exceptions.

ELECTRICAL EQUIPMENT

The activity of the electrical engineering industry, like that of general engineering, has shown a slight decline between November and December, reflected in a small increase in unemployment. But exports, reflecting orders placed some time ago, remain ahead of last year's. Thus, exports of electrical equipment increased from 1,296 tons during November to 2,107 tons in the past month. During the same period the value of electrical goods and apparatus rose from £1.0 million to £1.2 million. The BEAMA index of new domestic and foreign orders for heavy generating plant has been discontinued.

AUTOMOBILES

The rise in the cost of living, the fall in security prices and the current feeling of uncertainty regarding future business prospects have had a depressing effect on the home demand for cars in recent months. Thus new registrations of private cars in September and October were 5.7 and 12.4 per cent., respectively, below the comparable totals for 1936. The November figures—20,645 against 23,801—show a drop of 13.3 per cent. There has, moreover, been a noticeable transference of demand from the more to the less expensive type of car. Meanwhile, home sales of goods vehicles, which were down by 4 per cent. and 11 per cent. in September and October, suffered a reduction of over 17 per cent. in November. The total for the latter month was 5,224 units, against 6,312 in 1936. Meanwhile, December also witnessed a halt in the overseas demand for British motor vehicles. Total exports during 1937 were

over 20 per cent. larger than in 1936, but the December total (motor vehicles and chassis) was 9,697, against 10,174 a year earlier. There are some indications of a current improvement in business, but it is too early yet to be certain that this is more than a temporary development.

BUILDING

Employment in the building trades was adversely affected by unfavourable weather conditions on the day of the December count. In consequence of this interruption of outdoor employment, the number of workpeople recorded as unemployed increased by nearly 73,000, of whom 41,000 were only temporarily stopped. Abstracting from these seasonal factors, activity was maintained on a high level during the past month. Meanwhile, according to the *Ministry of Labour Gazette*, the value of building plans approved by 140 local authorities last month amounted to £9,764,400, against £8,677,200 in December, 1936—an increase of 12.5 per cent. This advance was due entirely to higher figures in the dwelling-house category and should not be taken as implying that the outlook for the industry has changed fundamentally. In accordance with the industry's sliding-scale agreement, the standard wage of craftsmen will be advanced by ½d. per hour on February 1st, in consequence of last year's increase in the cost of living.

CHEMICALS

During the past month business in the home chemical market has been fairly satisfactory. Demand for industrial chemicals and wood distillation products has been well up to the average for the time of year. Some improvement has recently been shown in business in pharmaceutical and other fine chemicals, although trade in these products was rather limited during the greater part of the month. The coal tar products market has been dull, and very little interest has been shown in fertilisers. Overseas trade during December was rather disappointing, the value of exports of chemicals, drugs, dyes and colours showing a decrease of £79,410 as compared with December, 1936. Considerable decreases in exports of coal tar products, sodium compounds, and dyes and dyestuffs, were largely responsible for this fall. For the year 1937 the value of exports and imports increased by £3,568,157 and £257,861 respectively in comparison with 1936.

POTTERY

A further noticeable deterioration in the employment position occurred last month, the unemployment percentage being larger than a year earlier. A fall in employment in North Staffordshire was stated to be due mainly to the completion of Christmas orders. At Derby, however, employment continued good. At Worcester and Bristol conditions were still fairly active. December also witnessed a fall in export demand. Shipments of tiles were above the level of the previous year, but overseas sales of general earthenware, china and electrical ware fell short of the totals for December, 1936.

FOOTWEAR

Business was slack in December and there was a further, though partly seasonal, decline in employment. There was much short time working and many firms extended the holiday stoppages at Christmas or the New Year. Meanwhile, although total exports of boots and shoes last year were well above the 1936 total, the improvement was not maintained in December. Shipments last month were 27,063 dozen pairs, against 28,910 dozen pairs in the same month of 1936. The reduction was well spread between the various overseas markets.

COTTON

The employment position showed a further deterioration in December, holiday stoppages being extended by many firms both in the spinning and manufacturing departments. Unemployment was significantly higher than in December, 1936. Meanwhile, new business has been of limited dimensions and order lists have tended to run down. Raw cotton prices have hardened slightly, the technical position having been improved by the operation of the Government loan in the United States. A feature of the cloth section has been the larger inquiry for India. Miscellaneous transactions have been out through for Hong Kong, Java and Singapore, but little has been done for Egypt and the Near East, while the West African trade has remained at a low ebb. Some of the Dominion markets have, however, shown an improved demand. Home trade demand has merely been sufficient to meet urgent requirements, and more looms are idle than for a long time back. Yarn sales have also been small, in both the American and Egyptian sections. Spinning production is now running at 88 per cent. of capacity, against 90 per cent. both in the previous month and at this time last year.

JUTE

The raw material, after sagging in price owing to lack of buying interest, has recently been firmer and spinners have thus lost the opportunity of buying at the lower level. Meanwhile, Dundee spinners and manufacturers are finding conditions as depressed as they were before the holidays. The yarn market has been very dull and the cloth markets idle. Purchases have been confined to trifling lots at unsatisfactory rates. Production of jute goods in India is maintained on a high level and no agreement has yet been reached between the Association mills and the "outside" mills on the question of working hours. Negotiations are, however, still proceeding and hopes of a settlement now appear better than for many months.

LINEN

Pressure by purchasers to secure supplies has resulted in sales by the Soviet and Baltic monopolies at advancing prices. Sellers are reluctant to offer material, and the probability of a shortage of supplies is becoming more apparent. Courtrai and home-grown fibre encounter a ready sale. Demand for yarn has broadened out, but present prices do not cover production costs. New business in cloth is confined to near requirements, though inquiry is general and is likely to result in covering contracts as existing stocks decline.

RAYON

Demand for rayon yarns has shown very little improvement, and new business is scarce. At the same time, it is stated that there is more inquiry about and that there is much greater freedom in the issue of delivery instructions. There are still heavy stocks of fabrics and made-up goods to be cleared before the manufacturing trade can benefit appreciably, but a steady improvement is now taking place in the clearance of these goods.

WOOL

The position of the wool textile industry suffered a further marked deterioration in December, when the unemployment percentage was 17.9—or 11.9 points higher than a year earlier. The decline was especially noticeable in the woollen section. Short-time was largely worked and many firms extended the holiday stoppage at Christmas. Total exports of woollen and worsted yarns and manufactures in 1937 were valued at £35,486,432, against £32,213,547 in the previous year. The improvement, however, was not maintained in December. The industry's best overseas customer last year was Canada, which took substantially larger quantities than in 1936, while the next most important buyers were the Union of South Africa, Germany and the United States. Meanwhile, the raw material, after sagging in price, has recently been steady at the lower level. Manufacturers are still showing a disposition to await fresh developments and new business is limited.

AGRICULTURE AND FISHERIES

Work on the land is generally more forward than usual, most of the sowing having been completed during the autumn. Conditions during December were not very favourable for cultivation or sow-

ing and little further progress was made, except on the lighter and better drained soils. Germination of autumn-sown crops has been good and plants are strong and healthy, although late-sown wheat is somewhat backward. Cattle and sheep have done reasonably well, but hill sheep are reported to have suffered from the wintry weather. Reports on breeding ewes are generally good. Milk yields are about normal. Winter keep has been drawn on fairly extensively, but supplies should be sufficient for normal requirements. Meanwhile, the aggregate quantity of wet fish landed in Great Britain last year amounted to 21,735,332 cwt., against a rather smaller total of 20,877,479 cwt. in 1936. Average prices, however, were rather lower last year, and the total value of the catch consequently declined from £15,719,337 in 1936 to £15,353,763 in 1937. An analysis of Britain's fish supplies in recent years is included in the Industry and Trade section of the current *Economist*.

SHIPPING

Shipping freights were subject to wide fluctuations during 1937. A steep rise during the first nine months of the year was followed by an even steeper fall during the last quarter, owing to the deterioration in the world economic position. Thus *The Economist* index (1898-1913 = 100) rose from 128.2 in December, 1936, to 169.8 in September, 1937, only to fall to 126.4 in December last. Thus the whole of last year's gains have now been wiped out. A feature of the markets during January has been the heavy call for cargo tonnage in the grain trade, originating mainly from the United States. But the recent violent weather has disorganised the supply of tonnage.

RETAIL TRADE

The money value of retail sales in December, according to *The Board of Trade Journal*, was 8.3 per cent. higher than in December, 1936—a figure which surpasses the monthly average for last year. The Midlands and South Wales, for the sixth successive month, showed the greatest advance (12.3 per cent.), while the only decrease was in Central and West End London (–0.9 per cent.). Sales of food and perishables rose by 10.0 per cent. between December, 1936, and the same month of 1937, the rise being general to all districts except London. The increase in sales of other merchandise, at 6.8 per cent., was also general except in London. These figures are further discussed in the Industry and Trade Section of this week's *Economist*.

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-Month Moving Average
Number of Weights.....	17	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929.....	98½	103	68	127	76	95	60	97	111	98½	137½	108½	91	109	98½	...
1930.....	94½	98½	68½	115½	80½	94½	65½	84½	82	88	108	107	89	112	93	...
1931.....	91	92	69	98½	83½	95½	62	73	86	82½	89½	97½	86½	96	87½	...
1932.....	90	90	71½	86	86	94½	57	59½	94	84	82	84½	86½	84	89	...
1933.....	91½	90	72	89½	89½	99½	73½	70	101	92½	85	99	91	88	89	...
1934.....	97½	97½	89	100	95	97½	88	93½	98½	100	92½	98	95½	96	90	...
1935.....	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936.....	105	104½	112½	106½	105½	104½	107	125	109½	110½	101½	102	104	103½	106	...
1934—December.....	98½	93½	87	99½	95½	101	92½	96	97½	94	98	100	99	100½	97	96½
1935—January.....	98	96	92	103½	94½	98	93½	98½	99	85	95½	95	98	110	97	97
February.....	99	96	92	99	99½	99	95	94½	92	91½	104	97	98	94½	97	97½
March.....	98½	92½	93	98	99½	99½	96½	97½	94	85	98½	97½	96	92	96	97½
April.....	99½	95	97	97	99	101	93	92	90	100	99½	99½	97	97½	98	98½
May.....	99½	102½	99	100½	99	98	100	93½	96	100½	97	100½	99	100	99	98½
June.....	100	98½	97	99	99½	96½	99½	98	99	97½	105½	100½	102½	106½	100	99½
July.....	101	94	96½	98	100	98½	99½	93½	112	108	96	104½	104	104	99½	100½
August.....	101	92½	99	100	99	99	100½	104½	100	100½	97	100	100	98	99½	100½
September.....	101	100½	99½	100	100	101	102½	105½	96½	104½	103	101½	102	95½	101	100½
October.....	101	105	101½	101½	101	99½	102½	105½	96	102½	102½	98	99½	96½	101	101½
November.....	101½	104	102	103	101½	100½	105½	102½	107	106	99	101	99	96½	102	101½
December.....	101½	105½	103½	102½	102	104	108	113½	99	117	99½	103½	103	112½	104½	102½
1936—January.....	101½	107	104	104	103½	101	106½	117	106½	97½	92½	98½	98	91	102	102½
February.....	102½	109½	108	102	104	101½	107½	115	100	88	102	100½	99½	93	102½	103½
March.....	103	98	105	105½	104½	102	107	112½	101½	99½	99½	99	100½	94	102½	104½
April.....	103½	103	111	109½	104½	102	106½	126	110	107½	85	98½	101	97	105	104½
May.....	104½	102½	107	105½	105	102	107½	116	112½	106	99	100	103	96½	104½	105½
June.....	105	106	107½	104½	105½	101	109	121	119	117½	98	102½	104	104	106	105½
July.....	106½	104½	109½	106	105½	103½	109½	123	120	117	105½	101½	104	97	107	106½
August.....	107	104	111	109½	106	103½	109½	139	120	117½	101	106	106	113	108	107
September.....	107	102½	112	106½	106½	106½	108½	132	107	123½	107	105	106	114	108	108
October.....	107	104	113	107	107	107	107	127	107	127	107	107	107	111	108	108
November.....	107	104	117	108	108	107	105	122	100½	119½	100	106	109	111	108	108
December.....	107	107	117	113	108½	107	103½	134½	109	108	108	103½	107	122	109	109½
1937—January.....	108	97½	118	110½	109	107½	102	124	111½	103½	104½	101	109	105	107½	109½
February.....	109½	108½	116	107	109½	110	102½	118	110	102½	111	107	108	115	109½	110
March.....	109	110	125	108	110	107	99½	118½	123	119	108	108	107½	111	110	110
April.....	110	112	122	115	110½	110	102½	117	123	108	108	102½	107½	107½	109	110
May.....	110	115	124	113	111	106½	109	130½	143	118	117	114	107	98½	112	111
June.....	111½	115	122½	113½	111½	107	99	133½	111	125	122½	106½	106	113	111½	111½
July.....	112	108½	123	114	111	105	96½	140	131	122½	113	109	102½	100	111	...
August.....	112½	107	125	119	111	108	95½	160	115	130½	111	113	109	99	113	...
September.....	112	110½	124	117	111½	108	95½	157	106	133	113	108	106	99	113	...
October.....	112	108½	124	112	112½	108	96	158½	107½	129½	109	110	104½	99½	112½	...
November.....	111	106	128	115	113	108	95	167	105½	130½	109	108	104½	100	112½	...
December.....	109½	104½	131	117	113½	111½	96½	173	97	99	105½	108	101½	99	110½	...

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. Revised. Provisional. Annual indices represent averages of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—A cable from the National Bank of Australia states that the wheat crop amounts to 175 million bushels, with a high proportion of good-quality wheat. Since the holidays the wool market has weakened. During the December quarter, it is stated, progress in the secondary industries was continued; internal conditions indicate further, though slower, advances. Government bonds and ordinary shares are firm in price, and the financial position is easy. Foreign trade continues well above the previous year's level.

SOUTH AFRICA.—Farming prospects in the Union underwent an improvement last month in consequence of widespread rains and of a firmer tendency of prices. There was no marked change in industrial conditions, but the value of building plans approved has recently shown a declining tendency. Railway receipts, on the other hand, continue to run above budget estimates and retail trade at the coastal resorts is being stimulated by the influx of visitors. Imports totalled £9,018,000 in December, against £8,101,000 a year earlier, while total exports (including gold) were £10,588,000 compared with £7,706,000.

CANADA.—The year 1937 witnessed a substantial improvement in the economic position of the Dominion. Although some hesitancy was noticeable during the last quarter, business activity was much better maintained than in the United States; and in December the general economic index of the Dominion Bureau of Statistics scored a slight advance. There are, however, a number of adverse factors in the economic outlook. Thus, exports are being affected by falling prices and the heavy industries report a decline in new orders. Stocks of newsprint are now rising owing to the fall in consumption.

INDIA.—India's imports fell by 147 lakhs of rupees between November and December and exports suffered a simultaneous decline of 114 lakhs. Meanwhile, rainfall has been light to moderate in most parts. Crops are generally in fair to good condition, except in the Bihar district, where floods have occurred, and in the Central Provinces where the cotton plants have been affected by insects. The third estimate of the 1937-38 all-India cotton crop is 5,434,000 bales, or one per cent. more than last year's yield.

EUROPE

FRANCE.—Business activity continued its gradual recovery until the early part of December. For example, the official index of industrial production rose from 76 (1928 = 100) in August to 90 in November, against 88 in the corresponding month a year earlier. The improvement was most marked in the heavy industries, partly because re-armament expenditure is concentrated on these industries. The textile industries also experienced some improvement, but the trend of building activity remained downwards. Unfortunately, the gradual improvement appears to have been temporarily arrested in recent weeks by the unsettled relations between capital and labour and another political crisis which led to a loss of confidence. Thus, the number of unemployed in receipt of benefit increased from 351,100 to 393,200 during the four weeks ended January 15th. The capital market, which had previously shown signs of increased activity, has again relapsed into a state of lethargy. Prices of domestic products have resumed their upward trend, but quotations for industrial securities have shown a slight decline, an indication of the loss of confidence in the future of recovery. Although the political crisis has been overcome, for the time being, the outlook remains uncertain.

GERMANY.—In general, the trend of industrial activity remained upwards until the end of 1937. Thus, the Institute for Business Research's weekly index of activity rose from 116.3 (1936 = 100) during the last week in November to 118.6 during the week ended December 25th. Since then, however, the index has shown a decline, being 113.3 for the week ended January 8th. Nevertheless, the latest figure remains 6 per cent. above that for the corresponding week a year earlier. The sustained activity of the capital equipment industries is due in large measure to Germany's strenuous efforts in increasing her military strength. Although the official index of the cost of living has shown little change, retail prices are reported to be steadily increasing and, as wage rates have remained substantially unchanged, the standard of living is tending to decline.

NORWAY.—Business activity remains at a high level. The index of industrial production rose from 127.4 (1929 = 100) in October to 142.1 in November, against 124.5 a year earlier. The number of registered unemployed, though showing a slight seasonal increase in December, from 32,200 to 33,900, remained well below the level of a year ago at the end of the past month. The value of exports increased from Kr. 69.0 millions in October to Kr. 79.0 millions in November, an increase of Kr. 10.1 millions over the year. The increase in imports since 1936 has been even more marked. Thus, the value of imports rose from Kr. 94.0 millions in November, 1936, to Kr. 131.1 millions in November, 1937. The trend of wholesale prices has been slightly downwards in November and December.

POLAND.—The index of production for November (the latest available) stood at 87.1 (1929 = 100), compared with 85.5 in October and 75.1 in November, 1936. Owing to the increase in

the population, however, the recovery in the past year has not led to a corresponding reduction in unemployment. Thus, the number of registered applicants for work at the end of November was 336,200, compared with 339,400 a year earlier. The value of Poland's foreign trade has shown a substantial increase since 1936. Exports rose from 95.3 million zloty in November, 1936, to 111.1 millions during the corresponding month last year. During the same period imports increased from 92.4 to 108.0 million zloty.

DENMARK.—After reaching a peak in the spring of last year, industrial activity has shown a gradual downward trend. The index of production rose from 132 (1929 = 100) in December, 1936, to 138 last May, but had fallen back to 131 by November. The recession has been most marked in the textile, clothing, leather, stone, clay, and glass industries. The output of foodstuffs, on the other hand, shows a substantial increase on the year. Imports last November, at Kr. 131.8 millions, showed a reduction of Kr. 3.4 millions on the corresponding month in 1936. Exports, on the other hand, rose from Kr. 109.1 millions to Kr. 137.0 millions during this period.

UNITED STATES OF AMERICA

The rapid downward trend in activity noticeable since September, continued in December. Thus, the Federal Reserve Board's index of industrial production, adjusted for seasonal variations, declined from 89 (average 1923-5 = 100) in November to 84 in December. Moreover, the December index showed a decline of no less than 30.6 per cent. on the figure for the corresponding month in 1936. The curtailment of activity is also reflected in the Department of Labour's returns of industrial employment, which showed a decline of 520,000 during December. Nevertheless, there are indications that the pace of the decline in activity had lost momentum during December, and the latest news indicates that there has since been a slight recovery in a number of industries. For example, the iron and steel industry operated at 29.8 per cent. of capacity last week compared with 19.2 per cent. at the beginning of the year. Automobile production has also been increased in a number of plants. Although President Roosevelt now seems anxious to restore confidence among business men, the outlook remains uncertain. In any case, some time will have to elapse before a resumption of large-scale capital expenditure will make itself felt in a sustained expansion of business activity.

LATIN AMERICA

ARGENTINA.—Crops of wheat and linseed have turned out short, whilst prospects for maize are also poor owing to drought. Argentina's exports this year will therefore be considerably below last year's, with a consequent contraction in purchasing power. As import markets, particularly for textiles, are already overstocked, the summer season for imported textiles is expected to be unfavourable.

URUGUAY.—The wool export season has been retarded, and, pending the supply of wool export exchange, the granting of prior import permits is temporarily in suspense.

CHILE.—The supply of sterling for imports continues normal, under permit, and since January 1st there have been exchange concessions in regard to imports classed as "luxuries." Crops promise well, and there should be a good surplus of wheat available for export. In the mining districts, the low level of prices for mineral ores has led to restricted production and consequently to a decline in general business.

BRAZIL.—Central American markets continue depressed owing to the fall in coffee prices following Brazil's recent change of policy. Under Decree of December 23rd virtual exchange control by the Bank of Brazil has been re-imposed. All export bills must be sold to the Bank of Brazil and buyers must pay a tax of 3 per cent. Meanwhile, milreis accounts for parties domiciled abroad have been blocked. Exchange cover for foreign bills for collection, for which the equivalent in milreis has been deposited, appears to be coming forward only in small instalments.

THE FAR EAST

The war with China is having its effect in all sections of Japan's economic life. Production, stimulated by war needs, is steadily increasing and unemployment is declining. The determination of the Government to prosecute the campaign until their objects have been achieved means that the economic life of the country will take on an increasingly wartime character. In the meantime, the Budget for the forthcoming financial year shows a large increase in prospective expenditure on the fighting services. Japan's imports last year amounted to 3,954 million yen, or 35 per cent. more than in 1936, while her exports, at 3,318 millions, showed an advance of almost 19 per cent. The excess of imports was reversed in the closing months of the year, owing to the restriction policy adopted by the authorities, and there was an export surplus of 10 million yen in December. Wholesale prices continued their gradual advance. China's foreign trade showed a slight recovery last month, but remained below the 1936 level. Her imports amounted to 52.6 million dollars and her exports to 55.2 millions, against 92.2 and 79.9 millions, respectively, in December, 1936.

UNITED KINGDOM

(Population, mid 1936, 47,098,000; 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	Nov.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
PRODUCTION																		
1. Indust. Prod. B. of Trade(a)(d)	1930 = 100	108.5	100.0	91.0	90.5	96.5	106.1	113.6	124.7	132.1	135.4	137.0	137.0	137.0	137.0	137.0	137.0	137.0
2. Coal, G. B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	19.2	20.6	20.2	18.9	18.2	20.4	20.4	21.2	21.2
3. Electry, public supply, G.B.	Mill kw.-hrs.	858	910	951	1,020	1,130	1,288	1,464	1,685	2,010	2,180	1,575	1,583	1,529	1,752	2,029	2,263	2,301
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	643	671	689	739	713	727	770	785	785
5. Steel ingots and castings	Thous. tons	803	610	434	439	585	738	822	975	1,001	1,019	1,059	988	1,063	1,163	1,134	1,263	1,263
6. Public plans passed (f)(d)	Thous. £s	3,688	5,897	3,374	3,907	5,192	5,796	6,536	6,255	6,411	5,174	5,720	6,208	5,624	5,642	5,538	5,285	5,285
7. 146 towns, G. B. (a) (Other...)	Thous. £s	2,403	2,320	1,877	1,614	1,781	2,184	2,990	3,497	3,289	3,503	3,712	2,243	3,516	3,159	3,024	2,851	2,851
8. New Orders, heavy gen. plant	1929 = 100	100	125	77	112	67	160	148	250	263	250	238	237	220	218	197	200	200
9. Foreign	"	100	67	50	31	44	60	62	96	90	96	114	113	107	97	90	92	92
10. Total	"	100	93	58	59	56	107	104	167	168	167	174	172	161	151	144	144	144
11. Shipbuilding: commenced (f)	Thous. gross tons	137	79	17	6	20	43	57	81	91	91	123	73	73	73	72	72	72
12. " launched (f)	"	137	79	17	6	20	43	57	81	91	91	123	73	73	73	72	72	72
13. " on hand, end yr.	"	1,560	809	401	225	332	597	742	964	964	1,200	1,185	1,185	1,185	1,185	1,185	1,185	1,185
14. Automobiles: priv. cars (b)	Number	15,196	14,139	13,250	14,270	19,232	21,406	25,962	29,487	30,667	34,349	36,490	33,905	20,888	25,846	26,977	27,000	27,000
15. " Com. vehicles (b)	"	4,705	5,572	5,809	5,123	5,459	7,136	7,681	8,967	9,240	10,165	10,365	7,508	9,290	9,827	9,827	9,827	9,827
16. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5,272	3,922	4,044	4,707	4,722	4,911	4,722	5,175	5,281	5,741	5,111	5,521	4,471	5,241	5,631	5,631	5,631
17. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	10,413	12,110	11,760	10,958	14,060	14,600	10,800	14,400	13,570	13,720	13,720
18. " Quantity exported	"	4,710	3,992	4,581	5,955	7,086	7,715	9,987	11,776	11,513	11,188	14,038	14,819	11,063	14,699	14,699	14,699	14,699
19. Beef production	Thous. st. barrels	1,620	1,568	1,365	1,292	1,383	1,233	1,355	1,368	1,324	1,300	711	418	418	418	418	418	418
20. Distilling: Drink (f)	Thous. proof galls.	914	840	786	721	733	719	720	760	760	760	760	760	760	760	760	760	760
21. " Industrial alcohol(f)	"	1,205	1,393	1,438	1,834	2,484	2,816	3,172	3,595	3,595	3,595	4,414	4,410	4,410	4,410	4,410	4,410	4,410
22. " Stocks, end year...	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	136.9	137.4	142.8	143.1	142.4	142.7	143.2	143.2	143.2
TRADE AND TRANSPORT																		
<i>Domestic Trade</i>																		
23. Riv. traf.: Merch. & Livst. G.B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,660	7,461	8,188	8,832	8,279	8,764	8,188	8,871	9,149	9,296	9,296	9,296
24. " Coal and coke, G. B.	"	15,933	14,868	13,860	12,861	12,727	13,384	13,441	13,539	14,512	14,884	13,672	12,366	13,672	14,400	14,427	14,427	14,427
25. Automobile: 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	1,498.6	1,530.2	1,558.0	1,691.2	1,766.1	1,762.1	1,772.7	1,884.0	1,887.4	1,775.7
26. " Com. vehicles in use, G.B.	"	314.7	383.6	348.0	356.2	370.0	383.5	413.2	437.0	445.8	453.4	461.1	461.9	460.3	463.1	467.2	467.2	467.2
27. Postal traffic receipts, daily av.	Thous. £s	133	135	134	133	135	137	140	147	155	159	146	144	141	152	156	157	157
28. Retail trade, Gt. Brit. & I.	Avg. daily sales	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
29. " Other merchandise	"	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
30. " Total	"	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
31. Advt. exp. on brand, gds.	1935 = 100	100	100	76.1	79.2	84.6	90.4	100	104.6	129.7	94.2	99.7	68.8	99.8	143.5	140.7	143.2	143.2
<i>Foreign Trade</i>																		
32. Retained imports, value: Food	Thous. £s	42,444	37,603	33,041	28,810	27,311	27,829	28,616	30,921	35,987	36,725	34,507	32,609	33,867	35,020	42,111	41,695	41,799
33. " Raw materials	"	23,774	17,674	12,277	11,740	12,897	15,183	15,237	17,934	20,763	21,840	23,893	23,730	24,883	25,521	26,473	26,473	26,473
34. " Manufactures	"	25,467	22,622	20,367	12,165	11,654	13,995	14,302	16,452	17,238	18,491	22,275	21,988	21,877	22,275	23,335	23,335	23,335
35. " Total	"	92,589	79,762	66,449	52,711	52,161	56,919	58,473	65,710	74,337	77,443	80,900	78,702	79,972	83,093	90,367	91,496	89,344
36. Volume: Food (a)(d)	Avg. of 1935 = 100	94.9	99.6	106.5	102.5	100.7	101.1	100	102.8	103.5	103.5	103.5	103.5	103.5	103.5	103.5	103.5	103.5
37. " Raw materials (a)(d)	"	101.5	90.9	82.9	84.6	92.7	90.6	100	111.1	111.1	111.1	111.1	111.1	111.1	111.1	111.1	111.1	111.1
38. " Manufactures (a)(d)	"	103.6	133.9	123.9	79.5	87.8	95.0	100	111.6	111.6	111.6	111.6	111.6	111.6	111.6	111.6	111.6	111.6
39. " Total (a)(d)	"	108.9	106.3	105.0	92.2	93.7	99.0	100	107.2	107.2	107.2	107.2	107.2	107.2	107.2	107.2	107.2	107.2
40. Domestic exports, value: Food	Thous. £s	4,555	3,944	2,898	2,625	2,314	2,538	2,636	2,966	3,823	3,404	2,972	3,311	3,034	3,415	3,443	3,443	3,443
41. " Raw materials	"	6,575	5,313	3,920	3,634	3,832	4,021	4,400	4,278	4,368	4,939	5,852	5,956	5,375	5,430	5,810	5,810	5,810
42. " Manufactures	"	47,899	36,745	24,398	23,031	23,475	25,403	27,411	28,110	28,872	30,323	34,673	37,307	33,383	34,743	36,747	36,747	36,747
43. " Total	"	60,729	47,563	32,552	30,419	30,659	33,000	35,493	36,727	38,441	40,516	44,373	47,570	42,540	44,263	45,183	45,183	45,183
44. Volume: Food (a)(d)	Avg. of 1935 = 100	126.7	118.7	94.5	90.9	87.8	93.3	100	110.6	110.6	110.6	110.6	110.6	110.6	110.6	110.6	110.6	110.6
45. " Raw materials (a)(d)	"	130.4	110.2	86.9	82.0	88.5	90.3	100	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4	92.4
46. " Manufactures (a)(d)	"	142.1	113.8	89.7	82.0	85.5	92.4	100	102.1	102.1	102.1	102.1	102.1	102.1	102.1	102.1	102.1	102.1
47. " Total (a)(d)	"	140.3	115.0	83.8	84.0	85.9	92.4	100	101.5	101.5	101.5	101.5	101.5	101.5	101.5	101.5	101.5	101.5
48. Shipping: Tonnage entered	Thous. net tons	5,225	5,310	5,023	4,947	5,036	5,223	5,302	5,616	5,607	5,553	6,287	6,425	6,722	6,014	6,100	6,139	5,803
49. " Tonnage cleared	"	5,723	5,488	4,862	4,820	4,638	4,674	4,777	4,785	4,637	4,633	5,447	5,820	5,487	5,633	5,503	4,911	4,841
50. Freight rates, Economist Index	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.3	99.8	113.8	139.4	137.2	143.6	149.8	145.4	129.8	112.2
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	80.5	96.4	73.5	73.4	73.0	72.6	76.5	72.5	82.2
EMPLOYMENT AND WAGES																		
53. Insured pers. employed, G.B.	Thousands	10,220	9,907	9,421	9,348	9,681	10,139	10,377	10,912	11,120	11,182	11,613	11,623	11,672	11,706	11,659	11,573	11,433
54. Insured pers. unemployed	"	1,212	1,195	1,230	1,256	1,296	1,207	1,058	1,684	1,553	1,552	1,306	1,321	1,294	1,271	1,328	1,432	1,143
55. Per cent. unemployed	"	10.3	15.8	21.1	21.9	19.8	16.6	15.3	13.0	11.9	11.9	10.0	10.1	9.9	9.7	9.9	10.7	11.1
56. Regist'd at Exchanges, all ages	1929 = 100	1,276	2,014	2,718	2,813	2,588	2,221	2,106	1,822	1,694	1,703	1,423	1,445	1,421	1,403	1,460	1,580	1,751
57. " London	"	118	177	273	308	272	216	203	179	178	173	153	155	151	145	167	189	198
58. " S. E. England	"	50	75	114	142	120	83	91	79	77	79	52	52	58	60	72	83	90
59. " S. W.	"	69	69	129	157	147	127	114	94	99	93	64	67	67	64	74	80	87
60. " Midlands	"	165	207	381	371	325	245	217	178	149	150	134	141	143	138	140	152	177
61. " N. E. England	"	298	419	569	602	535	479	452	394	370	371	318	318	318	318	318	318	318
62. " N. W.	"	285	522	627	563	517	461	439	371	371	371	312	305	286	291	300	284	314
63. " Northern (r)	"	156	244	358	378	364	331	314	277	259	265	215	245	222	224	222	234	227
64. " Scotland	"	115	158	196	228	219	205	206	198	173	174	136	131	132	132	142	141	141
65. " Wales	"	67	60	71	68	68	62	70	67	70	74	67	68	68	64	70	81	89
66. " N. Ireland	"	676	361	527	561	578	67	78	160	154	156	111	512	228	228	285	152	4
67. Industr. disputes, No days lost	1929 = 100	100	100	97.1	96	95.1	95.1	96.1	99.1	100.1	100.1	100.1	100.1	100.1	100.1	100.1	100.1	100.1
68. Wage rates,																		

UNITED STATES, FRANCE AND GERMANY

	Unit of Measurement	Monthly Average								1936		1937							
		1929	1930	1931	1932	1933	1934	1935	1936	Nov.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
UNITED STATES (Population 1934: 126,450,000; Area: 7,839,432 sq. kms.)																			
PRODUCTION																			
1. Industrial production, F.R.B. (a)	1929=100	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	95.8	101.7	95.8	95.8	98.3	93.3	86.6	75.6	71.3	
2. Investment goods, F.R.B. (a)	"	100	72.6	48.2	27.6	41.2	46.5	63.2	82.4	92.4	98.9	92.6	100.6	104.1	94.4	83.5	62.4		
3. Consumption goods, F.R.B. (a)	"	100	86.8	85.2	75.9	84.2	83.4	87.8	94.5	100.3	107.9	98.7	92.9	94.7	91.8	86.3	82.8		
4. Total production, F.R.B. (a)	"	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	95.8	101.7	95.8	95.8	98.3	93.3	86.6	75.6		
5. Total production, U.S. Dept. of Commerce (b)	"	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	95.8	101.7	95.8	95.8	98.3	93.3	86.6	75.6		
6. Total production, U.S. Dept. of Commerce (c)	"	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	95.8	101.7	95.8	95.8	98.3	93.3	86.6	75.6		
7. Index of machine tool orders	1929=100	100	46.0	26.0	12.6	17.4	29.7	55.3	87.7	94.5	105.3	123.0	109.8	115.4	135.2	97.5			
8. Building contracts awarded	"	100	46.0	26.0	12.6	17.4	29.7	55.3	87.7	94.5	105.3	123.0	109.8	115.4	135.2	97.5			
9. Residential building contracts awarded	"	100	46.0	26.0	12.6	17.4	29.7	55.3	87.7	94.5	105.3	123.0	109.8	115.4	135.2	97.5			
10. Other building contracts awarded	"	100	46.0	26.0	12.6	17.4	29.7	55.3	87.7	94.5	105.3	123.0	109.8	115.4	135.2	97.5			
11. Commercial vehicles	1929=100	100	79.1	81.7	72.2	84.3	73.9	90.4	97.4	105.2	129.9	109.6	75.2	100.0	93.9	79.1	69.6		
12. Activity in textile industry	"	100	106.0	116.7	120.7	122.1	120.7	94.0	86.2	106.0	100.6	61.0	69.8	75.2	98.0	116.1			
13. Stocks of raw materials	"	100	102.5	65.0	86.7	85.9	90.9	86.7	85.0	86.7	90.0	90.1	90.8	90.8	91.7	94.1			
14. Stocks of manufactures	"	100	102.5	65.0	86.7	85.9	90.9	86.7	85.0	86.7	90.0	90.1	90.8	90.8	91.7	94.1			
TRADE AND TRANSPORT																			
15. Index of R.V. car loadings	"	100	86.8	70.7	52.8	54.7	58.5	59.4	67.9	77.3	78.3	73.6	75.4	74.5	73.6	71.7			
16. Index of Dept. Store sales	"	100	91.9	82.9	62.2	60.3	67.6	71.2	79.2	84.6	82.9	83.8	84.7	82.9	84.7	83.8			
17. Retained imports	Million \$	362	260	174	110	119	136	170	202	200.3	240.2	278.7	263.4	249.1	234.1	226.5	212.4		
18. Domestic exports	"	430	315	198	131	137	175	187	201	223.9	226.7	256.5	264.6	274.2	293.5	329.8	311.2		
EMPLOYMENT AND WAGES																			
19. Factory employment, F.R.B. (a)	1929=100	100	87.2	73.8	62.6	68.8	78.8	82.1	87.8	91.8	94.2	96.8	98.4	97.8	96.2	93.9			
20. Pay rolls, F.R.B. (a)	"	100	81.1	61.8	42.6	45.3	57.7	65.4	75.5	83.1	87.2	94.3	92.0	95.1	91.8	91.9			
21. Hourly earnings, U.S. Dept. of Commerce (b)	"	100	100	96	84	83	99	102	105	107.5	109.5	122.2	123.1	123.5	124.0	124.0			
22. Av. hours of work, U.S. Dept. of Commerce (b)	Number	48.3	43.9	40.4	34.8	36.4	34.7	37.2	39.7	41.3	41.8	40.1	39.2	38.9	38.3	37.8			
23. Number unemployed, A.F.L.	Thousands	1,864	4,770	8,738	13,182	13,723	12,364	12,208											
PRICES																			
24. Cost of living, N.C.B. (a)	1929=100	100	96.2	87.2	77.9	74.9	79.4	82.6	84.8	85.7	88.0	88.8	88.8	88.9	89.3	89.4	88.9	88.5	
25. Wholesale prices, D. of Lab. (a)	"	100	90.7	76.6	68.0	69.9	78.7	83.9	84.8	86.5	88.4	91.5	92.2	91.9	91.7	89.5	87.4		
26. " raw materials (a)	"	100	86.5	67.3	56.5	57.9	70.4	79.1	82.0	85.2	87.8	88.3	86.5	87.0	86.6	82.8			
27. " finished goods (a)	"	100	87.2	67.3	63.2	61.4	77.6	78.4	80.8	83.7	87.6	92.4	92.7	92.3	90.8	87.8			
28. " farm products (a)	"	100	93.1	81.5	74.4	74.6	82.8	87.0	89.8	87.4	88.7	92.8	94.0	94.2	94.3	93.2			
29. " 351 index, securities, Stand. Stat.	"	100	84.1	61.8	45.9	49.0	62.3	75.1	72.2	81.4	84.4	84.3	84.1	82.3	84.8	76.6			
30. 351 index, securities, Stand. Stat.	"	100	74.2	45.9	24.4	35.0	42.9	48.0	67.3	76.2	75.3	70.6	74.6	75.8	65.7	55.4	50.7	49.7	
FINANCE																			
31. Total Res. Bank credit	Million \$	1,739	1,386	1,853	2,171	2,674	2,470	2,486	2,500	2,453	2,500	2,562	2,574	2,577	2,579	2,580			
32. Gold stock	"	3,900	4,225	4,051	4,045	4,012	4,238	4,125	4,128	4,118	4,128	4,118	4,125	4,125	4,125	4,125			
33. Money in circulation	"	4,578	4,603	5,360	5,388	5,519	5,536	5,582	5,643	5,646	5,643	5,646	5,646	5,646	5,646	5,646			
34. Member Bank Res. Balances	"	2,385	2,471	1,961	2,509	2,729	2,596	2,587	2,587	2,587	2,587	2,587	2,587	2,587	2,587	2,587			
35. Excess Reserves	"	-73	96	-83	576	659	1,814	2,844	1,984	2,236	1,984	1,984	1,984	1,984	1,984	1,984			
36. Loans and investments	"	19,112	19,680	15,985	14,965	11,383	11,419	13,888	15,571	15,494	15,571	15,571	15,571	15,571	15,571	15,571			
37. Deposits Demand	"	13,070	13,654	11,453	10,527	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790			
38. " Time	"	26,801	23,113	17,119	13,818	13,288	15,701	18,676	18,475	23,238	20,019	20,152	18,409	18,642	19,923	21,881			
39. Bank bills outside N. Y. City	"	28,901	23,113	17,119	13,818	13,288	15,701	18,676	18,475	23,238	20,019	20,152	18,409	18,642	19,923	21,881			
40. Cash in hand	"	7.61	2.94	1.74	2.05	1.16	1.01	0.86	0.91	1.01	1.01	1.01	1.01	1.01	1.01	1.01			
41. Yield on Govt. bonds	"	3.80	3.28	3.31	3.66	3.31	3.10	2.69	2.47	2.28	2.27	2.64	2.59	2.59	2.67	2.65			
42. Capital issues, C.F. Chronicle	Million \$	595	848	280	99	59	115	123	166	381	726	559	250	76	223	195	134	164	
FRANCE (Population 1936: 41,906,000; Area: 550,968 sq. kms.)																			
PRODUCTION																			
43. Industrial production, S.G.F. (a)	1929=100	100	100.7	89.2	69.1	77.0	71.2	67.6	70.5	71.2	71.9	73.4	71.9	65.5	69.8	71.9	72.7		
44. Coal production, S.G.F. (a)	Thousands met. tons	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,436	3,813	3,509	3,530	2,587	3,673	4,044	4,072		
45. Electricity, S.G.F. (a)	Thousands met. tons	808	787	787	787	787	787	787	787	787	787	787	787	787	787	787	787		
46. Steel production, S.G.F. (a)	Thousands met. tons	100	111.4	101.6	81.3	74.0	66.7	55.3	52.0	48.4	49.2	45.6	43.6	43.6	43.6	42.1	41.4		
TRADE AND TRANSPORT																			
48. R.V. car loadings, daily	Thous. cars	65.1	65.4	53.9	47.3	45.2	42.5	40.1	40.9	46.3	43.2	41.9	39.7	36.9	41.4	45.6	44.7		
49. Imports	Mill. frs.	4,852	4,376	3,517	2,484	2,369	1,925	1,745	2,117	2,699	3,073	3,200	3,158	3,486	3,720	3,931			
50. Exports	"	4,178	3,570	2,536	1,642	1,539	1,487	1,289	1,288	1,711	1,637	1,997	1,872	1,861	2,074	2,365	2,382		
EMPLOYMENT AND WAGES																			
51. Unemployed in receipt of benefit	Thousands	0.9	2.5	56.1	273.4	276.0	343.0	426.9	407.8	410.8	322.0	314.0	311.3	305.3	319.2	332.8	365.5		
52. Wage rates, Paris region (a)	1929=100	100	106	105	100	102	102	101	116										
PRICES																			
53. Wholesale index of S.G.F. (a)	"	100	88.4	80.0	68.2	63.6	60.0	54.0	65.5	78.5	82.8	88.8	92.8	96.2	100.0	100.2	100.6		
54. Cost of living, Paris (a)	"	100	104.5	102.3	94.6	93.5	92.0	89.0	91.1	97.1	97.1	108.0	113.3	113.3	113.3	118.3	118.3		
55. Industrial securities (a)	"	100	84.6	58.1	47.0	44.8	35.4	36.3	33.4	38.3	40.6	42.6	40.4	41.6	40.1	41.2	40.3		
FINANCE																			
56. Govt. revenue, imports indirect	Mill. frs.	35,496	33,912	33,048	28,980	28,560	26,244	26,670	24,361	25,670	14,354	17,522	19,684	22,054	25,346	27,763			
57. Imports on les revenues	"	10,592	10,716	10,088	7,428	6,748	5,904	5,088	5,705	4,313	5,705	1,379	2,065	2,889	3,591	4,448	5,818		
58. Bank of France (a)	"	41,668	53,578	68,563	83,017	77,088,													

THE ECONOMIST TRADE SUPPLEMENT

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY TABLE.

Jan. 29,
1938

Commodity	Unit of Measurement	Monthly Average								1936		1937						
		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	2,232	2,447	2,519	2,512	2,274	2,345	2,532	2,593	2,481	...
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,436	3,813	3,509	3,530	3,587	3,673	4,044	4,072	...
3. " Germany: Coal	"	13,620	11,892	9,837	8,728	9,141	10,405	11,018	13,198	13,879	14,681	15,403	15,915	15,354	15,634	16,113	15,988	...
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	3,046	2,984	2,946	3,219	3,109	3,197	3,354	3,232	...
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,340	19,519	20,929	20,557	19,246	18,524	20,749	20,699	21,547	...
6. " U.S.A.	"	46,026	40,590	33,395	27,183	28,967	31,398	31,578	36,479	41,441	44,846	32,841	31,123	32,885	38,298	40,478	35,900	37,175
7. " All Principal countries	"	107,219	98,062	86,002	76,435	79,688	87,503	89,335	96,620	103,550	111,263	98,509	96,455	96,294	109,911	109,876	104,350	...
8. Price: Av. Br. expt. price	sh. per ton	16-08	16-07	16-17	16-25	16-08	16-04	16-29	16-98	17-20	17-06	18-88	18-99	19-08	19-43	19-35	19-46	19-6
OIL																		
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	536	591	599	599	632	628	616	640	621	...
10. " Mexico	"	556	492	411	408	422	475	501	511	478	636	499	575	418	513	653	...	...
11. " Persia (Angl.-Ir. Oil)	"	462	503	487	543	544	579	577	628	608	653	750	803	869	932	935	...	...
12. " Rumania	"	409	489	563	612	615	706	698	723	683	692	569	591	588	582	...	...	...
13. " U.S.A.	"	11,509	10,290	9,714	8,979	10,372	11,385	10,777	12,550	12,478	13,388	14,507	15,180	15,779	15,078	15,206	14,287	...
14. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,736	2,013	1,989	2,193	2,290	2,249	2,229	2,085	2,085	2,285	2,414	...	...
15. " All Principal countries	"	17,082	16,293	15,766	15,004	16,465	17,366	18,768	20,463	20,598	20,863	22,068	23,905	24,452	24,227	24,777	...	...
16. Stocks: U.S.A. end year	million barrels	422	402	371	340	354	337	315	288	289	...	303	308	311	310	...	...	...
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	116-0	116-0	116-0	116-0	116-0	116-0	116-0
CRUDE STEEL																		
18. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	283	296	349	353	355	353	354	315	...
19. " France	"	808	787	652	470	544	514	523	539	581	591	685	685	570	672	705	673	...
20. " Germany, inc. Saar	"	1,354	962	691	481	632	990	1,342	1,596	1,507	1,472	1,638	1,654	1,663	1,690	1,714	1,719	...
21. " Japan, ex. castings	"	191	191	157	200	267	325	375	419	458	458	489	...	...	...	...	...	...
22. " Luxembourg	"	225	189	170	163	154	161	153	165	176	186	237	221	215	214	198	178	180
23. " U.K.	"	816	620	438	445	595	750	833	990	1,017	1,036	1,124	1,076	1,004	1,182	1,152	1,197	...
24. " U.S.A. ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,973	4,407	4,503	4,251	4,639	4,940	4,371	3,447	2,183	1,496
25. " U.S.S.R.	"	407	483	451	490	571	600	1,034	1,362	1,442	1,498	1,450	1,429	1,438	1,458	1,626	1,528	...
26. " All Principal countries	"	9,714	7,689	5,615	4,113	5,510	6,848	9,833	9,975	10,538	10,723	11,044	11,313	11,438	11,183	10,514	9,156	...
27. Price: Pig iron Cleveland No. 3	£ per ton	3-53	3-35	2-91	2-91	3-13	3-35	3-39	3-70	3-81	4-55	5-05	5-05	5-05	5-05	5-05	5-28	5-3
GOLD																		
28. Production: Union of S. Africa	Thous. fine ozs.	888	893	907	963	918	873	898	945	944	...	975	997	989	976	987	979	...
29. " U.S.S.R.	"	80	120	146	163	221	317	375	450	...	...	...	...	...	...	...	...	...
30. " Canada	"	181	175	225	254	246	248	274	310	319	...	345	347	348	348	359	...	...
31. " U.S.A.	"	171	175	185	185	199	229	264	310	...	...	...	...	...	...	...	...	...
32. " World (a)	"	1,632	1,736	1,867	2,025	2,112	2,275	2,483	2,747	...	...	...	...	...	...	...	...	...
33. Price: London, per fine ounce	sh.	84-9	85-0	92-5	118-0	124-9	137-6	142-1	140-3	142-27	141-69	140-56	140-03	139-52	140-20	140-52	140-09	139-8
WHEAT																		
34. World shipments, yr. ended July	Mins. of bushels	77	53	69	67	53	46	43	42	57	53	41	29	38	39	48	...	...
35. Stocks: World visible supplies (d)	"	870-1	411-9	462-7	408-2	459-7	477-2	339-5	275-1	298-3	312-5	157-8	229-5	273-3	312-0	294-4	305-4	...
36. Average British import price	sh. per cwt.	10-33	8-22	6-09	6-15	6-52	6-98	6-02	7-53	8-80	7-89	10-74	10-83	10-61	10-33	10-23	10-09	9-78
COTTON																		
37. Mill consumption: U.K.	Thousands of actual bales	233	205	184	182	187	206	209	228	233	233	...	...	...	...	...	...	...
38. " Japan	"	231	250	214	231	242	271	311	304	324	324	...	...	...	...	...	...	...
39. " U.S.A.	"	586	505	437	404	509	472	443	527	641	641	...	...	...	...	...	...	...
40. " World	"	2,157	2,101	1,874	1,880	2,029	2,093	2,035	2,116	2,389	2,389	...	...	...	...	...	...	...
41. Stocks: World Visible Supplies (d)	Thousand bales	2,736	4,317	6,593	7,682	7,510	6,571	3,963	4,207	8,139	7,935	4,362	3,875	4,167	5,990	7,906	8,508	7,965
42. Price: Mod. American	d. per lb.	10-33	7-46	5-08	5-25	5-54	6-67	6-70	6-69	6-81	6-91	7-06	6-63	5-89	5-36	4-84	4-59	4-78
SUGAR																		
43. Stocks: World visible supplies (d)	Thous. tons	4,047	5,522	6,785	7,018	6,441	5,892	4,166	2,983	5,502	5,531	4,388	3,752	3,165	2,816	4,002	5,981	...
44. Av. Brit. import price, unrefined	sh. per cwt.	9-68	8-91	8-10	7-70	7-49	6-98	6-38	6-71	7-05	7-20	8-50	8-09	7-7	8-52	9-2	9-95	9-78

GROUP II (b).—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	8-1	...	...	...	...	...	...	...	...
2. (Smelter) Canada	"	6-1	8-5	9-2	8-0	9-9	12-7	14-7	15-7	...	...	...	...	...	...	...	...
3. " Chile	"	25-3	17-9	18-0	8-1	13-1	20-6	21-6	20-4	...	...	...	...	...	...	...	...
4. " N. Rhodesia	"	0-5	0-5	0-8	5-8	8-8	11-7	12-2	12-1	...	...	...	...	...	...	...	...
5. " U.S.A.	"	83-2	60-8	44-8	23-2	18-9	27-3	38-3	55-4	...	...	...	...	...	...	...	...
6. " World	"	157-9	131-5	115-9	77-6	86-6	98-4	115-6	128-5	...	...	...	...	...	...	...	...
7. Consumption: World	"	146-8	120-0	103-5	75-5	89-1	100-8	121-2	135-5	...	...	...	...	...	...	...	...
8. Stocks: U.K.	"	6-6	7-9	8-1	7-7	37-3	82-8	56-9	88-7	...	...	...	...	...	...	...	...
9. (Refined) Stocks: World	"	423-0	547-1	692-7	724-5	634-2	532-6	440-9	320-4	...	...	...	...	...	...	...	...
10. Price: Std. cash, London	£ per ton	75-48	54-54	38-31	31-71	32-57	30-32	31-91	38-48	...	...	...	...	...	...	...	...
LEAD																	
11. Production: Australia	Th. metric tons	15-0	14-3	12-7	15-8	17-4	16-9	18-2	16-6	...	...	...	...	...	...	...	...
12. (Smelter) Canada	"	11-5	11-5	10-5	9-6	9-6	11-9	12-4	13-7	...	...	...	...	...	...	...	...
13. " Germany	"	8-2	9-2	9-7	9-7	10-7	10-7	12-4	14-5	...	...	...	...	...	...	...	...
14. " Mexico	"	19-2	19-2	17-3	10-9	10-9	14-0	15-1	17-5	...	...	...	...	...	...	...	...
15. " Spain	"	11-1	10-1	9-1	8-8	7-3	6-1	5-9	3-9	...	...	...	...	...	...	...	...
16. " U.S.A.	"	54-1	46-4	31-4	21-1	20-8	24-2	24-8	32-7	...	...	...	...	...	...	...	...
17. " World	"	145-0	137-2	113-3	95-9	96-6	110-3	114-2	121-3	...	...	...	...	...	...	...	...
18. Stocks: U.K.	"	2-0	8-5	13-3	20-6	29-7	19-7	7-1	6-2	...	...	...	...	...	...	...	...
19. " U.S.A.	"	49-7	83-6	137-5	159-4	164-3	210-2	201-6	158-4	...	...	...	...	...	...	...	...
20. Price: "Soft Boreline," London	£ per ton	23-25	18-05	13-02	11-00	11-88	10-93	14-15	17-60	...	...	...	...	...	...	...	...
SPELTER																	
21. Production: Holland	Th. metric tons	2-1	1-9	1-6	1-3	1-5	1-7	1-1	...	...	...	...	...	...	...	...	...
22. (Smelter) Belgium	"	16-5	14-7	11-2	8-0	11-4	14-6	15-3	...	...	...	...	...	...	...	...	...
23. " Canada	"	6-6	9-2	9-0	6-5	7-0	10-3	11-3	...	...	...	...	...	...	...	...	...
24. " Mexico	"	1-3	2-5	2-9	2-5	2-2	4-4	2-7	...	...	...	...	...	...	...	...	...
25. " Germany	"	8-1	9-5	11-8	5-5	4-2	6-1	10-4	11-4	...	...	...	...	...	...	...	...
26. " Poland	"	4-1	14-6	10-9	7-0	7-9	7-7	7-7	...	...	...	...	...	...	...	...	...
27. " Australia	"	4-4	4-7	4-6	4-5	4-6	4-6	5-4	...	...	...	...	...	...	...	...	...
28. " U.K.	"	4-9	4-1	1-8	2-3	3-5	4-3	5-4	...	...	...	...	...	...	...	...	...
29. " U.S.A.	"	47-3	37-7	22-1	15-7	23-2	27-5	31-8	39-6	...	...	...	...	...	...	...	...
30. " World	"	121-5	116-7	83-4	65-3	82-2	97-7	111-2	124-6	...	...	...	...	...	...	...	...
31. Stocks: U.K.	"	4-5	12-0	21-6	18-2	7-0	10-9	8-2	17-2	...	...	...	...	...	...	...	...
32. " U.S.A.	"	70-1	130-2	15-7	113-4	99-7	108-7	76-1	40-5	...	...	...	...	...	...	...	...
33. Price: G.O.B. Tin	£ per ton	24-88	16-84	12-45	13-58	15-68	13-87	14-08	14-80	...	...	...	...	...	...	...	...
TIN																	
34. Production: Bolivia	Tons	3,862	3,179	2,562	1,715	1,227	1,719	2,264	2,006	...	...	...	...	...	...	...	...
35. (exports) Dutch E. Indies	"	2,976	2,999	2,290	1,307	1,201	1,557	2,080	2,628	...	...	...	...	...	...	...	...
36. " China	"	334	350	314	464	592	545	674	748	...	...	...	...	...	...	...	...
37. " Belgian Congo	"	71	72	12	57	185	884	540	626	...	...	...	...	...	...	...	...
38. " British Malaya	"	5,784	5,311	4,557	2,479	2,073	2,836	3,836	5,361	...	...	...	...	...	...	...	...
39. " Nigeria	"	895	724	602	355	282	415	566	1,866	...	...	...	...	...	...	...	...
40. " Siam	"	828	922	1,037	772	860	883	1,567	1,045	...	...	...	...	...	...	...	...
41. " World	"	15,582	14,251	12,020	7,930	7,261	9,155	11,710	14,353	...	...	...	...	...	...	...	...
42. " Quantity of restrg. countries	% of std. quantity	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
43. Consumption: U.K.	tuns	2,518	3,888	1,745	1,542	1,684	1,756	1,786	1,822	...	...	...	...	...	...	...	...
44. " U.S.A.	"	7,298	6,385	5,297	2,941	4,892	3,933	5,911	6,304	...	...	...	...	...	...	...	...
45. " World	"	14,834	13,540	11,293	8,289	10,094	9,807	11,873	13,099	...	...	...	...	...	...	...	...
46. Stocks: World Visible supply	"	32,449	46,823	29,247	55,903	29,135	17,841	22,685	22,137	...	...	...	...	...	...	...	...
47. " Ratio to annual cons.	%	18-2	28-9	43-8	56-2	22-9	14-5	9-7	14-6	...	...	...	...	...	...	...	...
48. Price: Std. cash, London	£ per ton	203-9	141-8	118-6	136-0	148-4	230-4	225-7	204-6	...	...	...	...	...	...	...	...

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

The position of the industry showed little change between December and January and was appreciably better than at this time last year. Production in January amounted to 20,832,000 tons, against 21,135,000 in December and 19,490,000 tons in January, 1937. A slight increase in the number of insured workpeople wholly unemployed was more than offset by a decrease in the number temporarily stopped. At 11.3 per cent., the proportion of insured persons unemployed in January was about 3.9 per cent. below last year's corresponding figure. Demand for industrial fuels remains active generally, though the call from some sections of British industry is now less pressing. In consequence, supplies of some sorts, which had previously been scarce, are now more readily available. In the early part of February a spell of mild weather caused a slackening of the demand for house coal, but the recent fall in temperatures has brought increased business to this section of the industry. The quantity of coal exported and shipped for the use of steamers was 4,194,000 tons last month, against 4,326,000 tons in December and 4,256,000 tons in January, 1937. Collieries have satisfactory export orders for a short time ahead, but forward business has lately been disappointing.

IRON AND STEEL

In contrast to the setback in many other branches of activity, operations in the iron and steel industry remain at a high level. The returns of the British Iron and Steel Federation reveal a slight reduction in output between December and January. The decline in pig iron and steel production, however, was entirely seasonal, and was no greater than a year ago, amounting to 22,400 and 22,700 tons respectively. Imports of iron and steel materials showed a further substantial increase last month, when they totalled 308,700 tons, against 83,100 tons in January, 1937. Exports, on the other hand, continued to decline and, at 191,200 tons in January, showed a reduction of 23,800 tons on the corresponding month a year ago. As a result of the co-incidence of a substantial volume of home production with rising imports and falling exports, the quantity of iron and steel available for domestic consumption has greatly increased. There are now hardly any complaints concerning the scarcity of supplies. On the contrary, producers and consumers of pig iron, for example, have recently been able to replenish their stocks. Our index of domestic consumption of iron and steel (which is not adjusted for changes in stocks) declined slightly from 173.4 (1935=100) in December to 169.4 in January. A year ago the index stood at 124. Although the iron and steel industry as a whole remains very active, the volume of new business has declined and there has been a slight recession in some of its branches. Thus, activity in the tinplate section has shown a substantial decline, the proportion of insured persons unemployed in January showing an increase of 13.2 per cent. over the corresponding month a year ago.

GENERAL ENGINEERING

Although activity in most branches of engineering remains at a high level, the industry has not been altogether unaffected by the general slowing down of industrial operations. The volume of new civil business is still tending to decline, the curtailment of orders being most marked in the home market. To some extent the decline in new civil business has been offset by an increase in Government contracts. But the volume of Government business is now believed to be near its peak. Owing to the time lag between the placing of new orders and their completion, activity in the industry has not yet declined in proportion to the curtailment of new business. Nevertheless, the proportion of insured persons unemployed has shown a further slight rise between December and January and, in general engineering, was only 0.2 per cent. smaller last month than a year ago. Exports have been maintained surprisingly well, the volume of shipments of machinery having risen from 30,095 tons in January, 1937, to 41,534 tons last month. But this buoyancy is ascribed in a large measure to the time-lag of six to nine months between the placing of orders and their completion. The decline in domestic requirements of tools and machinery is reflected in imports, which, at 10,781 tons in January, were smaller than in December and only slightly higher than a year ago. As far as individual branches of the industry are concerned, business in prime movers, especially internal-combustion engines, remains very good, and there has been some improvement in the agricultural, mining, and sugar-crushing and refining machinery sections.

ELECTRICAL EQUIPMENT

Unemployment in the electrical equipment industry showed some increase between December and January, and the proportion of insured workers without work last month was slightly higher than a year ago. Despite the slight recession, however, the industry remains very active. Exports of electrical machinery rose from 1,343 tons (valued at £218,933) in January, 1937, to 1,981 tons (valued at £338,884) last month. Similarly, exports of electrical goods and apparatus showed a substantial increase during this period, from £849,143 to £1,259,609.

AUTOMOBILES

The recession in the motor industry has continued, both the private car and the commercial sections having been affected. Sales of private cars in December amounted to 25,975 units, or 7.3 per cent. less than in the corresponding month in the previous year. This was the fourth successive month in which new registrations had fallen below the 1936 level. Moreover, the transference of demand from the more expensive to the cheaper car continued; so that December sales of eight horse-power cars were actually larger in 1937 than in 1936. Sales of goods vehicles in December were 16 per cent. lower than in the same month of 1936—7,565 units against 6,334—the fall being fairly evenly spread between the different categories. Exports of private cars and commercial vehicles together were 836 units fewer last month than in January, 1937, but the aggregate value showed an increase of £120,000 or 10 per cent. It thus appears that overseas customers are purchasing larger vehicles.

BUILDING

Activity in the building and public works contracting industries has so far been surprisingly well maintained. The proportion of insured workers unemployed in building last month was only 2.3 per cent. greater than a year ago, and there was a reduction of 2.4 per cent. in the case of public works contracting. Although the day of the count was favourable to outdoor operations, the current level of activity of the building and public works contracting industries still appears to be almost as great as a year ago. The January returns of the value of building plans passed by 143 local authorities showed an increase of 2.2 per cent. over the corresponding month last year. The improvement, however, was entirely due to the increase in the value of plans passed for dwelling houses, the figures for all other categories of building showing a substantial decline. An analysis of the changes in the regional distribution of plans passed since January, 1937, shows considerable divergencies. In Yorkshire and Wales, for example, there were increases of 83.6 per cent. and 37.7 per cent. respectively. On the other hand, the value of plans passed in the south-west counties was 48.3 per cent. lower than a year ago, and the northern counties and Scotland showed declines of 43.4 per cent.

CHEMICALS

A steady business was transacted in most sections of the home chemical market during January. The industrial chemicals section was not as active as during the last part of 1937, but was fairly satisfactory generally. Most wood distillation products continued in very fair demand, and trade in pharmaceutical chemicals was average for the time of year. A fair number of inquiries were received for coal tar products, but only a few large orders were placed, most sales being for small quantities. Exports during January showed a further advance, the total being £105,426 greater than in January, 1937, and £211,780 greater than in January, 1936. Items for which the increases were particularly large as compared with 1937 were ammonium sulphate, copper sulphate, caustic soda and drugs and medicines. Imports of chemicals, dyes, and colours were lower than in January, 1937, by £49,241.

POTTERY

Activity in the industry showed a further decline last month, and employment again diminished. The percentage of insured workpeople unemployed rose from 18.5 per cent. in December to 22.0 in January, the latter figure being about 6.2 points above the level of a year ago. Business was slack in North Staffordshire, but remained fairly good at Bristol and Worcester. There was a slight decline at Derby. Meanwhile, export demand was well maintained. Shipments of general earthenware and of tiles, sanitary ware and electrical ware were all larger last month than in January, 1937.

FOOTWEAR

Employment in the boot and shoe trades showed a further slight decline between December and January, and there was still much short-time working. The unemployment percentage, at 13.1, is now about 1.4 above the level of a year ago. Export business, however, showed an improvement, sales abroad last month amounting to 34,398 dozen pairs, against 27,746 dozen pairs in January, 1937. The best customers were among Empire countries—especially New Zealand, South Africa and the British West Indian islands.

COTTON

Since a month ago, further ground has been lost and the employment position has continued to deteriorate. Curtailment of production has been on a larger scale than for a long time, and stocks have increased. The proportion of insured workpeople unemployed amounted to 26.1 per cent. in January, against 15.8 per cent. a month earlier. On a comparable basis there was an increase of about 9.2 in the percentage compared with a year ago. In the spring of last year many buyers anticipated their requirements for a long time ahead, and this movement was followed by a fall in raw cotton prices. Some time must elapse before these large supplies are digested. Meanwhile, raw cotton prices have been firmer since the passage of the Farm Bill by the United States Congress. The present season's crop is expected to yield between 11½ and 12 million bales, compared with a total of 18,750,000 bales last season. Purchases of piece goods have been mainly confined to

retail lots during the past month, and numerous makers have worked off old contracts without securing fresh business. It is reported, however, that there have recently been signs of rather freer clearances for the home trade. In the spinning section some customers have not been prepared to accept deliveries against old contracts. Production is now at only 75 per cent. of capacity, against 88 per cent. a month ago and 90 per cent. a year ago.

JUTE

There has been some improvement during the past month, though the position of the industry remains depressed and unemployment is severe. Spinners, however, have been able to secure a slight advance in their yarn prices, while cloth is also a little dearer. Competition from Calcutta goods remains severe and the industry is anxious to secure some form of protection. There is disappointment throughout the industry at the failure of the associated Indian mills to reach agreement with the "outside" mills on the question of working hours. It is hoped, however, that agreement will be reached in the near future.

LINEN

Apart from a further tightening up of selling prices, there have been no new developments in the flax position during the past month. A steady business is reported in Courtrai and Irish fibre, while some purchases of Baltic Soviet material have been made by Germany. Home spinners are still reported to be unable to operate at current limits, owing to the disparity in prices so far obtainable for yarns. Cloth business has not developed to the extent expected, consumers being reluctant to concede the advances required by sellers.

RAYON

The industry is suffering from the fact that stocks of finished fabrics and garments are still heavy. While there is a fairly steady movement of these into consumption, manufacturers have as yet received few new orders. Yarn business is consequently decidedly scarce. Some improvement is, however, discernible on the hosiery side, more especially in the demand for flat and circular underwear fabric.

WOOL

Activity in the wool textile industry suffered a further decline in the period under review. The holiday stoppage at Christmas was

extended into January by many firms and short-time working has since been common. The proportion of insured workpeople returned as unemployed on January 17th was no less than 21.1—or 14.5 points higher than a year ago. The worsted section was affected more than the woollen section, while the carpet section, which had been very active until recently, sustained a severe curtailment of operations. With the decline in machinery activity throughout the industry, stocks have accumulated and the price structure has weakened. Meanwhile, export business has also deteriorated. Shipments of tops, yarns and cloth last month were smaller than in January, 1937, and the outlook is not encouraging.

AGRICULTURE AND FISHERIES

Some progress was made during January with field work and cultivation, and at the end of the month land work was generally well forward for the time of year. Early-sown corn, with the exception of some late-sown winter wheat, looks well. Potatoes generally are keeping well. Prospects for lambing appear to be favourable, and where lambing has commenced the fall appears to be satisfactory. Cattle and sheep have done fairly well. With care, existing stocks of winter keep, with the exception of straw which is likely to be scarce later, should last until the spring. Milk yields generally are about average. The aggregate quantity of wet fish landed in Great Britain during January amounted to 1,322,352 cwt., against 1,218,123 cwt. in the same month of 1937. The value of the catch rose from £1,211,898 a year ago to £1,304,267 last month.

SHIPPING

After the precipitous decline in freight rates during the last quarter of 1937 the markets had a steadier appearance in January, following an improvement in the demand for tonnage. Thus, *The Economist* index of freight rates, which had fallen steeply from 169.8 in September to 126.4 in December (1898-1913 = 100) declined only a little further in January to 125.8. In recent weeks the demand for tonnage has remained poor and, while the minimum freight schemes have kept a bottom in the market, a further weakening of freights is likely. A large amount of tonnage is available in the River Plate market and, despite a good demand from Australia, this is having a depressing influence elsewhere.

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
Number of Weights.....	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929.....	98	103	88	127	76	85	60	97	111	98	137	108	91	109	98	...
1930.....	94	98	88	115	80	86	65	84	82	88	109	107	89	112	93	...
1931.....	91	92	69	98	83	82	62	73	86	82	80	97	86	96	87	...
1932.....	90	90	71	86	86	84	57	59	94	84	82	94	86	86	84	...
1933.....	89	90	78	89	89	84	73	70	101	82	85	96	91	88	88	...
1934.....	97	97	88	100	95	97	88	93	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	110	101	102	104	103	108	...
1935—January.....	98	96	92	103	98	98	93	98	88	85	95	95	98	110	97	97
February.....	98	96	92	99	98	98	93	98	88	85	95	95	98	110	97	97
March.....	98	92	93	98	99	95	96	97	94	85	98	97	96	92	96	97
April.....	99	98	97	97	99	101	98	92	90	100	99	99	97	97	98	98
May.....	99	102	99	100	99	98	98	93	96	100	97	100	99	100	99	98
June.....	99	98	97	99	99	96	98	98	99	97	105	100	102	100	99	99
July.....	101	94	96	100	98	96	99	93	112	108	96	100	104	99	99	99
August.....	101	92	99	100	100	100	100	104	109	100	99	100	100	98	100	99
September.....	101	100	99	98	100	101	102	105	104	96	103	101	102	95	101	100
October.....	101	105	101	101	101	99	103	102	98	102	98	99	96	101	101	101
November.....	101	104	102	103	101	100	108	102	107	106	99	101	98	102	101	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	97	92	99	98	91	102	102
February.....	102	100	108	102	104	101	107	117	96	102	100	99	99	93	102	102
March.....	103	98	105	105	104	102	107	112	101	99	99	99	100	94	102	104
April.....	103	103	111	106	104	102	106	126	110	107	99	98	101	97	105	104
May.....	104	102	107	105	102	107	116	112	106	99	100	108	98	104	105	105
June.....	105	106	107	104	105	101	109	121	119	117	98	102	104	104	108	105
July.....	106	106	109	106	105	103	109	123	120	117	105	101	104	97	107	106
August.....	106	104	109	106	104	109	109	138	120	117	101	107	106	106	107	106
September.....	107	102	112	106	106	106	106	132	107	123	107	107	106	113	108	107
October.....	107	104	113	107	107	104	107	127	102	117	102	103	108	114	108	106
November.....	107	104	117	106	108	107	105	125	100	119	100	106	109	111	108	108
December.....	107	107	117	113	108	108	103	134	109	108	108	103	107	122	109	109
1937—January.....	109	97	116	110	109	107	102	124	111	103	104	101	106	105	107	109
February.....	109	108	116	107	109	107	102	118	110	102	111	108	118	110	107	110
March.....	109	110	125	106	110	107	103	119	112	103	114	108	107	111	110	110
April.....	110	112	122	115	110	110	102	117	116	103	108	102	102	103	109	110
May.....	110	115	123	113	111	106	100	130	143	116	117	114	107	98	112	111
June.....	111	115	122	113	111	107	99	133	111	125	122	106	106	108	113	111
July.....	112	107	123	114	111	105	96	140	131	122	113	109	102	100	111	111
August.....	112	107	125	119	111	108	95	160	115	130	111	112	108	99	113	...
September.....	112	110	124	117	111	108	85	157	106	133	113	108	108	99	113	...
October.....	112	105	124	112	112	108	85	158	107	146	112	110	104	99	113	...
November.....	111	107	128	110	113	108	85	187	106	145	104	108	104	100	112	...
December.....	109	104	131	114	113	111	85	173	97	110	168	108	101	99	111	...
1938—January.....	110	105	125	110	114	110	96	169	97	105	105	105	104	98	110	...

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—The wheat harvest has now been officially estimated at 170 million bushels, mostly of good quality, but prices realised have been somewhat disappointing. Demand for wool has been limited, says a cable from the National Bank of Australasia, and brokers' sales during the past seven months have totalled 1,400,000 bales, or half the estimated season's receipts to brokers' stores. On the Stock Exchange industrials have been quietly steady. Government bonds have been strong and base metal shares easy. Trade and industry are reported to be satisfactory, following the holidays, and prospects appear favourable provided that export prices are maintained or improved.

SOUTH AFRICA.—The farming community has lately been adversely affected by drought and by the decline in prices of wool, maize, mohair, hides and skins. Nevertheless, retail trade was reported to be satisfactory in January, turnovers comparing favourably with those of a year earlier. Despite the uncertain political and economic outlook abroad, business activity in the Union, based on the continued prosperity of the gold mining industry, has been well maintained. The volume of building remains substantial. The note circulation is rising and overseas trade is expanding.

CANADA.—The general level of business activity has not been fully maintained recently, though the setback has been less severe than in the United States. Mining and lumbering remain active, though export demand is not strong. Textiles are experiencing seasonal slackness and there has also been a decline in the iron and steel, paint, automobile and footwear industries. Firms producing light machinery and equipment remain busy. During the past two months there has been a marked increase in the number of people on relief and the resources of municipal authorities are taxed to the limit to provide relief funds.

PALESTINE.—Political unrest has recently been reacting unfavourably on the business position and the outlook has deteriorated. The building industry has been severely affected by the disturbances, but it is possible that public works may provide some relief. The citrus fruit industry has had an unsatisfactory season. Prices have fallen in response to heavier shipments and some planters are stated to be facing losses. Wage rates have tended downwards and the resulting decline in purchasing power is reflected in a contraction of the demand for consumers' goods. Meanwhile, public expenditure has been rising more rapidly than public income.

EUROPE

FRANCE.—After an improvement last autumn, business activity has again been marking time. The official index of industrial production (1928=100) remained unchanged from the previous month at 91 in December, against 90 in the corresponding month in 1936. There has been a slight improvement between November and December in the chemical, textile, engineering and automobile industries. On the other hand, there was some decline in the mining and iron and steel industries. Building activity remains at a very low level, the official index for December being 44 per cent. lower than in 1928. New investment remains small. The number of unemployed in receipt of benefit rose substantially between the end of December and January, from 365,452 to 403,813. A year ago, however, the number unemployed was 426,072. Wholesale prices have tended to decline in recent weeks, the official index (July, 1914=100) having fallen from 615 on January 15th to 607 on February 12th. There are indications of an improvement in labour relations, though the general outlook still remains uncertain.

GERMANY.—Under the stimulus of heavy capital expenditure, designed to increase Germany's military strength, industrial activity has been maintained at a high level. The number of registered unemployed increased by 57,000 to 1,052,000 during January, compared with an increase of 374,000 during the corresponding month last year. Both imports and exports remain well above the level of a year ago. Thus imports rose from Rm. 367.1 millions in December, 1936, to Rm. 531.2 millions in December, 1937. During the same period the value of exports increased from Rm. 457.2 millions to Rm. 552.3 millions. The official indices of wholesale and retail prices showed little change in recent weeks. There are no indications of any significant change of trend in the near future.

HOLLAND.—The trend of industrial activity has been downwards since last summer. For example, the index of production (1929=100) has fallen from 102.5 in July to 85.8 in December. This index, however, probably exaggerates the extent of the setback, for the number unemployed, exclusive of agricultural workers, only rose from 123,000 in July to 153,000 in December. The value of foreign trade has tended to decline in recent months, but remains above last year's level. After rising from 105.5 million gulden in January, 1937, to 148.5 million gulden in October, imports fell to 119.0 million gulden last month. Similarly, exports increased from 72.7 million gulden in January, 1937, to 113.2 million gulden in September, but declined again to 82.0 million gulden last month. Wholesale prices have shown a slight decline in recent months, but the cost of living index has remained practically unchanged.

POLAND.—Business activity continued to expand gradually until the end of last year, the index of industrial production (1929=100) having risen from 77.7 in the last month of 1936 to 88.6 in December, 1937. The number of registered applicants for work, however, has shown little decline, amounting to 336,000 at the end of last November (the latest figure available), against 339,000

a year earlier. The improvement in foreign trade has so far been fairly well maintained. Imports rose from 91.0 million zloty in December, 1936, to 110.7 million zloty a year later. During the same period the value of exports advanced from 96.4 million zloty to 108.6 million zloty. Both wholesale prices and the cost of living have shown little change in recent months.

SWEDEN.—The economic situation in Sweden underwent little change in December. Industrial production remained at a high level, and employment was satisfactory in spite of a seasonal rise in the number of unemployed. The timber market was dull in December, partly because of the closing of the northern ports of Sweden to navigation, but more especially owing to the accumulation of heavy stocks in Great Britain. At the turn of the year total timber sales for the coming season were only 100,000 standards, compared with 325,000 standards a year earlier. Moreover, there has been a substantial decline in new orders for iron and steel, especially from home consumers. The value of imports declined from Kr. 193.2 millions in November to Kr. 183.6 millions in December. On the other hand, exports rose from Kr. 184.7 millions to Kr. 198.3 millions during this period. In December, 1936, imports and exports were Kr. 150.0 millions and Kr. 143.9 millions respectively.

UNITED STATES OF AMERICA

Following the headlong decline in business activity between September and December, there were indications last month that the deterioration had been arrested, at least temporarily. The *New York Times* index of business activity actually rose slightly from 78.3 for the week ended January 1st to 82.3 for the week ended January 29th. Since then, however, the index has fallen back to 79.7. Despite the efforts of President Roosevelt to promote recovery, he has so far failed to bring about a return of confidence and a significant increase in new investment. There is now little hope of sustained recovery in the immediate future. Stocks of goods in the heavy industries appear to be still large. Some of the principal automobile manufacturers are reported to have from six weeks' to two months' supplies of steel. Nevertheless, the outlook is not altogether discouraging. In some of the consumers' good trades, for example, there are signs of revival of activity. If President Roosevelt should succeed in his efforts to stem the downward trend of prices, the volume of business would probably take an upward turn. The firmer tendency of quotations for industrial securities, though by no means a reliable guide to the future, reveals a slightly more hopeful view concerning the prospects of business activity.

LATIN AMERICA

ARGENTINA.—Preliminary reports indicate short crops of wheat, linseed, oats and maize. Despite the decline in exports in recent months, they totalled 2,308 million pesos in 1937 against 1,656 million pesos in 1936, with an export surplus of 751 million pesos against 539 million pesos. Great Britain continued to head both the import and export lists. Competition with British goods may be increased by the reduction, from 20 per cent. to 10 per cent., in the surcharge on official exchange payable by importers without prior permit, but this has been offset to a considerable extent by the depreciation of the "free" exchange rate.

URUGUAY.—The all-important wool export season is still retarded, with prices nominal. The exchange quota for imports from Great Britain has been increased to £350,000 for January, 1938. Exchange control is being overhauled, primarily to secure stricter control over imports.

CHILE.—Export trade continues to contract from the high levels of early 1937, and, although "export" exchange is still forthcoming for permitted imports, there are indications of underlying exchange stringency.

BRAZIL.—Coffee moved rather more freely in January, but exports must increase very substantially to offset the fall in prices since November. Under the stringent exchange control, the Bank of Brazil is making weekly allotments of exchange at 60 days to cover payment of import bills. During the first eleven months of 1937 Brazil's favourable trade balance was less than £3,000,000 (gold), the smallest surplus for many years. There has been some recovery in Colombia and the Central American countries as a consequence of the comparatively firm tendency of New York prices for "mild" coffees.

THE FAR EAST

The economic outlook is completely overshadowed by the continuance of the war between China and Japan. In the latter country, expenditure for war needs has recently shown a substantial increase which has had to be financed by heavier taxation. Income and profits taxes, excise duties and sales taxes have all been stiffened. Meanwhile, restrictions on overseas trade have been made more stringent and foreign exchange is difficult to obtain. Import restrictions cover a wide range of raw materials while an export embargo has been placed on other materials, such as coal and armament metals. Despite the efforts recently made to reduce the adverse balance of trade, imports exceeded exports last month. Imports were 208 and exports 172 million yen, against 319 and 209 millions, respectively, a year ago. The note circulation has been expanded fairly rapidly since the outbreak of hostilities and the general price level rose by over 12 per cent. during the past year. Meanwhile, China's trade balance has further deteriorated. Her imports were 59 million dollars last month, against 53 millions in December and 77 millions in January, 1937, while her exports totalled 43 million dollars, against 55 and 82 millions, respectively.

UNITED KINGDOM

(Population, mid 1936, 47,098,000; Area 95,030 sq. miles; 244,000 sq. kms)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average												1936		1937		1937					1938	
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Dec.	Jan.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.						
PRODUCTION																								
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.5	100.0	97.0	90.5	95.5	106.1	113.6	124.6	133.1	131.7	131.7	130.4	130.4	130.4	130.4	130.4	130.4	130.4					
2. Coal, G. B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	20.1	20.6	19.5	18.2	20.4	20.4	21.2	21.1	21.1	21.1					
3. Electricity, public supply, G.B.	Mill. kw.-hrs.	858	910	951	1,020	1,130	1,285	1,464	1,685	1,908	2,180	2,176	1,529	1,752	2,029	2,285	2,500	2,382	2,382					
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	708	671	651	713	727	770	782	784	784	784					
5. Steel ingots and castings	Thous. tons	803	610	434	439	585	738	822	975	1,080	1,019	989	988	1,163	1,314	1,478	1,504	1,504	1,504					
6. Refined glass, passed	Thous. £'s	3,888	3,897	3,374	3,907	5,192	5,799	6,336	6,255	5,637	5,174	4,478	3,624	5,642	5,538	5,285	7,037	5,373	5,373					
7. 146 towns, G.B. (Other)	Thous. £'s	2,403	2,320	1,877	1,814	1,781	2,164	2,960	3,497	3,673	3,303	3,966	2,223	3,516	3,159	3,024	3,075	3,204	3,204					
8. New Orders, heavy gen. plant	Thous. £'s	2,403	2,320	1,877	1,814	1,781	2,164	2,960	3,497	3,673	3,303	3,966	2,223	3,516	3,159	3,024	3,075	3,204	3,204					
9. Home	1929 = 100	100	125	77	112	67	160	148	250	232 (c)	250	264	220	218	197	200	...	...	...					
10. Foreign	1929 = 100	100	67	50	31	44	60	62	96	108 (c)	96	105	107	97	93	92	...	...	...					
11. Total	1929 = 100	100	93	58	59	56	107	104	167	168 (c)	167	175	161	151	144	144	...	...	...					
12. Shipbuilding: commenced (f)	Thous. gross tons	137	79	17	6	20	43	57	91	88	91	84	73	72	72	72	...	...	...					
13. " launched (f)	Thous. gross tons	127	123	42	16	11	38	42	71	76	83	89	89	89	74	74	...	...	...					
14. " on hand, end yr.	Thous. gross tons	1,560	909	401	225	332	597	743	961	1,125	964	...	1,185	...	...	1,125	...	...	...					
15. Automobiles: priv. cars (b)	Number	15,196	14,139	13,230	14,270	19,232	21,406	25,962	29,487	32,469	34,349	34,062	20,888	28,816	26,927	27,034	...	...	...					
16. " Com. vehicles (b)	Number	4,705	5,572	5,609	5,123	5,459	7,136	7,681	8,967	9,843	10,165	11,427	14,883	17,821	16,907	17,773	...	...	...					
17. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5,272	3,92	4,04	4,47	4,72	4,31	4,72	5,17	5,43	5,74	5,65	4,47	4,27	5,24	5,63	5,06	5,42	5,42					
18. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	11,410	12,901	12,901	10,950	11,720	10,800	14,400	13,570	13,720	11,830	...	...					
19. Quantity excised	Thous. lbs.	4,710	3,992	4,591	5,955	7,086	7,758	11,410	12,901	12,901	10,950	11,720	10,800	14,400	13,570	13,720	11,830	...	...					
20. Beer: production	Thous. st. barrels	1,626	1,568	1,365	1,102	1,193	1,355	1,385	1,488	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	...	...					
21. Distilling: Drink (f)	Thous. proof galls.	914	840	786	721	733	719	720	760	785	785	785	785	785	785	785	785	...	...					
22. " Industrial alcohol (f)	Thous. proof galls.	1,205	1,393	1,438	1,834	2,484	2,816	3,172	3,565	4,369	3,976	3,700	4,410	4,410	4,410	4,410	4,410	...	...					
23. " Stocks, end year	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	138.1	137.4	144.5	137.4	138.2	142.4	142.7	143.2	143.2	141.5	...	...					
TRADE AND TRANSPORT																								
Domestic Trade																								
23. Rly. traf.: Merch. & Livest. G.B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,660	7,661	8,188	...	8,279	8,098	8,871	9,149	9,296	...	...	...	...					
24. " Coal and coke, G.B.	Thous. tons	15,933	14,868	13,360	12,861	12,727	13,384	13,447	13,539	...	13,539	13,539	13,539	13,539	13,539	13,539	13,539	...	...					
25. Automobile: priv. cars in use, G.B.	Thousands	893.8	967.7	979.7	1,018.4	1,084.9	1,184.5	1,347.8	1,498.8	1,648.2	1,558.0	1,445.9	1,768.1	1,768.1	1,768.1	1,768.1	1,768.1	...	...					
26. " Com. vehicles in use, G.B.	Thousands	314.7	333.6	346.0	356.2	370.0	393.5	413.2	437.0	459.8	453.4	445.9	460.3	462.5	467.1	475.4	475.4	...	...					
27. Postal traffic received, daily	Thous. £'s	133	135	134	133	135	137	140	147	128	201	145	141	152	156	157	207	...	...					
28. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1933 = 100	...	...	...	102	100	103	111	120	131	142	119	126	128	130	134	157	...	...					
29. " Other merchandise	Avg. daily sales in 1933 = 100	...	...	...	99	100	103	108	113	119	167	120	89	108	122	128	178	...	...					
30. Total	Avg. daily sales in 1933 = 100	...	...	...	101	100	103	109	117	125	154	119	108	118	127	131	167	...	...					
31. Advtg. expenditure on brand gds.	1935 = 100	...	...	76.1	79.2	84.6	90.4	100	104.6	108.6	94.2	88.1	68.8	99.8	143.5	140.7	99.2	84.5	...					
Foreign Trade																								
32. Retained imports, value: Food	Thous. £'s	42,444	37,603	33,041	29,810	27,311	27,829	28,619	30,921	34,099	36,725	31,699	33,867	35,020	42,111	41,693	41,797	35,204	...					
33. " Raw materials	Thous. £'s	23,774	17,674	12,277	11,740	12,897	15,153	15,237	17,934	23,203	21,940	22,627	23,730	24,883	25,521	26,473	24,906	29,713	...					
34. " Manufactures	Thous. £'s	25,467	23,622	20,367	12,168	11,654	13,395	14,362	16,452	20,878	18,011	16,435	21,877	22,178	22,275	23,345	21,701	20,724	...					
35. Total	Thous. £'s	82,589	79,762	66,449	54,221	52,161	56,861	58,473	65,710	79,492	77,443	70,505	79,972	82,603	90,387	91,946	88,349	80,155	...					
36. Volume: Food (a) (d)	Avg. of 1935 = 100	98.9	99.6	106.5	102.5	100.7	101.1	100	102.8	103.4	114.4	131.9	101.4	117.2	120.4	120.4	120.4	120.4	...					
37. " Raw materials (a) (d)	Avg. of 1935 = 100	101.5	90.9	82.9	84.6	92.7	95.6	100	111.1	120.9	121.6	121.6	117.1	117.1	117.1	117.1	117.1	117.1	...					
38. " Manufactures (a) (d)	Avg. of 1935 = 100	108.9	106.8	105.0	92.2	93.7	99.0	100	107.2	113.9	118.1	118.1	110.6	110.6	110.6	110.6	110.6	110.6	...					
39. Total (a) (d)	Avg. of 1935 = 100	108.9	106.8	105.0	92.2	93.7	99.0	100	107.2	113.9	118.1	118.1	110.6	110.6	110.6	110.6	110.6	110.6	...					
40. Domestic exports, value: Food	Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,636	2,966	3,232	3,404	2,990	3,034	3,415	3,443	3,983	3,451	3,031	...					
41. " Raw materials	Thous. £'s	6,575	5,313	3,920	3,634	3,832	4,021	4,400	4,278	5,388	4,939	5,901	5,275	5,436	5,810	5,347	4,873	4,489	...					
42. " Manufactures	Thous. £'s	47,899	36,745	24,398	23,031	23,475	25,403	27,411	28,410	33,737	30,323	29,885	33,383	34,474	36,747	34,682	33,362	32,892	...					
43. Total	Thous. £'s	60,779	47,563	32,552	30,493	30,659	33,904	35,493	36,747	43,466	40,516	39,101	42,546	44,263	47,216	45,183	43,826	41,184	...					
44. Volume: Food (a) (d)	Avg. of 1935 = 100	130.4	110.2	87.9	82.0	85.5	83.3	100	110.6	118.3	131.9	100.7	117.2	120.4	120.4	120.4	120.4	120.4	...					
45. " Raw materials (a) (d)	Avg. of 1935 = 100	142.7	113.8	80.7	83.0	87.8	92.4	100	102.1	115.2	108.5	100.7	113.7	113.7	113.7	113.7	113.7	113.7	...					
46. " Manufactures (a) (d)	Avg. of 1935 = 100	140.3	115.0	83.3	84.0	85.9	92.4	100	101.1	115.9	110.0	110.0	111.6	111.6	111.6	111.6	111.6	111.6	...					
47. Total (a) (d)	Avg. of 1935 = 100	140.3	115.0	83.3	84.0	85.9	92.4	100	101.1	115.9	110.0	110.0	111.6	111.6	111.6	111.6	111.6	111.6	...					
48. Shipping: Tonnage entered	Thous. net tons	5,225	5,310	5,023	4,477	4,536	5,223	5,302	5,616	5,868	5,553	4,869	6,722	6,014	6,100	6,139	5,860	5,002	...					
49. " Tonnage cleared	Thous. net tons	5,723	5,498	4,862	4,620	4,688	4,674	4,777	4,735	5,116	4,655	4,531	5,487	5,633	5,503	4,911	4,841	4,530	...					
50. " Tonnage laid up (h)	Thous. net tons	365	1,583	1,966	1,971	1,240	878	438	212	95	212	...	...	...	...	...	...	...	...					
51. Freight rates, Economist Index	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.8	132.5	113.8	120.4	143.6	149.8	145.4	129.8	112.2	111.5	...					
52. Cable and wireless traffic receipts	Corresponding month 1929 = 100	100	87.3	78.9	72.3	70.5	72.5	73.5	74.4	78.9	96.4	85.8	73.0	72.6	76.5	72.5	82.5	71.5	...					
EMPLOYMENT AND WAGES																								
53. Insured pers. employed, G.B.	Thousands	10,220	9,797	9,421	9,348	9,681	10,139	10,377	10,912	11,496	11,182	11,106	11,772	11,706	11,659	11,573	11,437	11,368	...					
54. Insured pers. unemployed	Thousands	1,212	1,915	2,630	2,756	2,496	2,107	1,958	1,684	1,413	1,552	1,604	1,294	1,271	1,328	1,422	1,584	1,728	...					
55. Per cent. unemployed	"	10.3	15.8	21.1	21.9	19.8	16.6	15.3	13.0	10.8	11.9	12.3	9.9	9.9	9.9	10.7	11.8	12.8	...					
56. Regist'd at Exchanges, all ages	Thousands	1,276	2,014	2,718	2,983	2,588	2,221	2,106	1,822	1,586	1,703	1,766	1,424	1,403	1,480	1,580	1,755	1,927	...					
57. " London	Thousands	118	177	273	306	272	216	203	179	171	200	173	141	145	167	199	196	241	...					
58. " S.E. England	Thousands	50	75	114	142	120	93	91	79	70	79	90	58	60	72	85	96	117	...					
59. " S.W.	Thousands	69	91	129	157	147	127	114	94	83	93	106	67	64	74	80	87	98	...					
60. " Midlands	Thousands	165	267	381	371	325	245	217	178	144	156	163	143	138	140	152	175	197	...					
61. " N.E. England	Thousands	280	419	569	602	557	478	452	304	165	171	171	151	139	145	162	193	202	...					
62. " N.W.	Thousands	285	522	627	562	517	461	439	374	301	338	334	294	300	289	314	341	365	...					
63. " Northern (c)	Thousands	156	244	358																				

UNITED STATES, FRANCE AND GERMANY

	Unit of Measurement	Monthly Average										1936		1937		1937					1938
												Dec.	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
		1929	1930	1931	1932	1933	1934	1935	1936												
UNITED STATES (Population 1934: 126,450,000; Area: 7,839,432 sq. kms.)																					
PRODUCTION																					
1. Industrial production, F.R.B. (a)	1929=100	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	101.7	95.8	95.8	98.3	93.3	86.6	74.8	70.6	...	...		
2. Investment goods, F.R.B. (a)	"	100	72.6	48.2	27.6	41.2	46.5	63.2	82.4	95.9	92.6	100.6	104.1	94.4	83.5	61.5	50.3	...	...		
3. Consumption goods, F.R.B. (a)	"	100	86.8	85.2	75.9	84.2	83.4	87.6	94.5	107.9	100.5	92.9	94.7	91.8	85.7	81.3	82.1	...	...		
4. Coal	Million net tons	46.0	40.6	33.4	27.2	29.0	31.4	31.6	36.5	46.0	40.8	31.4	32.9	38.6	41.2	36.8	37.2	35.0	...		
5. Electricity generated	Million kw. hrs.	8,113	7,995	7,644	6,842	7,111	7,590	8,283	9,461	10,528	10,151	10,342	10,633	10,224	10,407	9,817	10,033	...	...		
6. Steel	Thous. m. tons	4,599	3,326	2,133	1,124	1,913	2,139	2,830	3,973	4,503	4,801	4,630	4,940	4,371	3,447	2,188	1,496	1,760	...		
7. Index of machine tool orders	1929=100	100	46.0	26.0	12.6	17.4	29.7	55.5	87.7	165.3	128.6	109.8	115.4	135.2	97.5	81.9	91.6	...	...		
TRADE AND TRANSPORT																					
8. Residential contracts awarded	Million \$	159.6	91.8	67.6	23.3	20.8	20.7	39.9	66.8	65.5	78.4	81.0	73.4	65.6	65.5	60.0	43.5	...	...		
9. Other	"	319.6	285.1	190.1	89.3	83.8	107.9	114.1	156.1	134.2	140.4	240.6	211.7	141.5	136.6	138.5	166.0	...	...		
10. Private cars	Thousands	382	232	164	88	131	181	271	306	425	310	260	311	119	299	285	244	...	...		
11. Commercial vehicles	"	64	48	35	20	29	48	58	65	73	70	79	83	53	31	65	82.0	...	...		
12. Activity in textile industry	1929=100	100	79.1	81.7	72.2	84.3	73.9	90.4	97.4	120.9	107.8	75.2	100.0	93.9	79.1	69.6	67.0	...	...		
13. Stocks of raw materials	"	100	106.0	116.7	120.7	122.1	120.7	94.0	86.2	100.6	93.3	69.8	75.2	98.0	117.5	131.5	131.5	...	...		
14. Stocks of manufactures	"	100	102.5	65.0	86.7	85.9	90.9	86.7	85.0	90.0	92.5	90.8	90.8	91.7	94.1	95.0	95.0	...	...		
EMPLOYMENT AND WAGES																					
15. Index of Riv. car loadings	1929=100	100	86.8	70.7	52.8	54.7	58.5	59.4	67.9	78.3	75.5	75.4	74.5	73.6	71.7	67.0	63.2	...	...		
16. Index of Dept. Store sales	"	100	91.9	87.9	82.2	80.3	87.8	71.2	79.2	82.9	83.8	84.7	82.9	84.7	83.8	82.0	81.1	...	...		
17. Retained imports	Million \$	362	260	174	110	119	136	170	202	240.2	228.7	263.4	249.1	234.1	226.5	212.4	203.7	...	...		
18. Domestic exports	"	430	315	198	131	137	175	187	201	226.7	219.1	264.6	274.2	293.5	329.8	311.2	315.3	...	...		
FINANCE																					
19. Total Res. Bank credit	Million \$	1,739	1,386	1,853	2,171	2,674	2,470	2,486	2,500	2,500	2,497	2,574	2,577	2,579	2,580	2,606	2,612	...	...		
20. Gold stock	"	3,900	4,225	4,051	4,045	4,012	8,238	10,125	11,258	11,258	11,358	12,445	12,566	12,740	12,803	12,774	12,780	...	...		
21. Money in circulation	"	4,578	4,603	5,360	5,388	5,519	5,536	5,587	6,006	6,006	6,781	6,753	7,751	7,014	6,928	6,962	7,027	...	...		
22. Member Bank Res. Balances	"	2,355	2,471	1,981	2,509	2,729	4,096	5,587	6,606	6,606	6,781	6,753	7,751	7,014	6,928	6,962	7,027	...	...		
23. Excess Reserves	"	-73	96	-33	576	859	1,814	2,844	1,984	1,984	2,152	791	773	1,038	1,055	1,169	1,212	...	...		
24. Member Banks in 101 towns:																					
25. Loans and investments	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...			
26. Deposits: Demand	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...			
27. " Time	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...			
28. Bank debits outside N. Y. City	"	13,070	13,654	11,453	10,527	4,790	4,781	4,911	5,067	5,067	5,077	5,268	5,268	5,293	5,278	5,234	5,205	5,225	...		
29. Call money	"	26,901	23,113	17,119	12,819	13,288	15,707	18,676	23,238	23,238	23,238	20,152	18,409	16,642	19,823	18,160	20,825	...	...		
30. Yield on Govt. bonds	%	3.60	3.28	3.31	2.05	1.16	1.0	0.56	0.91	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	...	...		
31. Capital issues, C.F. Chronicle	Million \$	595	848	280	99	59	115	123	166	726	618	290	76	223	196	134	164	121	...		
FRANCE (Population 1936: 41,908,000; Area: 550,986 sq. kms.)																					
PRODUCTION																					
43. Industrial production S.G.F. (b)	1929=100	100	100.7	89.2	69.1	77.0	71.2	67.6	70.5	71.9	72.3	71.9	65.5	69.8	71.9	73.4	73.4	...	...		
44. Coal	Thous. met. tons	4,482	4,490	4,187	3,856	3,907	3,969	3,851	3,769	3,813	3,623	3,830	2,587	3,673	4,044	4,072	4,161	...	...		
45. Electricity S.G.F. (a)	1929=100	100	99.2	89.3	82.8	96.7	98.3	101.2	106.7	105.9	104.2	111.7	112.6	111.8	116.8	...	...	...	...		
46. Steel	Thous. met. tons	808	787	652	470	544	512	522	559	591	608	685	559	672	705	673	675	...	...		
47. Building activity S.G.F. (a)	1929=100	100	111.4	101.6	81.3	74.0	66.7	55.3	52.0	47.2	50.4	43.6	48.5	49.8	42.1	42.1	42.1	...	...		
TRADE AND TRANSPORT																					
48. Riv. car loadings, daily	Thous. cars	65.1	65.4	53.9	47.3	45.2	42.5	40.1	40.9	43.2	40.1	39.7	39.9	41.4	45.6	44.7	44.7	...	...		
49. Imports	Mill. fr.	4,852	4,376	5,517	2,484	2,369	1,925	1,745	2,117	3,013	3,319	3,200	3,158	3,486	3,720	3,931	4,539	3,892	...		
50. Exports	"	4,178	3,570	2,536	1,642	1,539	1,487	1,289	1,288	1,637	1,773	1,872	1,861	2,074	2,365	2,382	2,346	2,452	...		
EMPLOYMENT AND WAGES																					
51. Unemployed in receipt of benefit	Thousands	0.9	2.5	56.1	273.4	278.0	345.0	426.9	432.1	410.8	426.1	314.0	311.3	305.8	319.2	332.8	365.5	403.8	...		
52. Wage rates, Paris region	1929=100	100	106	105	100	102	102	101	116	...	...	...	...	...	...	...	...	...	...		
FINANCE																					
53. Wholesale index of S.G.F. (a)	"	100	88.4	80.0	68.2	63.6	60.0	54.0	65.5	82.8	85.8	92.8	96.2	100.5	100.2	99.2	100.6	...	...		
54. Cost of living, Paris, " (a)	"	100	104.5	102.3	94.6	93.5	92.8	86.9	91.1	97.1	104.5	113.3	113.3	113.3	118.3	118.3	118.3	...	...		
55. Industrial securities	"	100	84.6	58.1	47.0	44.8	35.4	36.3	83.4	40.4	41.6	41.6	40.1	41.2	40.3	38.6	37.9	...	...		
FINANCE																					
56. Govt. revenue: impôts indirects	Mill. fr.	35,496	33,912	33,048	28,980	28,560	27,420	26,244	26,670	26,670	29,546	17,522	19,684	20,054	25,346	27,763	30,640	...	...		
57. Impôts sur les revenus	"	10,582	10,716	10,068	7,428	6,348	5,914	5,085	5,705	5,705	5,705	2,065	2,889	3,591	4,448	5,888	6,815	...	...		
58. Bank of France: Gold	"	41,668	53,578	68,863	83,017	77,088	82,121	88,296	60,359	60,359	57,380	55,677	55,718	55,865	55,805	58,932	58,933	59,933	...		
59. " Notes in circulation	"	34,065	36,681	36,933	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	...		
60. Commercial bank deposits	"	42,705	46,333	38,377	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	...		
61. Bank clearings, Paris	"	3.50	2.71	2.12	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	...		
62. Interest rates: Bank rate	%	3.50	2.71	2.12	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	...		
63. " Market discount	%	3.50	2.71	2.12	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	...		
64. " 3% Renten	%	3.50	2.71	2.12	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	...		
65. Capital issues	Mill. fr.	1,599	2,233	1,899	1,214	868	412	615	328	525	209	611	468	29	2,366	868	...	...			
GERMANY (Population 1934: 66,382,000; Area: 470,714 sq. kms.)																					
PRODUCTION																					
66. Industrial production, I.K. ...	1929=100	100	85.9	67.6	53.3	60.7	79.8	94.0	106.3	112.1	105.5	117.9	118.4	123.2	123.9	125.6	...	...			
67. Investment goods	"	100	81.6	52.6	34.4	43.7	72.6	90.4	113.2	114.1	105.8	128.7	128.4	122.5	131.8	...	...	...			
68. Consumption goods	"	100	94.0	89.2	76.3	82.6	92.4	88.2	98.7	105.7	98.9	100.7	105.6	112.0	112.1	114.8	...	...			
69. Coal	Thous. met. tons	13,620	11,892	9,887	8,728	9,160	10,418	11,918	13,988	14,681	14,960	15,815	15,354	15,634	16,113	15,998	16,242	...	...		
70. Lignite	"	14,588	12,168	11,109	10,221	10,566	11,437	12,282	13,345	15,458	15,179	16,054	15,993	15,989	16,467	16,418	17,042	...	...		
71. Electricity, I.K. ...	1929=100	100	96.0	84.5	76.7	84.6	99.7	113.6	131.0	...	...	...	...	...	...	...	...	...			
72. Steel	Thous. met. tons	1,354	962	691	381	634	993	1,444	1,998	1,472	1,543	1,634	1,663	1,693	1,714	1,791	1,765	...	...		
73. Machinery (other filed), I.K. ...	1929=100	100	82.4	68.0	37.9	41.3	65.9	81.0	97.5	...	...	...	...	...	...	...	...	...			
74. Automobiles, total	"	100	66.4	46.7	27.7	33.9	90.3	128.5	155.0	...	...	...	...	...	...	...	...	...			
75. Textiles, index of activity	"	100	97.4	94.9	85.7	98.1	106.8	98.5	106.6	112.2	99.9	100.7	105.0	112.9							

No. 15

There are few countries which have escaped the effects of the downward trend in world economic activity. In most of the British Dominions the decline in business activity has so far been relatively small, but their exports, as well as those of other primary producing countries, such as Argentina, have already shown a substantial decline. The expected improvement in the United States has not yet taken place. On the contrary, the latest cables suggest that the general trend of business activity is still slightly downwards. In Scandinavian countries business activity, though gradually declining, remains at a high level. In France industrial production is lower than a year ago. German industries still maintain a high level of output, but export business has shown a distinct decline.

GROUP II (a).—BI-MONTHLY TABLE

CROPS (Season ended in Year shown)

(a) Figures for 1937, and in the case of crops for 1937-38, are provisional. (b) Figures for 1934 and 1935 are subject to revision. (c) End of year. (d) End of season. (e) Monthly figures are averages of quarterly returns. (f) Season beginning in April of year shown.

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.

CCAL

The coal industry remains appreciably more active than at this time last year. Output in February amounted to 20,099,000 tons, compared with 20,832,000 tons in January and 19,797,000 tons in the same month of last year. The percentage of insured workpeople unemployed last month (including those temporarily stopped) was 11.2, against about 15.2 in February, 1937. The spell of mild weather, in recent weeks has, however, naturally had an adverse effect on the demand for house-coal, and consumers' and merchants' stocks are not being augmented. There is still considerable pressure for delivery of industrial fuels against contracts, but there are now signs of a slackening of the demand for some descriptions. Overseas business has lately shown a decline. Thus the amount of coal exported and shipped for the use of steamers last month was 3,696,000 tons, against 4,194,000 tons in the previous month and 3,779,000 tons in February, 1937. Although some fairly good contracts were placed in mid-March, export business has been slow generally, prices being unattractive to buyers. While the industry at present remains busy, the outlook is uncertain.

IRON AND STEEL

The total output of pig iron and steel declined between January and February. Calculated on a daily basis, however, production actually showed an increase from 24,540 tons to 24,760 tons in the case of pig iron, and from 41,600 to over 44,000 in the case of steel ingots and castings. Moreover, production last month remained well above the level of February, 1937, the increase amounting to 89,600 tons in pig iron and 61,700 tons in steel ingots and castings. The iron and steel markets, however, have undergone a significant change in recent months. Last year there was a veritable scramble for supplies, which failed to keep pace with the rapidly increasing home demand. Rising domestic production had to be supplemented by substantial increases in imports, facilitated by a suspension of the import duty on pig iron and by a reduction of the duties on steel. By the end of last year, however, the shortage of materials had been overcome and during the last few weeks supplies have tended to accumulate to such an extent that certain sections of the market have become seriously congested. Consequently, there has been a marked decline in new transactions, for there is now no incentive for consumers to order their requirements for a long period ahead. In order to relieve congestion in the market and to prevent the accumulation of unwieldy supplies, the import duty on pig iron is expected to be reintroduced shortly, and the duties on steel will revert at the end of this month to the higher level in force before their reduction in July last year. It is anticipated that, as a result of the increase in the import duties on steel, stocks will be rapidly reduced to normal dimensions without the need of an appreciable reduction in domestic output. But if the present lull in new business continues, the industry may well be faced with the necessity of curtailing output later this year, in spite of the anticipated fall in imports and the accelerated pace of re-armament.

GENERAL ENGINEERING

There has been no significant change in the position of the engineering industry since last month. Although the volume of new civil orders continued to decline, the industry remains very active in completing orders received last year. Moreover, the volume of orders on hand is sufficient to prevent a serious decline in activity until the summer. Apart from the comparatively long time-lag between the placing of orders and their completion, a more marked decline in activity has been prevented by the increase in Government contracts. Government work, indeed, is not likely to diminish in volume for the remainder of this year, and may even expand with the speeding-up of re-armament. In contrast to most other branches of activity, the engineering industry's exports continue well above the level of last year. Thus, exports of machinery last month totalled 35,608 tons, compared with 30,676 in February, 1937. It must be remembered, however, that current exports represent orders placed last year when demand was at its peak. Imports of machinery last month were smaller than a year ago for the first time for many months. As far as individual branches of the industry are concerned, there has been a seasonal improvement in the activity of the agricultural machinery section. The printing machinery branch has also experienced a lull. The output of machine tools, mining machinery and engines continues at a high level, but activity in the textile section has shown a slight decline. There are now no complaints from the industry concerning the supply of raw materials, but, although the shortage of skilled labour is now less acute as a result of the slight reduction in activity, the labour problem may once more come to the fore in certain sections if the flow of Government contracts is materially increased.

ELECTRICAL EQUIPMENT

Like general engineering, the electrical equipment industry has experienced a slight decrease in employment during the past month. Moreover, the proportion of insured persons unemployed last month was 1.1 per cent. higher than a year ago in the case of electrical engineering and 3.2 per cent. higher in the case of electric cables

and apparatus. Exports of electrical machinery rose from 1,563 tons (valued at £255,913) in February, 1937, to 1,921 tons (valued at £321,723) last month. Similarly, the value of exports of electrical goods and apparatus increased from £803,922 to £1,101,202 during the past twelve months.

AUTOMOBILES

The gradual decline in the output of the motor industry, which has been in evidence since last September, has not yet been checked. New registrations of private cars in January totalled 24,858 units, against 28,820 a year earlier—a drop of 13.7 per cent. This decline was common to all the more popular horse-power categories. Meanwhile, new sales of goods vehicles in January were 10.8 per cent. smaller in 1938 than in 1937—7,256 units, compared with 8,132. A slight increase in sales of certain categories of diesel-engined vehicles was more than offset by a fall in practically every category of petrol-driven goods vehicle. Total production in January, however, showed a decrease of only 7.6 per cent. compared with last year, increased exports having done something to make good the loss on the home market. Shipments of private cars in February rose by 1,200 units, or 19 per cent., compared with February, 1937; commercial vehicle exports fell by 500 units, but rose in value by almost £60,000.

BUILDING

Activity in the building and public works contracting industries is maintained at a high level, though prospects appear to be deteriorating. There was a slight seasonal improvement in the employment position last month, but 17.3 per cent. of the industry's insured workpeople were unemployed; the percentage a year ago was about 15.7. The seasonal improvement was common to all the administrative divisions and to all occupations. Meanwhile, the value of building plans approved by 142 local authorities in Great Britain last month, at £7,736,200, was 26.8 per cent. lower than in February, 1937. This reduction affected all areas, except the South-Eastern counties where a fractional improvement occurred, and was most marked in factories and workshops. The heavy reduction in this category—from £1,330,400 to £406,800—is a reflection of the uncertainties of the economic outlook. It is possible, however, that the intensification of the re-armament programme, foreshadowed by the Prime Minister, will give a fillip to constructional work. Meanwhile, the reduction in the value of plans approved last month for dwelling houses was well below the average for all categories of building.

CHEMICALS

The general slackening of activity in the home chemical market, which was noticeable during January, continued last month. In the industrial chemicals section most orders were for small quantities, and business in pharmaceutical chemicals was at a rather low level. Trade in most coal tar products has been difficult, but refined coal tar has been in good demand and there has been an improvement in the pitch market. A fair amount of business was reported from the wood distillation industry, although acetates of lime and wood tar were dull items. There was also a decrease in overseas trade in chemicals, drugs, dyes and colours during February, as compared with the same month of last year, the value of exports falling by £345,970 and of imports by £39,066.

POTTERY

In the sanitary ware section of the industry in North Staffordshire there was a further decline of business, but in certain other sections an improvement was recorded last month. On the whole, however, employment continued slack. At Bristol and Derby employment was still fairly good. Exports of general earthenware and of tiles and sanitary ware were higher last month than in February, 1937, but shipments of china and electrical ware showed a decline.

FOOTWEAR

Business was rather more active in February, and there was less short-time working than in January. The unemployment percentage, nevertheless, still amounted to 10.9, or about 1.2 per cent. more than in the same month of last year. Export business was well maintained compared with a year ago. Overseas sales of leather boots and shoes amounted to 31,715 dozen pairs, compared with 30,259 dozens in February, 1937.

COTTON

Demand for the industry's products has again been poor during the past month, business having been the smallest for a long time. Buyers have held off the market in anticipation of a further price decline. To some extent the intensification of the setback has been due to the political situation, latest developments in Austria having brought business practically to a standstill. Spinners have consequently been compelled to curtail production more drastically, and many mills are now working only alternate weeks. Despite this contraction of operations, stocks have tended to increase. Where minimum price agreements exist these have been maintained, but where a free market has existed spinners have granted price concessions to secure orders. The depression is reflected in the unemployment figures, which amounted in February to 95,000, the highest

since September, 1935. The percentage of workers unemployed is now over 23 per cent., against 10 per cent. a year ago. Export demand in piece-goods has fallen to a low level, no foreign outlet having been at all active. Spinning production is now running at 70 per cent. of capacity, against 92 per cent. at this time last year.

JUTE

The jute industry remains depressed and unemployment is severe. The hoped-for agreement between the associated Indian mills and the "outside" mills on the question of working hours has not materialised and a settlement now seems as far off as ever. World markets are consequently being flooded with low-priced jute manufactures, while demand is dull. Conditions in America—the largest consumer—do not favour the maintenance of a high rate of consumption. The outlook for the industry is not encouraging.

LINEN

Flax prices are being rigidly maintained. Courtrai is in active demand, but business in other sorts has been restricted, both holders and buyers being reserved. The high price of linen yarns and cloth, relatively to other textiles, has been responsible for a certain amount of substitution in lower-quality fabrics. High-grade cloths and fancy weaves are, however, meeting a ready market. Some covering orders have been fixed for the United States, but the general tendency is to defer purchases until the general lines of the trade agreement are more apparent.

RAYON

The trade as a whole remains in an unsatisfactory position. New business in rayon yarns for weaving has been decidedly scarce, but there has been a considerable improvement in the hosiery section. This shortage of new business on the manufacturing side is traceable to the present level of stocks of fabrics. In view of the size of these, it is feared that it must be some time before yarn business can be expected to return to normal.

WOOL

Increased buying, especially by Germany and Japan, has imparted a firmer tone to the raw wool markets, but the wool textile industry has shown little improvement during the past month. Many

mills are now working short-time and unemployment has consequently increased. The percentage of insured workpeople unemployed last month was 20.4, or 13.5 per cent. more than in February, 1937. The worsted section showed a rather greater deterioration than the woollen section last month. Meanwhile, in consequence of the worsening of the general economic and political outlook, overseas demand has contracted. Shipments of tops, yarns and piece-goods were all smaller last month than in February, 1937. Practically every outlet overseas took smaller quantities than a year earlier, the most notable exception being Argentina, which was the industry's best customer. In view of the paucity of new orders, a further contraction of machinery activity in Yorkshire is possible in the near future.

AGRICULTURE AND FISHERIES

Good progress was made with cultivation during February, and spring sowing is well forward for the time of year. Autumn-sown crops were generally in good and forward condition at the beginning of the month and corn has grown well. The health and condition of ewes are generally satisfactory, and hilt sheep are reported to have improved in condition. Lambing became general in February except in the north and amongst hill flocks; prospects are favourable. All classes of stock have made progress, and milk yields are about normal. Winter keep has not been unduly drawn upon and, if open weather continues, should be sufficient for requirements. British takings of wet fish last month were rather smaller than in February, 1937—1,277,923 cwt., against 1,339,367 cwt.—but prices showed an improvement. The aggregate value of the catch consequently amounted to £1,232,936, compared with £1,028,263 in the same month of last year.

SHIPPING

The improved demand for shipping tonnage in January was not maintained and a further deterioration occurred last month. Tramp shipping freights showed renewed weakness, and *The Economist* index (1898-1913 = 100) fell from 125.8 in January to 118.9 in February, the latter figure comparing with 134.3 a year ago. With the continued contraction in the volume of overseas trade the demand for tonnage remains restricted; and, since an ample supply is available in all markets, an early improvement in freight rates appears remote.

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
Number of Weights	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1930	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98
1931	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91
1932	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90
1933	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93
1934	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1936	105	104	112	104	105	104	107	125	109	110	101	102	104	103	106	106
1937	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111	111
1938—February	98	98	92	98	98	98	98	94	92	91	104	97	98	94	97	97
March	98	98	92	98	98	98	98	94	92	91	104	97	98	94	97	97
April	99	98	92	99	99	99	101	95	92	90	100	99	97	97	98	98
May	99	102	99	100	99	98	100	93	96	100	97	100	99	100	99	98
June	100	99	97	99	99	98	98	98	99	97	105	100	102	106	100	99
July	101	94	96	98	100	98	99	93	112	108	96	100	104	99	99	100
August	101	92	99	100	100	99	100	104	100	100	97	100	104	98	99	100
September	101	100	99	98	100	101	102	108	104	103	101	102	99	99	101	101
October	101	105	101	101	101	99	102	96	102	102	98	102	98	99	101	101
November	101	104	102	101	101	100	105	102	107	106	99	101	99	99	102	101
December	101	105	108	102	102	104	108	113	99	117	99	103	103	112	104	102
1938—January	101	107	104	104	103	101	106	117	106	97	92	98	98	91	102	102
February	102	100	108	102	104	101	107	115	100	98	102	100	99	93	102	103
March	103	98	105	105	104	102	107	112	101	99	99	100	99	94	102	104
April	103	103	111	106	104	102	106	125	110	107	98	98	101	97	105	104
May	104	102	107	105	105	102	107	118	112	106	99	100	103	99	104	105
June	105	106	107	104	105	101	109	121	119	117	98	102	104	104	106	105
July	106	104	109	106	105	103	109	123	120	117	105	101	104	97	107	106
August	107	104	111	109	106	103	109	139	120	117	101	107	105	103	108	107
September	107	102	112	106	106	103	109	132	107	123	105	100	108	113	108	107
October	107	104	113	107	107	104	107	127	102	102	107	107	103	106	114	108
November	107	104	117	106	107	105	107	125	106	119	107	106	109	111	108	108
December	107	107	117	113	108	108	103	134	109	108	108	103	107	122	109	109
1937—January	109	97	116	110	109	107	102	124	111	111	103	104	101	108	105	107
February	109	108	116	107	109	110	102	118	110	102	111	107	108	115	109	110
March	109	110	125	106	110	107	99	118	119	120	119	108	107	107	111	110
April	110	112	122	115	110	110	102	117	116	103	108	109	102	103	112	111
May	110	115	123	113	111	109	103	120	113	103	108	109	102	103	113	111
June	111	115	123	113	111	109	103	120	113	103	108	109	102	103	113	111
July	112	106	123	114	111	105	96	140	131	122	113	109	102	100	111	111
August	112	107	125	114	111	108	95	160	115	130	111	113	109	99	113	111
September	112	110	124	117	111	108	95	157	106	133	113	108	106	99	113	111
October	112	105	124	112	112	108	96	158	107	146	112	110	104	99	113	111
November	111	107	128	110	113	108	95	167	109	145	104	109	104	99	113	111
December	109	104	131	114	113	111	96	173	97	110	108	108	101	99	111	111
1938—January	110	105	125	114	114	110	96	169	107	105	105	104	104	99	111	111
February	110	109	125	115	114	110	93	152	98	101	104	101	102	94	110	110

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. Revised. Provisional. † Annual indices represent averages of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—The Australian wool auctions continue to display an improved tone, states a cable from the National Bank of Australasia. The wheat market is quiet, shipments going forward freely. Dairy production shows a seasonal decline. Exports for the seven months ended January totalled £71,000,000 sterling, or £1,000,000 more than in the same period of the previous year. Shipments of wool, however, were down by £8,000,000. Meanwhile, quotations for industrial and base metal shares have shown a sagging tendency.

SOUTH AFRICA.—Business conditions in the Union generally show little alteration, states a cable from the Standard Bank. The building and allied trades in the large centres remain well employed and the value of building plans passed at Johannesburg in February was the highest since last May. Agricultural prospects have improved in consequence of a slight rise in the price of wool, hides and skins. The maize markets are dull owing to uncertainty concerning the outlook for the home crop. Wholesale and retail trade in soft goods is quiet. Imports in February amounted to £8,304,000, and exports (including gold) to £10,629,000, against £7,624,000 and £7,312,000 in the same month last year.

CANADA.—The decline in business activity, which has recently been evident in the Dominion, is becoming more noticeable, but the recession is still less serious than in the United States. Manufacturing operations are being curtailed in the iron and steel, automobile and textile industries. Unemployment is consequently increasing and the number of people on relief has risen. The mining industry, however, remains busy and building activity is well maintained. Foreign trade is shrinking and until business in the United States takes a turn for the better, the outlook in Canada is unlikely to improve.

INDIA.—The central Budget for 1938-39, introduced last month, provides for a modest increase in defence expenditure, but is expected to show a surplus of Rs. 9 lakhs. The realised surplus on the railway budget for the past year was rather larger than had been expected, and would have been even greater but for the recent deterioration in the country's economic position. Railway earnings alone exceed those for the corresponding months of 1935-36. The Finance Member has had to find the money for the inauguration of provincial autonomy and to hand over to the Provinces as large a share of the revenue as possible, while safeguarding the central finances.

EUROPE

FRANCE.—There has been no definite improvement in France's economic position. Industrial production remains at a low level, the budgetary position is far from satisfactory, and the franc has continued to depreciate. The general position is such that the Government has had to give up its intention of raising a long-term loan to finance expenditure and has been forced instead to have recourse to an increase of the Treasury's borrowing power from the Bank of France from 15,000 to 20,000 million francs. The official index of industrial production (1928 = 100) declined from 91 last December to 87 in January. A year ago the index stood at 90. Industrial activity is thus lower even than a year ago. Compared with January, 1937, the indices for mining, iron and steel, and engineering output have shown a rise, but those relating to textiles, leather, automobiles, and building are appreciably lower. At the end of February, moreover, the number of unemployed in receipt of benefit, at 412,386, was slightly higher than a year earlier. The slight decline in unemployment during the first half of March was due to seasonal influences.

GERMANY.—In contrast to the recession in many other countries, the volume of business activity in Germany has so far been well maintained. The number of unemployed fell in February from 1,052,000 to 946,000, compared with 1,611,000 at the end of February, 1937. The Institute for Business Research's weekly index of business activity (adjusted for seasonal variations) increased slightly from 116.6 (1936 = 100) in the last week of January to 117.6 in the last week of February. The official indices of wholesale prices and the cost of living have remained practically unchanged in recent weeks, but, in contrast to the high level of home demand—especially for capital goods—stimulated by heavy expenditure for the purpose of increasing Germany's military efficiency, export business has not remained unaffected by the shrinkage of world trade. The decline in export business, moreover, is already reflected in the latest trade returns.

HOLLAND.—The latest evidence indicates that business activity is gradually declining. For example, the index of industrial production, based on retained imports of raw materials, was lower last December than in the corresponding month a year earlier. The number of registered unemployed at the end of last year, at 437,469, however, was still somewhat smaller than in December, 1936, when it was 455,209. Foreign trade is shrinking, though shipments remain in excess of those of a year ago. Thus, the value of imports last month was 118 million guilders, compared with 105 million guilders in February, 1937. Exports were 79 million guilders in February, 1937, and 82 millions last month.

CZECHOSLOVAKIA.—The volume of industrial production showed a slight decline during the second half of last year. Thus, the index of industrial production for last December (the latest

available) was 94.8 (1929 = 100), compared with 99.8 in May and 94.0 in December, 1936. The number of registered unemployed remains substantially smaller than a year ago; at the end of last month there were 510,655 persons registered as unemployed, compared with 677,947 a year earlier. The value of exports rose from Kr. 650 millions in January, 1937, to Kr. 939 millions during the corresponding month this year. Imports, on the other hand, registered a decline during this period, from Kr. 699½ millions to Kr. 667 millions. While wholesale prices have remained steady, Stock Exchange quotations showed a further decline in February.

UNITED STATES OF AMERICA

There has been no decisive change in business conditions since last month. The *Annalist's* monthly index of business activity for February is 77.5, compared with 79.4 in January and 105.7 in the second month of 1937. The latest cables concerning the general trend of activity are somewhat conflicting, some indicating that the downward trend of business has been arrested and others suggesting that the movement is still slightly downwards. There has been no noticeable improvement in the capital goods industries. The increase in freight charges granted by the Inter-State Commerce Commission to the railways has been smaller than was expected and is unlikely to lead to an early substantial increase in new orders for equipment. The latest figures of building permits remain disappointing. Nevertheless, operations in the iron and steel industry have shown a slight increase. A hopeful indication is the slight improvement in certain consumption goods industries, including textiles and boots and shoes. Sales of automobiles have also shown some increase. As far as foreign trade is concerned, exports in January remained above the level of the corresponding month last year, but imports showed a marked reduction, from \$229 millions to \$127 millions. The firmer tendency of quotations for industrial securities has not been maintained, and there are few indications of a sustained revival of business activity in the near future.

LATIN AMERICA

ARGENTINA.—Second official estimates of the grain and linseed harvests show reductions on the first estimates, and the total exportable tonnage will not, it is stated, be much more than one-half of that available last year. The severe drop in volume and value of cereal exports will inevitably lead to a contraction in imports and this result should become apparent about the middle of the year. Meanwhile, textiles continue to enter the country on a scale unwarranted by existing conditions and prospects, and the market remains considerably over-stocked. In the foreign exchange market, continued weakness of the "free" rate has been a feature, and current quotations leave importers without prior permit little or no benefit from the reduction in surcharge from 20 to 10 per cent.

URUGUAY.—Weather conditions have lately been favourable both to pasture and livestock. The wool market, however, continues inactive and exports are still at a comparatively low level.

CHILE.—The recent tendency towards stringency in sterling and dollar "export" exchange has become more marked, and it is now almost impossible to secure exchange except for articles of prime necessity.

BRAZIL.—There is no indication as yet of any official long-term policy designed to tackle the problem of over-production of coffee in Brazil as a whole, but the estimates of São Paulo 1938-39 crop envisage another sacrifice quota of from 30 to 35 per cent. Exports during February were disappointing, but with stocks in consuming centres reported low and current prices considered attractive to buyers, a more active movement in the near future is generally anticipated. The foreign exchange market is easier and since February 21st cover for import bills (for which milreis deposits have been made) has been distributed daily (instead of weekly) for delivery in 30 days, as against 60 days previously.

CENTRAL AMERICA AND COLOMBIA.—All the mild coffee-producing countries are feeling the effects of the sharp decline in the foreign currency value of their export shipments since the appreciable drop in coffee prices in November last, and, owing to the uncertainty regarding Brazil's policy, future prospects are obscure.

THE FAR EAST

The Japanese Government has been completing its arrangements for the industrial exploitation of Northern China, and a special company is being formed for this purpose. In the meantime, most of the home trade indices have shown little alteration during the past month. The heavy industries, stimulated by war needs, naturally remain active, while wholesale and retail prices have continued to rise. Stock Exchange quotations have been steady and the money market has been quiet. Japan's exports rose last month, while her imports declined, and the adverse balance of trade was consequently considerably reduced. Exports totalled 192 million yen, against 172 millions in January and 236 millions in February, 1937; imports last month amounted to 201 millions, compared with 208 millions a month earlier and 318 millions in the same month of 1937. In China, on the other hand, exports declined while imports increased last month. Exports totalled 40.9 million dollars in February, against 43.1 millions in January and 85.1 a year earlier; imports aggregated 72.4 millions, compared with 59.1 and 85.4 millions respectively.

UNITED KINGDOM

(Population, mid 1936. 47,098,000. Area 95,030 sq. miles; 244,000 sq. kms.)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average										1937		1937		1938		
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Jan.	Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
PRODUCTION																		
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.5	100.0	97.0	90.6	95.6	106.1	113.6	124.6	133.1	19.5	19.8	130.4	20.4	21.2	136.8	20.8	20.8
2. Coal, G. B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	20.1	19.5	19.8	20.4	20.4	21.2	21.1	20.8	20.8
3. Electricity, public supply, G.B.	Thous. tons	858	910	951	1,020	1,130	1,283	1,464	1,685	1,908	2,176	1,944	1,732	2,024	2,385	2,500	2,382	2,144
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	708	851	804	727	770	762	784	761	693
5. Steel ingots and castings	Thous. c's	803	610	434	439	585	738	822	975	1,080	999	996	1,164	1,134	1,178	1,104	1,081	1,058
6. Buildg. plans passed (f) Dwelling	Thous. c's	3,688	3,897	3,374	3,807	5,192	5,799	6,536	6,255	5,637	4,476	5,300	5,642	5,538	5,285	7,037	5,482	4,649
7. 146 towns, G.B. (Other...)	Thous. c's	2,403	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,579	3,996	3,399	3,516	3,139	3,024	3,075	3,279	3,087
8. Home	1929 = 100	100	125	77	112	67	160	148	250	232(1)	264	258	218	197	200	...	...	...
9. Foreign	1929 = 100	100	67	50	31	44	60	62	96	109(1)	105	118	97	94	92	...	...	...
10. Total	1929 = 100	100	93	58	59	56	107	104	167	168(1)	175	189	151	144	144	...	...	...
11. Shipbuilding: commenced (f)	Thous. gross tons	137	79	17	6	20	43	57	91	88	84	84	73	72	72	72	72	72
12. " launched (f)	Thous. gross tons	127	123	42	16	11	38	42	71	78	59	59	89	74	74	74	74	74
13. " on hand, end yr.	Thous. gross tons	1,560	909	401	225	332	597	743	964	1,125	1,185	1,185	1,185	1,185	1,185	1,185	1,185	1,185
14. Automobiles: priv. cars (b)	Number	15,196	14,139	13,250	14,270	19,232	21,406	25,962	29,487	32,469	34,062	28,449	25,846	26,977	27,034	31,552	...	...
15. Commercial vehicles (b)	Number	4,705	5,572	5,609	5,123	5,459	7,136	7,681	8,967	9,843	11,427	8,468	9,290	9,927	7,773	8,170	...	...
16. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5.27	3.92	4.04	4.47	4.72	4.41	4.72	5.17	5.43	5.65	5.50	4.77	5.24	5.63	5.06	5.42	4.91
17. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	10,314	12,110	12,901	11,740	11,720	14,400	13,570	13,720	11,830	12,510	...
18. Quantity excised	Thous. st. barrels	4,710	3,992	4,591	5,955	7,086	7,715	9,987	11,776	12,760	11,689	10,638	14,699	13,926	13,522	11,347	...	...
19. Beer production	Thous. st. barrels	1,620	1,558	1,385	1,102	1,193	1,293	1,355	1,395	1,458	1,163	1,131	1,339	1,436	1,453	1,396	1,177	...
20. Distilling: Drink (f)	Thous. proof galls.	914	840	786	721	733	719	725	760	785	634	634	634	634	634	634	634	634
21. Industrial alcohol (f)	Thous. proof galls.	1,205	1,393	1,438	1,834	2,484	2,816	3,172	3,595	4,369	3,700	3,700	4,410	4,063	4,063	4,063	4,063	4,063
22. Stocks, end year...	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	144.5	148.2	139.3	142.7	143.2	143.2	144.5	145.7	...
TRADE AND TRANSPORT																		
23. Rly. traf.: Merch. & Invest. G.B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,630	7,661	8,186	...	8,098	8,180	9,149	9,296	9,223	...	...	...
24. " Coal and coke, G.B.	Thous. tons	19,933	14,868	13,360	12,861	12,727	13,384	13,447	13,339	...	15,248	15,248	14,400	14,327	15,248	...	...	...
25. Automobile: priv. cars in use, G.B.	Thousands	893.6	967.7	978.7	1,018.4	1,084.9	1,184.5	1,347.5	1,498.8	1,648.2	1,445.9	1,488.6	1,768.6	1,680.2	1,705.4	1,880.9	1,595.1	1,595.1
26. Commercial vehicles in use, G.B.	Thousands	314.7	333.6	346.0	356.2	370.0	393.5	413.2	437.0	459.8	445.9	448.6	462.5	467.1	465.7	474.8	468.9	469.7
27. Postal traffic receipts, daily	Thous. c's	133	135	134	133	135	137	140	147	154	148	146	152	156	157	207	157	146
28. Retail trade, Gt. Brit.: Food	Avg. daily sales	...	...	...	102	100	103	111	120	131	119	124	128	130	134	157	129	...
29. " Other merchandise	1929 = 100	...	...	...	99	100	103	108	113	119	120	95	108	122	128	178	125	...
30. Total	1929 = 100	...	...	...	101	100	103	109	117	125	119	110	118	127	131	167	127	...
31. Advtg. expenditure on brand. gds.	1935 = 100	...	...	76.1	79.2	84.6	90.4	100	104.6	108.6	88.1	109.2	99.8	143.5	140.7	99.2	84.5	100.1
Foreign Trade																		
32. Retained imports, value: Food	Thous. c's	42,444	37,603	33,041	29,810	27,311	27,829	28,616	30,921	34,099	31,089	29,717	35,020	42,111	41,695	41,797	35,204	32,290
33. " Raw materials	Thous. c's	23,774	17,674	12,277	17,740	12,897	15,153	17,943	24,883	23,203	22,627	17,491	24,883	26,737	24,713	24,906	23,713	19,000
34. " Manufactures	Thous. c's	25,467	23,622	20,367	12,168	11,654	13,895	14,302	16,452	20,878	16,435	17,228	22,728	22,275	23,335	21,711	20,724	17,787
35. Total	Thous. c's	92,589	79,762	66,449	54,221	52,161	56,861	58,743	65,710	79,492	70,903	64,725	82,603	90,387	91,948	88,419	80,155	68,211
36. Volume: Food (a) (d)	Avg. of 1935	98.9	99.6	106.5	102.5	100.7	101.7	100	102.8	103.4	97.6	97.6	107.1	110.4	110.4	120.3	108.5	...
37. " Raw materials (a) (d)	1929 = 100	101.6	90.9	82.9	84.6	92.7	99.6	100	111	120.9	117.1	117.1	129.6	136.6	136.6	134.3	134.3	...
38. " Manufactures (a) (d)	1929 = 100	108.9	106.3	105.0	92.2	93.7	99.0	100	107.2	113.9	110.6	110.6	110.6	110.6	110.6	123.6	123.6	...
39. Total (a) (d)	1929 = 100	108.9	106.3	105.0	92.2	93.7	99.0	100	107.2	113.9	110.6	110.6	110.6	110.6	110.6	123.6	123.6	...
40. Domestic exports, value: Food	Thous. c's	4,555	5,944	2,898	2,625	2,314	2,538	2,636	2,966	3,232	2,990	3,120	3,415	3,443	3,983	3,451	3,031	2,780
41. " Raw materials	Thous. c's	6,575	5,313	3,920	3,634	3,832	4,201	4,400	4,278	5,388	5,091	4,901	5,436	5,810	5,347	4,480	4,241	...
42. " Manufactures	Thous. c's	47,899	36,745	24,398	23,031	20,475	25,403	27,411	28,410	33,737	29,885	29,737	34,474	36,747	34,682	33,346	32,365	29,706
43. Total	Thous. c's	61,779	47,963	31,222	30,419	30,659	33,000	35,493	36,727	43,466	39,101	35,372	44,917	47,216	45,183	41,183	37,515	...
44. Volume: Food (a) (d)	Avg. of 1935	126.7	118.7	94.5	90.9	85.0	83.0	82.4	82.7	82.7	101.0	118.3	101.4	101.4	101.4	130.1	130.1	...
45. " Raw materials (a) (d)	1929 = 100	130.4	110.2	85.0	85.0	85.0	92.4	92.4	100	102.1	115.2	113.7	113.7	113.7	113.7	112.2	112.2	...
46. " Manufactures (a) (d)	1929 = 100	140.3	115.0	83.7	83.0	85.9	92.4	92.4	100	101.5	119.5	116.1	116.1	116.1	116.1	112.8	112.8	...
47. Total (a) (d)	1929 = 100	140.3	115.0	83.7	83.0	85.9	92.4	92.4	100	101.5	119.5	116.1	116.1	116.1	116.1	112.8	112.8	...
48. Shipping: Tonnage entered	Thous. net tons	5,225	5,310	5,023	4,947	5,036	5,223	5,302	5,616	5,868	4,869	4,821	6,014	6,100	6,139	5,860	5,002	4,689
49. " Tonnage cleared	Thous. net tons	5,723	5,438	4,892	4,620	4,638	4,674	4,777	4,735	5,116	4,531	4,282	5,593	5,503	4,911	4,841	4,530	4,141
50. " Tonnage laid-up (A)	Thous. net tons	365	1,583	1,968	1,971	1,240	879	438	212	95	120.4	119.3	149.8	145.4	129.8	112.2	111.5	105.1
51. Freight rates, Economist Index	1929 = 100	100	81.7	82.2	79.7	75.1	76.4	76.8	87.3	132.5	120.4	119.3	149.8	145.4	129.8	112.2	111.5	105.1
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	78.9	85.8	84.6	72.6	76.5	72.5	82.1	71.5	73.9
EMPLOYMENT AND WAGES																		
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,881	10,139	10,377	10,912	11,495	11,106	11,187	11,706	11,659	11,573	11,487	11,309	11,309
54. Insured pers. unemployed	"	1,212	1,915	2,630	2,756	2,496	2,167	1,958	1,684	1,415	1,093	1,132	1,271	1,328	1,332	1,187	1,027	1,027
55. Per cent. unemployed	"	10.3	19.8	21.1	21.9	19.8	16.6	15.3	13.0	10.8	12.3	11.9	9.9	10.7	11.8	12.9	12.9	12.9
56. Regist'd at Exchanges, all ages	"	1,276	2,014	2,718	2,813	2,588	2,221	2,106	1,822	1,586	1,766	1,704	1,403	1,460	1,580	1,755	1,927	1,927
57. " London	"	118	177	273	306	272	216	203	179	171	209	194	145	167	189	196	241	241
58. " S.E. England	"	50	75	114	142	120	93	91	79	70	9	89	60	72	83	98	117	117
59. " S.W.	"	69	91	129	157	147	127	114	94	83	106	108	69	74	80	87	98	98
60. " Midlands	"	165	267	381	371	325	245	217	178	148	163	153	138	140	152	175	197	197
61. " N.W. England	"	280	419	569	602	557	470	453	370	304	165	171	164	139	145	162	193	206
62. " N.W.	"	285	522	627	562	517	461	439	374	304	334	320	309	284	314	341	382	395
63. " Northern (c)	"	...	...	...	...	...	...	...	...	...	179	156	138	138	143	159	158	158
64. " Scotland	"	156	244	358	378	364	331	314	277	246	271	267	223	222	234	271	269	269
65. " Wales	"	116	158	196	228	219	208	206	198	151	174	172	132	142	141	146	134	134
66. " Ireland	"	36	60	71	68	68	62	70	67	71	77	76	22	28	28	151	99	99
67. Industr. disputes, No. days lost	"	676	361	527	541	67	78	160	154	285	306	64	103	153	1			

UNITED STATES, FRANCE AND GERMANY

	Unit of Measurement	Monthly Average										1937		1937		1938		
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Jan.	Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
UNITED STATES (Population 1934: 126,450,000; Area: 7,839,432 sq. kms.)																		
PRODUCTION																		
1. Industrial production, F.R.B. (a)	1929=100	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	92.2	95.8	97.5	93.3	86.6	74.8	70.6	68.1	...
2. Investment goods, F.R.B. (a)	"	100	72.6	48.2	27.6	41.2	46.5	63.2	82.4	88.6	92.6	93.5	94.4	83.5	61.5	49.7	47.1	...
3. Consumption goods, F.R.B. (a)	"	100	86.8	85.2	75.9	84.2	83.4	87.6	94.5	91.0	100.5	101.8	91.8	86.0	81.0	81.3	79.9	...
4. Coal	Thous. met. tons	46.0	40.6	33.4	27.2	29.0	31.4	31.6	36.5	37.0	40.8	41.3	38.6	41.2	36.8	37.2	35.0	27.7
5. Electricity generated	Thous. kw. hrs.	8,113	7,995	7,644	6,842	7,111	7,590	8,283	9,461	10,083	10,151	9,247	10,224	10,407	9,817	10,033	1,760	1,731
6. Steel	Thous. m. tons	4,539	3,326	2,183	1,128	1,913	2,139	2,830	3,973	4,192	4,301	4,485	4,371	3,447	2,188	1,496	1,760	1,731
7. Index of machine tool orders	1929=100	100	46.0	26.0	12.6	17.4	29.7	55.5	87.7	120.0	128.6	106.1	135.2	97.5	81.9	91.6	...	...
Building contracts awarded:																		
8. Residential	Million \$	159.6	91.8	67.6	23.3	20.8	20.7	39.9	66.8	75.5	78.4	63.0	65.6	65.5	59.9	43.9	...	...
9. Other	"	319.6	285.1	190.1	89.3	83.8	107.9	114.1	156.1	184.4	164.4	125.3	141.5	136.6	138.5	166.0	...	...
10. Private cars	Thousands	382	232	164	88	131	181	271	306	326	310	297	119	299	295	244	...	...
11. Commercial vehicles	"	64	38	35	20	29	48	58	65	72	70	67	53	31	65	82.0	...	...
12. Activity in textile industry	1929=100	100	79.1	81.7	72.2	84.3	73.9	90.4	97.4	96.5	107.8	109.6	93.9	79.1	69.6	67.0	...	...
13. Stocks of raw materials	"	100	106.0	116.7	120.7	122.1	120.7	94.0	86.2	88.6	93.3	85.2	98.0	117.5	131.5	131.5	...	...
14. Stocks of manufactures	"	100	102.5	65.0	86.7	85.9	90.9	86.7	85.0	91.5	92.5	91.7	91.7	94.1	95.0	95.0	...	...
TRADE AND TRANSPORT																		
15. Index of Rly. car loadings	"	100	86.8	70.7	52.8	54.7	58.5	59.4	67.9	74.7	75.5	77.4	73.6	71.7	67.0	63.2	...	...
16. Index of Dept. Store sales	"	100	91.9	82.9	62.2	60.3	67.6	71.2	79.2	83.6	83.8	85.6	84.7	83.8	82.0	81.1	...	...
17. Retained imports	Million \$	362	280	174	110	119	136	170	202	251	228.7	260.2	234.1	226.5	212.4	203.7	170.8	...
18. Domestic exports	"	430	315	198	131	137	175	187	202	275	219.1	229.7	239.5	329.8	311.2	315.3	289.4	...
EMPLOYMENT AND WAGES																		
19. Factory employment, F.R.B. (a)	1929=100	100	87.2	73.8	62.6	68.8	78.8	82.1	87.8	95.0	94.1	95.3	96.2	94.0	89.9	85.0	...	...
20. Pay rolls, F.R.B. (a)	"	100	81.1	61.8	42.6	45.3	57.7	65.7	75.3	89.8	83.1	87.8	91.8	91.8	82.0	74.1	...	...
21. Hourly earnings, N.I.C.B. (a)	"	100	100	96.4	84	83	99	102	105	...	110.2	110.8	124.0	124.0	124.1	123.8	...	...
22. Av. hours of work, N.I.C.B. (a)	Number	48.3	43.9	40.4	34.8	36.4	34.7	37.2	39.7	...	41.0	41.4	38.3	37.8	35.7	34.2	...	...
23. Number unemployed, A.F.L.	Thousands	1,864	4,770	8,738	13,182	13,723	12,364	12,208	...	...	...	...	...	...	...	...	...	...
PRICES																		
24. Cost of living, N.I.C.B. (a)	1929=100	100	96.2	87.2	77.9	74.9	79.4	82.6	84.8	88.4	86.8	87.1	89.3	89.4	85.9	88.5	87.4	...
25. Wholesale prices, D. of Lab.	"	100	90.7	76.6	68.0	69.3	78.7	83.9	84.8	90.6	90.1	90.6	91.7	89.5	87.4	85.7	...	...
26. " raw materials	"	100	86.5	67.3	56.5	57.9	70.4	79.1	82.0	86.9	90.4	90.5	96.6	82.8	79.2	77.3	...	...
27. " semi-manufactures	"	100	87.2	73.5	63.2	61.4	77.6	78.4	80.8	90.8	90.9	91.1	90.8	87.8	84.9	82.7	...	...
28. " finished goods	"	100	83.1	61.5	44.4	74.4	82.8	87.0	89.8	92.2	89.0	90.3	94.3	92.2	91.8	90.3	...	...
29. " Farm products	"	100	84.1	61.8	45.9	49.0	62.3	75.1	77.2	82.5	87.0	87.2	81.9	76.6	72.1	69.3	...	...
30. 351 Indus. securs., Stand. Stat	"	100	74.2	45.9	24.4	35.0	42.9	48.0	67.3	69.0	77.5	80.1	65.7	55.4	50.7	49.7	51.3	50.5
FINANCE																		
31. Total Res. Bank credit	Million \$	1,739	1,388	1,853	2,171	2,674	2,470	2,486	2,500	2,612	2,497	2,465	2,570	2,580	2,606	2,612	12,755	12,776
32. Gold stock	"	3,900	4,225	4,051	4,045	4,012	8,238	10,125	11,258	12,760	11,531	11,495	12,740	12,760	12,760	12,760	6,320	6,334
33. Money in circulation	"	4,578	4,603	5,360	5,388	5,539	5,826	5,882	6,542	6,553	6,542	6,553	6,561	6,550	6,550	6,550	6,320	6,334
34. Member Bank Res. Balances	"	2,355	2,471	1,981	2,509	2,729	2,906	2,887	6,096	7,027	6,781	6,895	7,014	6,928	6,962	7,027	...	...
35. Excess Reserves	"	-73	96	-33	578	859	1,814	2,484	1,984	1,212	2,152	2,078	1,038	1,055	1,169	1,212	...	...
Member Banks in 101 towns:																		
36. deposits and investments	"	...	...	...	...	...	20,895	22,931	...	...	22,330	22,600	22,187	21,889	21,556	21,484	...	...
37. deposits: Demand	"	...	19,112	18,640	15,985	14,965	11,383	11,419	13,888	15,571	14,431	15,493	15,501	14,864	14,610	14,431	14,464	14,381
38. " Time	"	...	13,070	13,654	11,453	10,527	4,790	4,781	4,911	5,067	5,205	5,077	5,167	5,293	5,273	5,234	5,225	5,260
39. Bank debits outside N. Y. City	"	...	26,901	23,113	17,119	12,819	13,288	15,701	16,176	23,238	...	20,363	17,920	18,642	18,160	20,825	17,597	14,589
40. Call money	"	...	7.61	2.94	1.74	2.05	1.16	1.0	0.56	0.91	1.0	1.0	1.0	1.0	1.0	1.0	...	...
41. Yield on Govt. bonds	"	...	3.60	3.28	3.31	3.66	3.31	3.10	2.69	2.47	2.57	2.29	2.31	2.67	2.65	2.60	2.54	...
42. Capital issues, C.F. Chronicle	Million \$	595	848	260	99	59	115	123	166	...	618	559	223	196	134	164	121	199
FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)																		
PRODUCTION																		
43. Industrial production S.G.F. (b)	1929=100	100	100.7	89.2	69.1	77.0	71.2	67.6	70.5	...	72.3	74.1	69.8	71.9	73.4	73.4	70.5	...
44. Coal	Thous. met. tons	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	3,623	3,710	3,673	4,044	4,072	4,180	3,613	...
45. Electricity, S.G.F. (a)	1929=100	100	98.2	93.2	88.2	96.7	98.8	101.7	104.2	...	105.9	108.4	112.6	111.8	116.8	117.7	...	...
46. Steel	Thous. met. tons	608	587	552	470	544	512	522	559	655	608	624	672	705	673	675	623	...
47. Building activity S.G.F. (a)	1929=100	100	111.4	101.6	81.3	74.0	66.7	55.3	52.0	...	40.1	42.5	41.4	45.6	44.7	44.7	39.8	41.4
TRADE AND TRANSPORT																		
48. Rly. car loadings, daily	Thous. cars	65.1	65.4	53.9	47.3	45.2	42.5	40.1	40.9	...	40.1	42.5	41.4	45.6	44.7	44.7	39.8	41.4
49. Imports	Mill. frs.	4,178	3,570	2,536	1,642	1,539	1,487	1,289	1,288	1,995	1,773	1,995	2,074	2,365	2,382	2,946	2,432	2,319
50. Exports	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
EMPLOYMENT AND WAGES																		
51. Unemployed in receipt of benefit	Thousands	0.9	2.5	56.1	273.4	276.0	345.0	426.9	432.1	350.5	426.1	410.2	305.3	319.2	332.8	365.5	403.8	412.4
52. Wage rates, Paris region	1929=100	100	106	105	100	102	102	101	116	...	...	...	...	...	...	...	...	...
PRICES																		
53. Wholesale, index of S.G.F. (a)	"	100	88.4	80.0	68.2	63.6	60.0	54.0	85.5	92.7	85.8	85.0	100.5	100.7	99.2	100.6	101.4	100.6
54. Cost of living, Paris	"	100	104.3	102.3	94.6	93.5	92.8	86.9	91.1	111.3	104.5	104.5	113.3	118.3	118.3	118.3	...	...
55. Industrial securities	"	100	84.6	58.1	47.0	44.8	35.4	36.3	39.4	43.8	52.0	51.6	40.1	41.2	40.3	38.6	38.1	38.2
FINANCE																		
56. Govt. revenue: imports indirects	Mill. frs.	35,496	33,912	33,048	28,980	28,560	27,420	26,244	26,670	...	29,546	31,763	22,054	25,346	27,763	30,640	34,243	...
57. Imports sur. lre revenues	"	10,592	10,716	10,068	7,428	6,348	5,944	5,088	5,705	...	5,977	6,250	3,591	4,448	5,838	6,815	7,130	...
58. Bank of France: Gold	"	41,668	53,578	68,864	83,017	77,098	82,124	66,296	60,349	58,933	57,359	57,359	55,805	55,805	58,932	58,933	58,933	55,807
59. " Notes in circulation	"	68,571	76,436	85,725	85,028	82,613	83,412	81,150	89,342	94,837	87,688	87,062	91,370	91,366	90,131	92,386	92,255	92,740
60. Commercial bank deposits	"	34,065	36,681	38,245	37,759	32,635	30,919	27,533	28,484	...	29,305	29,544	29,838	31,277	30,130	30,448	...	...
61. Bank checks, Paris	"	42,705	46,333	33,377	27,700	31,545	27,012	28,275	24,244	...	24,291	24,095	30,789	33,590	29,154	30,460	32,417	27,426
62. Interest rates: total	"	3.50	2.71	2.12	2.59	2.50	2.50	3.76	4.00	...	4	4	4	4	4	3	3	3
63. " Market discount	"	3.50	3.26	1.97	1.26	1.90	2.09	3.48	4.00	...	2.19	4.12	3.67	4.0	3.40	3.13	3.17	3.27
64. " 3% Renten	"	3.96	3.42	3.46	3.82	4.35	4.12	3.73	3.87	...	3.60	3.70	3.75	3.70	4.18	4.31	4.30	4.35
65. Capital issues	Mill. frs.	1,569	2,233	1,599	1,214	868	806	615	328	...	209	65	29	2,368	868	702	...	...
GERMANY (Population 1934: 66,382,000; Area: 470,714 sq. kms.)																		
PRODUCTION																		
66. Industrial production, I.K. ...	1929=100</																	

THE ECONOMIST TRADE SUPPLEMENT

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY TABLE.

Mar. 26,
1938

Commodity		Unit of Measurement	Monthly Average										1937		1937				1938	
			1929	1930	1931	1932	1933	1934	1935	1936	1937 (a)	Jan.	Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
COAL																				
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,199	2,207	2,323	2,473	2,467	2,365	2,332	2,593	2,481	2,582	2,582	...	...	
2. " France	"	4,482	4,490	4,187	3,858	3,907	3,969	3,851	3,769	3,693	3,623	3,710	3,673	4,044	4,073	4,151	4,151	3,613	...	
3. " Germany: Coal	"	13,829	11,992	9,837	8,728	9,141	10,405	11,191	11,191	11,319	15,376	14,869	14,298	15,634	16,113	15,988	16,242	15,309	...	
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	3,018	2,981	2,851	3,197	3,454	3,323	3,338	3,379	3,379	...	
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,477	19,349	20,421	19,892	20,114	20,749	20,699	21,547	21,474	21,168	...	...	
6. " U.S.A.	"	46,026	40,590	33,395	27,183	28,967	31,398	31,476	36,261	37,042	40,792	41,237	38,298	40,478	35,900	37,175	34,963	27,692	...	
7. " All Principal countries	"	107,219	98,662	86,062	76,435	79,688	87,503	89,335	97,910	105,125	104,426	105,911	109,907	105,272	106,669	106,669	106,669	...	...	
8. Price: Av. Br. expt. price	sh. per ton	16.08	16.67	16.17	16.25	16.08	16.04	16.29	16.98	18.57	17.09	17.30	19.43	19.35	19.46	19.6	20.24	20.76	...	
OIL																				
9. Production: Dutch East Indies	Th. metric tons	487	461	392	424	461	503	507	536	...	573	539	616	640	621	627	603	...	...	
10. " Mexico	"	356	492	411	408	422	475	501	511	...	632	586	513	653	629	646	...	...	...	
11. " Persia (Ang.-Ir. Oil)	"	462	593	487	543	544	579	577	628	...	691	582	932	933	922	881	...	...	...	
12. " Rumania	"	403	493	503	612	615	708	698	723	...	683	578	583	584	581	570	...	...	...	
13. " U.S.A.	"	11,509	10,290	9,714	8,970	10,347	10,375	11,388	12,550	14,597	13,513	12,774	15,078	15,206	14,287	14,612	14,533	...	...	
14. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,788	2,013	1,989	2,193	...	2,123	1,817	2,285	2,414	2,321	2,410	...	...	...	
15. " All Principal countries	"	17,082	16,293	15,796	15,004	16,465	17,396	18,768	20,483	...	21,259	20,358	24,223	24,783	23,273	24,001	...	...	...	
16. Stocks: U.S.A. end year	million barrels	422	412	371	340	354	337	315	288	...	287	293	310	308	306	305	...	...	...	
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	115.2	107.0	116.0	116.0	116.0	116.0	116.0	116.0	116.0	...	
CRUDE STEEL																				
18. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	322	285	289	353	354	315	266	229	...	...	
19. " France	"	8.8	787	652	470	544	514	523	559	655	608	624	672	705	673	673	623	...	...	
20. " Germany, inc. Saar	"	1,354	962	691	481	632	900	1,371	1,601	1,654	1,534	1,520	1,690	1,714	1,791	1,765	1,812	...	...	
21. " Japan ex. castings	"	191	191	157	209	267	325	375	419	...	458	442	...	...	...	...	...	...	...	
22. " Luxembourg	"	225	199	170	183	154	181	153	165	209	205	203	214	198	178	160	132	111	...	
23. " U.K.	"	818	620	438	445	595	750	833	960	1,098	1,015	1,012	1,182	1,152	1,167	1,122	1,099	1,075	...	
24. " U.S.A. ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,330	3,933	4,192	4,811	4,485	4,371	3,447	2,188	1,496	1,760	...	...	
25. " U.S.S.R.	"	407	483	451	490	571	800	1,034	1,362	...	1,469	1,287	1,458	1,626	1,528	1,575	1,490	...	...	
26. " All Principal countries	"	9,714	7,660	5,615	4,113	5,510	6,638	7,983	9,970	...	11,095	10,549	11,183	10,514	9,156	8,330	...	...	...	
27. Price: Pig iron Cleveland No. 3	£ per ton	3.53	3.35	2.91	2.91	3.13	3.35	3.39	3.70	4.67	4.05	4.05	5.05	5.05	5.28	5.3	5.45	5.45	...	
GOLD																				
28. Production: Union of S. Africa	Thous. fine ozs.	868	893	907	963	918	873	893	945	978	981	924	976	987	979	991	988	...	...	
29. " U.S.S.R.	"	90	120	146	163	221	317	375	450	500	...	...	...	...	...	...	...	...	...	
30. " Canada	"	161	175	225	254	246	248	274	310	338	329	310	348	359	353	362	...	...	...	
31. " U.S.A.	"	171	175	185	185	190	229	264	313	341	...	...	...	...	...	...	...	...	...	
32. " World (b)	"	1,632	1,736	1,867	2,025	2,112	2,275	2,465	2,752	2,958	...	...	...	...	...	...	...	...	...	
33. Price: London, per fine ounce	sh.	84.9	85.0	92.5	118.0	124.9	137.6	142.1	140.3	140.7	141.89	142.11	140.20	140.52	140.09	139.8	139.6	139.75	...	
WHEAT																				
34. World shipments, yr. ended July	Mins. of bushels	77	83	69	67	53	46	43	42	50	63	61	39	48	...	...	...	...	...	
35. Stocks: World visible supplies (d)	sh. per cwt.	370.1	411.9	462.7	408.2	459.7	477.2	339.5	275.1	229.5	336.5	316.8	312.0	294.4	305.4	340.4	326.5	...	...	
36. Average British import price	"	10.33	8.22	5.09	6.15	5.52	5.38	6.02	7.53	9.28	7.93	9.39	10.33	10.23	10.09	9.78	9.76	9.83	...	
COTTON																				
37. Mill consumption: U.K.	Thousands of actual bales	233	205	164	182	187	206	209	228	...	233	233	...	...	...	...	...	...	...	
38. " Japan	"	231	250	214	231	242	271	311	304	...	324	324	...	...	...	...	...	...	...	
39. " U.S.A.	"	586	505	437	404	509	472	443	527	...	641	641	...	...	...	...	...	...	...	
40. " World	"	2,157	2,101	1,874	1,860	2,029	2,093	2,035	2,116	...	2,389	2,389	...	...	...	...	...	...	...	
41. Stocks: World Visible Supplies (d)	Thousand bales d. per lb.	2,736	4,317	6,593	7,882	7,510	6,571	3,983	4,297	3,875	7,495	7,087	5,990	7,906	8,508	7,965	8,773	8,665	...	
42. Price: Mid. American	"	10.33	7.46	5.08	5.25	5.54	6.67	6.70	6.69	6.37	7.18	7.30	5.36	4.84	4.59	4.78	4.94	...	...	
SUGAR																				
43. Stocks: World visible supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,168	2,983	2,816	5,071	5,351	2,816	4,002	5,981	6,081	9.47	9.53	...	
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	8.62	7.97	8.38	8.52	9.2	9.95	9.09	9.47	9.53	...	

GROUP II (b).—BI-MONTHLY TABLE

COPPER		MONTHLY INDEX																		
1. Production: Belgian Congo ...	Th. metric tons	11.3	11.4	10.0	4.5	5.6	10.8	12.1	8.1	12.0	...	...	...	...	...	...	...	...	11.0	11.0
2. (Smelter) Canada	"	6.1	8.5	9.2	8.0	9.9	12.7	14.7	15.7	17.2	17.0	17.4	...	...	...	...	...	...	17.5	17.0
3. " Chile	"	25.3	17.3	18.0	8.1	13.1	20.6	21.6	20.4	33.1	34.3	34.5	31.0	31.5	29.5	29.0	...	...	31.0	31.0
4. " N. Rhodesia	"	0.5	0.5	0.8	5.8	8.8	11.7	12.2	12.1	17.6	14.9	18.0	13.1	21.1	17.1	16.0	...	...	17.2	17.0
5. " U.S.A.	"	83.2	60.8	44.8	23.2	18.9	27.3	38.3	55.4	72.8	68.2	65.3	76.0	73.8	63.4	55.6	...	...	63.9	53.9
6. " World	"	157.9	131.5	114.9	77.6	86.6	98.4	115.6	128.5	171.3	166.7	168.3	178.5	178.7	162.2	150.8	...	...	158.1	146.4
7. Consumption: World	"	146.8	120.0	103.5	75.5	89.1	100.8	121.2	135.5	163.3	163.3	163.3	178.5	178.7	162.2	150.8	...	...	158.1	146.4
8. Stocks: U.K.	"	6.6	7.8	21.7	37.3	32.8	56.9	88.7	47.0	32.0	43.5	36.1	25.3	25.6	28.1	32.0	...	...	33.0	31.2
9. (Rounded) Stocks: World	"	423.0	547.1	692.7	724.5	634.2	532.6	440.3	320.4	428.0	304.9	297.7	312.7	316.8	375.4	428.0	...	...	459.0	480.6
10. Price: Std. cash, London	£ per ton	75.48	54.54	38.31	31.71	32.57	30.32	31.91	38.48	54.53	51.54	59.28	53.03	45.44	39.32	39.98	...	...	41.43	39.69
LEAD																				
11. Production: Australia	Th. metric tons	15.0	14.3	12.7	15.8	17.4	16.9	18.2	16.6	19.0	17.6	17.6	19.3	19.1	19.9	20.1	...	...	17.7	...
12. (Smelter) Canada	"	11.5	11.5	10.5	9.6	9.6	11.9	12.4	13.7	15.0	15.5	14.1	15.4	16.1	15.6	16.1	...	...	16.1	...
13. " Germany	"	8.2	9.2	8.4	7.9	9.7	10.0	10.2	12.0	13.8	14.5	13.6	14.5	13.6	14.5	13.6	...	...	14.5	...
14. " Mexico	"	19.2	19.3	17.3	10.9	10.0	14.0	15.1	17.5	18.6	19.5	17.6	17.9	19.2	19.3	18.8	...	...	19.1	...
15. " Spain	"	11.1	10.1	9.1	8.8	7.8	6.1	5.9	3.9	...	...	...	...	...	...	...	...	...	...	...
16. " U.S.A.	"	54.1	46.4	31.4	21.1	20.3	24.2	24.8	32.7	37.6	37.4	31.7	34.5	40.9	38.9	43.0	...	...	34.2	...
17. " World	"	145.0	137.2	113.3	95.9	96.6	110.3	114.2	121.3	137.8	134.9	121.9	136.2	140.7	144.1	147.7	...	...	137.3	...
18. Stocks: U.K.	"	2.0	8.5	13.3	20.6	29.7	19.7	7.1	6.2	7.0	6.4	7.1	7.0	9.9	7.1	7.0	...	...	8.2	...
19. " U.S.A.	"	93.3	68.4	55.5	15.9	18.4	21.0	20.6	15.9	117.0	130.3	121.3	130.3	98.2	103.0	107.6	...	...	117.6	...
20. Price: "Std. Foreign," London	£ per ton	23.25	18.05	13.02	11.01	11.68	10.95	14.25	17.60	23.33	27.27	28.33	20.99	18.27	16.5	15.9	...	...	16.17	...
SPELTER																				
21. Production: Holland	Th. metric tons	2.1	2.1	1.6	1.3	1.5	1.7	1.1	1.3	...	...	...	20.5	18.3	21.1	22.6	...	...	22.1	...
22. (Smelter) Belgium	"	16.8	12.7	11.0	8.0	11.4	14.6	15.3	16.8	...	...	...	...	...	...	...	...	...	...	...
23. " Canada	"	1.0	0.2	0.9	6.5	7.0	10.3	11.3	11.4	...	...	...	10.6	9.5	15.8	16.7	...	...	16.8	...
24. " Mexico	"	1.8	2.6	2.9	2.5	2.2	2.4	2.7	2.7	...	...	...	...	...	...	...	...	...	...	...
25. " Germany	"	3.8	3.8	3.9	4.6	6.1	10.4	10.4	10.4	13.6	13.2	12.3	13.7	14.2	13.9	14.4	...	...	14.1	...
26. " Poland	"	14.1	14.0	10.9	7.0	6.9	7.7	7.1	7.7	8.9	8.6	7.5	8.0	9.5	9.0	9.2	...	...	8.8	...
27. " Australia	"	4.7	4.7	4.6	4.5	4.6	4.6	5.7	5.8	...	...	...	11.3	9.9	11.0	11.4	...	...	11.4	...
28. " U.K.	"	47.8	44.1	1.8	2.3	3.5	4.3	5.4	5.5	...	...	...	...	...	...	...	...	...	...	...
29. " U.S.A.	"	47.8	44.1	2.2	15.7	23.2	27.5	31.8	39.6	44.6	46.9	43.7	45.4	47.8	44.8	47.0	...	...	44.2	...
30. " World	"	121.0	110.7	83.4	65.3	82.2	97.7	111.2	124.6	137.7	123.6	113.4	134.4	145.2	140.6	145.7	...	...	142.9	...
31. Stocks: U.K.	"	1.0	1.0	1.3	2.0	2.0	2.2	17.2	20.2	17.9	17.7	20.2	16.4	21.2	20.2	20.2	...	...	19.8	...
32. " U.S.A.	"	117.7	117.7	113.2	95.7	108.7	78.9	82.3	101.0	88.3	91.0	88.3	123.3	123.3	123.3	123.3	...	...	123.3	...
33. Price: G.O.B., London	£ per ton	21.88	16.34	12.45	13.58	15.88	13.87	14.08	14.90	22.25	21.15	25.12	21.4	17.7	15.8	15.3	...	...	14.98	...
TIN																				
34. Production: Bolivia	"	3,862	3,179	2,562	1,715	1,227	1,719	2,264	2,066	2,085	1,734	1,728	2,338	2,101	2,596	2,802	...	...	2,758	...
35. (Exports) Dutch E.I.	"	2,670	2,290	2,290	1,307	1,101	1,557	2,060	2,629	3,315	2,419	2,389	3,075	3,304	3,161	3,631	...	...	1,376	...
36. " Canada	"	354	356	414	464	592	545	674	748	774	968	832	917	550	850	850	...	...	850	...
37. " Belgian Congo	"	27	185	384	384	384	540	636	774	115	231	888	2,055	2,055	2,055	2,055	...	...	782	...
38. " British Malaya	"	5,781	5,361	4,576	2,479	2,073	2,838	3,870	3,870	6,463	5,867	5,867	8,445	5,248	5,886	5,886	...	...	5,026	...
39. " Nigeria	"	895	724	602	355	314	416	586	794	870	156	825	715	915	994	1,035	...	...	1,035	...
40. " Sum	"	828	922	1,037	772	860	882	815	1,056	1,365	1,458	1,222	1,370	1,391	1,176	1,944	...	...	1,136	...
41. " World	"	15,582	14,251	12,367	8,267	7,583	9,600	12,558	15,003	17,242	14,400	13,900	19,490	16,690	16,890	27,000	...	...	...	...
42. Quota: 1937	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
43. " countries	% of std. quantity	...	67.7	42.8	32.6	45.0	58.8	92.8	107.5	100.0	100.0	110	110	110	110	110	...	...	70.0	70.0
44. Consumption: U.K.	tons	2,518	1,883	1,745	1,542	1,484	1,758	1,826	1,832	1,951	1,800	1,800	1,900	1,880	2,701	2,351	...	...	1,016	...
45. " U.S.A.	"	7,298	6,385	5,297	2,938	2,899	3,633	5,191	6,324	7,222	8,115	7,783	8,489	8,480	2,216	1,619	...	...	...	...
46. " World	"	14,834	13,430	11,823	8,758	11,012	10,258	12,442	13,192	16,442	15,900	15,700	18,390	18,000	15,000	16,500	...	...	...	...
46. Stocks: World Used to supply	"	32,449	46,453	59,247	55,903	29,185	17,107	13,441	22,605	25,711	24,922	22,756	22,032	21,828	23,227	21,751	...	...	21,967	...
47. " (Ratio to annual cons.)	%	17.7	27.7	41.8	54.2	22.2	13.9	9.3	14.1	13.0	15.3	13.7	12.4	12.1	12.8	14.2	...	...	12.8	...
48. Price: Std. cash, London	£ per ton	203.9	141.8	118.6	136.0	194.8	230.4	225.7	204.6	243.2	229.5	234.0	259.1	224.0	190.0	190.6	...	...	183.8	...